

## **312 CHILDREN'S REHABILITATIVE SERVICES PROGRAM RECONCILIATION**

EFFECTIVE DATE: 10/1/2018

REFERENCES: A.R.S. §36-2905, 9 A.A.C. 22 Article 1, ACOM Policy 325, ACOM Policy 412,

Patient Protection and Affordable Care Act Section 9010, AHCCCS Financial Reporting Guide for the Children's Rehabilitative Services (CRS) Contractor

This policy applies to the Division's Administrative Services Subcontractors (AdSS).

The Children's Rehabilitative Services (CRS) Program Reconciliation is based on adjudicated medical expense and net capitation as described in this Policy. The Division will recoup/reimburse a percentage of the AdSS's profit or loss for the CRS program as described below. All profit/loss sharing is based on adjudicated encounter data and subcapitated/block purchase expense reports. This reconciliation is performed annually on a contract year basis.

### **Definitions**

- A. Administrative Component – an amount equal to the administrative. Per member Per Month (PMPM) awarded to the AdSS, including any administrative adjustments deemed necessary by the Division during the capitation rate setting process, multiplied by the actual member months for the contract year being reconciled.
- B. Access to Professional Services Initiative (APSI) - effective October 1, 2017 and forward, is an initiative where AHCCCS seeks to provide enhanced support to certain professionals in order to (1) preserve and enhance access to these professionals who deliver essential services to Medicaid recipients in Arizona and (2) support professionals who are critical to professional training and education efforts. APSI is a program to preserve and promote access to medical services through a uniform percentage increase to the Division's rates for professional services provided by qualified physicians and non-physician professional affiliated with designated hospitals who meet the definition outlines in ACOM Policy 325.
- C. Health Insurer Fee Capitation Adjustment - an amount equal to the capitation adjustment for the year being reconciled that accounts for the AdSS's liability for the excise tax imposed by section 9010 of the Patient Protection and Affordable Care Act and the premium tax and any other state or federal taxes associated with that portion of the capitation rate.
- D. Medical Expense - expenses reported through fully adjudicated encounters and subcapitated/block purchase expenses incurred by the AdSS for covered services with dates of service during the contract year. This will exclude APSI expenses.
- E. Net Capitation - capitation less the administrative component, the health insurer fee capitation adjustment, APSI capitation, and the premium tax component.
- F. Premium Tax Component - is equal to the tax imposed pursuant to A.R.S. §36-2905 for all payments made to the AdSS for the contract year.
- G. Prior Period Coverage (PPC) - period of time prior to the member's enrollment, during which a member is eligible for covered services. The timeframe is from the

effective date of eligibility (usually the first day of the month of application) until the date the member is enrolled with the AdSS. Refer to 9 A.A.C. 22 Article 1. If a member made eligible via the Hospital Presumptive Eligibility (HPE) program is subsequently determined eligible for AHCCCS via the full application process, prior period coverage for the member will be covered by AHCCCS fee for service and the member will be enrolled with the AdSS only on a prospective basis.

- H. Reinsurance - for purposes of this reconciliation, the actual reinsurance payments received by the AdSS as the result of medical expense incurred by the AdSS for covered services with dates of service during the contract year being reconciled.
- I. Subcapitated/Block Purchase Expenses - expenses incurred by the AdSS as payments to a provider under a subcapitated or block purchase arrangement. The subcapitated/block purchase expenses used in this reconciliation are reported by the AdSS through quarterly financial reports in the format required by the Division.
- J. Reconciliation Population - all CRS members, except State Only Transplant members, subject to this reconciliation.

**General**

The CRS reconciliation must be based on net capitation less medical expense plus reinsurance payments. The amount due from, or due to, the AdSS as the result of this reconciliation will be based on aggregated profits and losses across the reconciliation population. The enhanced portion of a payment for Primary Care Enhanced Payment (PCP Parity) that is subject to Division cost settlement will not be included in the reconciliation; the non-enhanced portion of the payment will be included in the reconciliation. The enhanced portion of a payment for APSI that is subject to a unique reconciliation as outlined in ACOM 325 will also be excluded from this reconciliation.

The reconciliation will limit the AdSS's profits and losses to the percent of net capitation according to the following schedule, per contract year as noted:

Profit	AdSS Share	State Share	Max AdSS	Cumulative AdSS Profit
<= 1%	100%	0%	1%	1%
> 1%	0%	100%	0%	1%

Loss	AdSS Share	State Share	Max AdSS	Cumulative AdSS Loss
<= 1%	100%	0%	1%	1%
> 1%	0%	100%	0%	1%

Profits in excess of the percentages set forth above will be recouped by the Division. Losses in excess of the percentages set forth above will be paid to the AdSS.

### **Division Responsibilities**

- A. No sooner than six months after the end of the period to be reconciled, the Division will perform an initial reconciliation of actual medical cost experience to net capitation and reinsurance, as follows:
- Profit/Loss to be reconciled = Net Capitation – Medical Expense – Subcapitated Expense/Block Purchase Expenses + Reinsurance payments.
- Profit/Loss % = Profit/Loss to be reconciled divided by Net Capitation.
- B. The Division will use only medical expense supported by fully adjudicated encounters and subcapitated/block purchase expenses reported by the AdSS to determine the expense subject to reconciliation. The enhanced portion of a payment for PCP Parity that is subject to Division cost settlement will not be included in the reconciliation; the non-enhanced portion of the payment will be included in the reconciliation.
- C. The Division will use amounts paid to the AdSS for reinsurance as of the date the reconciliation is processed to determine profit/loss to be reconciled.
- D. The Division will compare fully adjudicated encounters and self-reported subcapitated/ block purchase expense information to financial statements and other AdSS submitted files for reasonableness. The Division may perform an audit of self-reported subcapitated or block purchase expenses included in the reconciliation.
- E. The Division will provide the AdSS the data used for the initial reconciliation and provide written notice of the deadlines for review and comment by the AdSS. Upon completion of the review period, the Division will evaluate AdSS comments and make any adjustments to the data or reconciliation as warranted. The Division may then process partial distributions/recoupments through future monthly capitation payments.
- F. A final reconciliation will be performed no sooner than 15 months after the end of the period to be reconciled. This will allow for completion of the claims lag, encounter reporting and reinsurance payments. The Division will provide the AdSS the data used for the final reconciliation and written notice of the deadline for review and comment by the AdSS. Upon completion of the review period, the Division will evaluate AdSS comments and make any adjustments to the data or reconciliation as warranted. Any amount due to or due from the AdSS as a result of the final reconciliation that was not distributed or recouped as part of the initial reconciliation will be paid or recouped through a future monthly capitation payment.
- G. The Division may include adjustments to the reconciliations to account for completion factors.

### **AdSS Responsibilities**

- A. The AdSS must submit encounters for prospective medical expense and those encounters must reach fully adjudicated status by the required due dates. The Division will only use fully adjudicated encounters reported by the AdSS to determine the medical expense used in the reconciliation.
- B. The AdSS must maintain financial statements that separately identify all CRS transactions, and must submit such statements as required by contract and in the format specified in the AHCCCS Financial Reporting Guide for the Children's Rehabilitative Services (CRS) Contractor.
- C. The AdSS must monitor the estimated CRS program reconciliation receivable/payable and record appropriate accruals on all financial statements submitted to the Division on a quarterly basis as specified in the AHCCCS Financial Reporting Guide for the Children's Rehabilitative Services (CRS) Contractor.
- D. It is the AdSS's responsibility to identify to the Division any encounter data issues or necessary adjustments associated with the initial reconciliation by the deadlines for review and comment. It is also the responsibility of the AdSS to have any identified encounter data issues corrected and adjudicated no later than 15 months from the end of the period being reconciled. The Division will not consider any data submitted for reconciliations by the AdSS after these timeframes. Any encounter data issues identified that are the result of an error by the Division will be corrected prior to the final reconciliation.
- E. The AdSS must submit any additional data as requested by the Division for reconciliation purposes (e.g. encounter detail file, reinsurance payments).
- F. The AdSS must report all subcapitated/block purchase expenses in a format requested by the Division. Subcapitated and block purchase encounters should have a CN 1 code of 05 and a paid amount of \$0 for all non-PCP rate parity encounters. All subcapitated encounters that have a health plan paid amount greater than \$0 will be excluded from the reconciliation expenditures. This includes all subcapitated amounts greater than \$0 for PCP Rate Parity that are subject to Division cost settlement.
- G. If the AdSS performs recoupments/refunds/recoveries on the related claims, the related encounters must be adjusted (voided or void/replaced) pursuant to ACOM Policy 412. The Division reserves the right to adjust any previously issued reconciliation results for the impact of the revised encounters and recoup any amounts due to the Division. If the AdSS does not submit the revised encounters within the required timeframe, the Division may recoup the estimated impact on the reconciliation and reserves the right to sanction the AdSS.