The Non-Benefit Bid Submission Workbook Template, RFP Section I, Exhibit H2, must be utilized by Offerors to submit its Non-Benefit Costs Bid. The Workbook contains six tabs; five tabs are for the Underwriting Margin cost component and Administrative Cost (Excluding Case Management Compensation) component bids, each of the first five tabs is applicable to a defined member month range (i.e., membership tier), and the sixth tab is for the Case Management Compensation cost component bid. The Workbook uses the following color coding: Pink cells are input fields for values submitted by the Offeror, Blue are formula driven cells, and Green cells are AHCCCS provided values. A single completed Workbook must be submitted by Offerors with its proposal. To supplement the Workbook, Offerors must also submit an actuarial certification of their Non-Benefit Costs bids.

Each cost may be reported in only one account unless a cost must reasonably be prorated among accounts. Shared expenses, including management fees and expenses benefiting multiple contracts or lines of business, shall be allocated using a reasonable and documented methodology.

Actuarial Certification

The Offeror's actuarial certification must describe the development (data, assumptions, and methodologies) of the Non-Benefit Costs Bids (Underwriting Margin, Administrative Cost (Excluding Case Management Compensation), and Case Management Compensation) in enough detail so an actuary applying generally accepted actuarial principles and practices can identify each type of non-benefit cost bid and evaluate the reasonableness of the cost assumptions underlying each expense in accordance with 42 CFR 438.7(b)(3). The Offeror's certification must provide enough information "to allow AHCCCS and its certifying actuary to support AHCCCS's rate certification under 42 CFR 438.7(b)(3)." Further guidance on expected documentation can be found in the 2026-2027 Medicaid Managed Care Rate Development Guide, Actuarial Standards of Practice No. 41 Actuarial Communications and No. 49 Medicaid Managed Care Capitation Rate Development and Certification.

Underwriting Margin Cost Component Bid Information

For the Underwriting Margin cost component, AHCCCS allows the Offerors to bid Underwriting Margin value(s) greater than zero (0) percent and less than or equal to one and a half (1.5) percent for each of the first three years of the Contract. It is AHCCCS' intent to use the Underwriting Margin bids in capitation rate development. AHCCCS will evaluate the Underwriting Margin bids annually to ensure the underwriting margin cost components of the capitation rates for each year of the Contract are in compliance with the Medicaid Managed Care Rules and Rate Setting Guidelines. The SOA Medicaid Underwriting Margin research and model available on the Society of Actuaries website may be of use for Offerors in the development of the Underwriting Margin cost component. Offerors should be aware that AHCCCS offers significant protection to its managed care organization (MCO) partners via mechanisms like reinsurance (refer to Section F - Reinsurance and Share of Cost Information in the Data Supplement) and profit/loss reconciliations (refer to Section B - Capitation Rate Development Information in the Data Supplement). Additionally, AHCCCS has a mechanism for ensuring capitation rates include the appropriate amount of premium tax for the Contractor, therefore the Offeror must exclude impacts of premium tax from its Underwriting Margin cost component bid.

Administrative Cost (Excluding Case Management Compensation) Component Bid Information

The Offeror's Administrative Cost (Excluding Case Management Compensation) component bid must meet the requirements of 42 CFR 438.5(e), except that the Offeror must exclude any potential start-up expenses, anticipated sanctions, or bad debt from its bid (AHCCCS does not reimburse start-up costs, sanctions, or bad debt expenses). The Offeror must exclude Case Management Compensation from its Administrative Cost component bid as Case Management Compensation is being bid separately. If the Offeror's Administrative Cost bid includes a management fee, the management fee must be appropriately allocated into the categories shown in the Pink cells.

Offerors must detail their Administrative Costs bid by the line items provided in the Workbook Template (listed in the table below) and utilize the *Other Administrative Expenses* line only when no other line applies (Other Administrative Costs must be no more than five percent of the total administrative cost amount). Additionally, AHCCCS has a mechanism for ensuring capitation rates include the appropriate amount of premium tax for the Contractor, therefore the Offeror must exclude premium tax from the Offeror's administrative cost component bid.

Offerors must bid amounts on each membership tier tab. The five membership tiers are: 0-79,999 member months, 80,000-104,999 member months, 105,000-129,999 member months, 130,000-154,999 member months, and 155,000+ member months. In the initial year of the Contract, AHCCCS intends to determine the appropriate membership tier for each Successful Offeror based on projected membership after initial member assignment and member choice. A similar process will be employed in years two and three of the Contract based on projected membership for each Contractor for the year.

The administrative expenses will be allocated between the Duals and Non-Duals risk groups by AHCCCS during the capitation rate development process. AHCCCS will evaluate the Administrative Cost Component bids each year to ensure the administrative cost components of the capitation rates for each year of the Contract are in compliance with the Medicaid Managed Care Rules and Rate Setting Guidelines.

Refer to **Appendix 1** in this document for definitions of each of the line items listed in the Workbook tabs.

Administrative Costs Bid Table Layout (numbers are for demonstration purposes only)

ALTCS E/PD Administrative Costs (Excluding Case Management Compensation) Bid		
	Year #	
Short Description	Variable Cost **PMPM**	Fixed Cost Total **Dollars**
Compensation	$0.50	$2,000,000.00
Compensation - Case Management (Case Manager Compensation tab)		
Care Management/Care Coordination		$500,000.00
Care Management/Care Coordination (HCQI Activities)	$1.50	
Travel	$0.75	
Claims and Referral/Authorization Processing		
Network Development and Provider Credentialing Costs		
Utilization Management and Review		
Member Services		
Information Systems		
Additional Direct Costs		
Pharmacy Benefit Manager Expenses		
Pharmacy Benefit Manager Retained Rebates		$100,000.00
Other Pharmacy Benefit Manager Expenses		
Miscellaneous Third Party Activities		
Sub Capitation Block Administrative		
Professional and Outside Services		
Health Care Quality Improvement (HCQI)		
Program Integrity Fraud, Waste and Abuse Prevention Expenses		
Fraud Reduction Expenses		
Interpretation/Translation Services		
Other Administrative Expenses	$0.50	
Total Administrative Costs	$3.25	$2,600,000.00

Member Months Assumed in Bid		80,000

Case Management Compensation Cost Component Bid Information

The Offeror's Case Management Compensation cost component bid must meet the requirements of 42 CFR 438.5(e). The percentage of members in each of the geographic location types are provided by AHCCCS and are based on enrollment numbers as of June 2026; these percentages cannot be changed by the Offerors. AHCCCS is providing the geographic location types in case the Offeror anticipates different average compensation based on market needs. If the Offeror bids different average compensation by geographic location, AHCCCS will adjust for this when developing capitation rates after awards have been set and final distribution of membership is known.

Refer to YH27-0001 Contract Section D Program Requirements, Paragraph 17 Case Management for additional information on case load ratios and the AHCCCS Contractor Case Management Caseload Ratio Geographies Guide located in the YH27-0001 – ALTCS E/PD Bidders' Library.

AHCCCS intends to use the average case manager compensation and average case management supervisor compensation reported in the "Case Manager Compensation" tab of the Non-Benefit Costs Bid Submission Workbook Template as the basis of the development of the case management cost components of the capitation rates for each of the awarded Contractors. AHCCCS will evaluate Case Management Compensation bids and set case management cost components of the capitation rates for each year of the Contract in compliance with the Medicaid Managed Care Rules and Rate Setting Guidelines.

Appendix 1

ACCOUNT #	ACCOUNT NAME	INCLUDE	EXCLUDE
01	Compensation	All forms of compensation, including employee benefits and taxes, to administrative personnel. This includes medical director compensation, whether on salary or contract.	Case management compensation.
CM Compensation	Compensation – Case Management (Case Manager Compensation tab)	All forms of compensation, including employee benefits and taxes, to case management personnel. Average compensation, including employee benefits and taxes, for case managers and case manager supervisors is to be reported in the Case Manager Compensation tab in the Workbook. For purposes of this Exhibit, 'Case Management Compensation' refers only to compensation, benefits, and payroll taxes for personnel performing ALTCS case management functions described in Contract Section D and applicable ALTCS case management requirements. 'Care Management/Care Coordination' refers to Contractor-level administrative care management functions described in AMPM Policy 1021 and does not include compensation reported on the Case Manager Compensation tab. For avoidance of doubt, Offerors shall not include in any Non-Benefit Costs Bid the premium tax imposed under ARS 36-2944.01; AHCCCS will account for that statutory premium tax separately in capitation rate development.	Case management expenses delivered by a provider.
03	Care Management/ Care Coordination	Care Managers expenses incurred for activities performed as defined in Contract and AMPM Policy 1021. These expenses must be separately identified for capitation rate setting purposes. Do not report these expenses under other administrative expense lines.	Case management compensation.

ACCOUNT #	ACCOUNT NAME	INCLUDE	EXCLUDE
04	Care Management/ Care Coordination (HCQI) Activities	Care Management/Care Coordination expenses that qualify as Health Care Quality Improvement (HCQI) activities. Do not report these expenses under 03 or other administrative expense lines. Anything that is related to cost containment cannot be counted as HCQI.	Care management expenses that are non-claims costs.
05	Travel	Expenses for transportation, meals, lodging and other travel-related expenses incurred by employees who are in travel status on official business, including case manager travel.	
06	Claims and Referral/ Authorization Processing	Both MCO and third-party vendor expenses related to the processing and authorization of provider payments.	
07	Network Development and Provider Credentialing Costs	Both MCO and third-party vendor expenses related to network development, contracting, provider education, and provider credentialing.	
08	Utilization Management and Review	Both MCO and third-party vendor expenses related to utilization review and management activities.	
09	Member Services	Both MCO and third-party vendor expenses related to member services, member support, grievance, and appeals.	
10	Information Systems	Both MCO and third-party vendor expenses related to information and data systems and communications.	Expenses related to interpretation, sign language, or translation services. Report these expenses under Account 21 – Interpretation/ Translation Services.

ACCOUNT #	ACCOUNT NAME	INCLUDE	EXCLUDE
11	Additional Direct Costs	Occupancy - Occupancy expenses incurred, such as rent and utilities, on facilities that are not used to deliver health care services to members. Depreciation - Depreciation and amortization on those assets that are not used to deliver health care services to members. Office Supplies and Equipment - Expenses for office supplies and equipment used for normal business operations. Repair and Maintenance - Expenses incurred to restore an asset to a previous operating condition or to keep an asset in its current operating condition. Bank Service Charge - Any charges and fees assessed by the bank. Insurance - Expenses related to insurance. Marketing - Expenses related to any form of exchange whereby the intent is to promote or increase the membership of the Contractor. Interest Expense - Interest expense incurred on outstanding debt and interest paid to providers on late claims during the period. Interest income and interest expense should not be netted together.	Costs associated with administering, preparing, submitting, or reconciling AHCCCS reinsurance recovery requests shall be reported in Account 22. Reinsurance recoveries themselves shall not be reported as administrative expenses.

ACCOUNT #	ACCOUNT NAME	INCLUDE	EXCLUDE
12	Pharmacy Benefit Manager Expenses	Discrete administrative fee expenses for pharmacy network development/ management, pharmacy discount negotiating, drug utilization management/review, coordination of specialty drugs, pharmacy claims processing, pharmacy call center operations, reporting and other PBM-related costs that are not reported in the two below PBM categories. Arizona does not allow "spread pricing" reimbursement for PBMs. Refer to Contract Section D Program Requirements, Paragraph 33 Subcontracts for additional information.	"Spread pricing" - Expenses related to the difference between the amount the MCO pays the PBM and the amount the PBM reimburses the pharmacy for prescriptions.
13	Pharmacy Benefit Manager Retained Rebates	Expenses related to the difference between the amount in rebates the PBM receives and the amount in rebates the PBM remits to the MCO. For PBM retained rebates, Offerors shall report the retained rebate amount in the manner required by the Workbook, and shall not double count the amount as both a claims offset and an administrative expense. Offerors shall describe in the actuarial certification whether the amount is reported as a positive retained-rebate amount, a negative expense/offset, or another AHCCCS-specified treatment.	
14	Other Pharmacy Benefit Manager Expenses	Pharmacy Benefit Manager expenses not specifically identified in the categories above.	"Spread pricing" - Expenses related to the difference between the amount the MCO pays the PBM and the amount the PBM reimburses the pharmacy for prescriptions.
15	Miscellaneous Third Party Activities	Expenses not reported elsewhere for third party vendors.	

ACCOUNT #	ACCOUNT NAME	INCLUDE	EXCLUDE
16	Sub Capitation/ Block Payment Administrative	Amounts for professional or administrative services that do not represent compensation or reimbursement for the direct provision of Medicaid covered services provided to a Medicaid enrollee that are paid to a provider/ subcontractor. Costs paid for professional or administrative services to subcontractors related to delegated managed care activities and associated reporting requirements unless the activities are quality improvement activities which would be reported in account 18 Health Care Quality Improvement (HCQI). Delegated managed care activities associated with APM contracts should be reported as Sub Capitation Block Administration not as Performance Based Payments in the medical Account titled Alternative Payment Model Performance Based Payments to Providers. Other examples of administrative functions/delegated managed care activities CMS considers non-claims cost include, but are not limited to: Amounts paid under a sub capitated arrangement for secondary network savings; Network development; Claims processing including pharmacy claims; Utilization review/management; Eligibility and coverage verification; Fines and Penalties; Professional service or Administrative services that do not represent compensation or reimbursement for State Plan services; Activities designed primarily to control or contain costs; Expenses allocated to non-Medicaid lines of business; Provider credentialing; Marketing expenses; Costs associated with administering enrollee incentives; Expenditures for Health Information Technology not meeting the requirements of 45 CFR 158.151 PBM administrative and spread costs.	Sub-Capitated/Block Payment amounts paid to providers/subcontractors for the direct provision of Medicaid covered services provided to a Medicaid enrollee when the functions are performed by the subcontractor's own employees and not through a contracted network of providers.
17	Professional and Outside Services	Fees and expenses of professional consultants and others for general services such as accounting, auditing, actuarial and legal.	

ACCOUNT #	ACCOUNT NAME	INCLUDE	EXCLUDE
18	Health Care Quality Improvement (HCQI)	Expenses that increase the likelihood of desired health outcomes in ways that are capable of being objectively measured and of producing verifiable results and achievements or provide health improvements or are grounded in evidence-based medicine, widely accepted best clinical practice, or criteria issued by recognized professional medical associations, accreditation bodies, government agencies or other nationally recognized health care quality organizations. For example, improvement of health outcomes, activities to prevent hospital readmission, improvement of patient safety and reduce medical errors, wellness and health promotion activities, health information technology expenses related to improving health care quality and activities related to external quality review. These include member incentives related to quality. Expenses must meet the requirements of 45 CFR 158.150(a) and (b) and are not excluded under 45 CFR 158.150(c).	Member incentives not related to quality improvement and indirect or overhead expenses that do not directly improve healthcare quality.
19	Program Integrity Fraud, Waste, and Abuse Prevention Expenses	Expenses for improvements to infrastructure that prevent fraud, waste, and abuse on a going forward basis.	Fraud reduction expenses. Report these in Account 20 – Fraud Reduction Expenses.
20	Fraud Reduction Expenses	Expenses related to fraud reduction activities. Fraud reduction expenses shall not include fraud prevention activities. Amounts recovered through fraud reduction efforts shall be treated consistently with applicable MLR and AHCCCS reporting requirements. The amount of Fraud Reduction Expenses must not include Fraud Prevention Activities.	

ACCOUNT #	ACCOUNT NAME	INCLUDE	EXCLUDE
21	Interpretation/ Translation Services	Interpretation, sign language, or translation services. Interpretation is the conversion of oral communication from English into the member's preferred language while maintaining the original intent. Translation is the conversion of written communication from English into the member's preferred language while maintaining the original intent. For additional information, refer to ACOM Policy 405, as may be updated.	
22	Other Administrative Expenses	Administrative expenses not specifically identified in the categories above.	Member incentives not related to quality improvement, start-up expenses, anticipated sanctions, bad debt and premium tax.