

311 - ACC AND ACC-RBHA PROGRAM TIERED RECONCILIATION

EFFECTIVE DATE: 10/01/22

APPROVAL DATE: 08/04/22

I. PURPOSE

This Policy applies to ACC and ACC-RBHA Contractors. The purpose of this Policy is to specify the process and Contractor requirements regarding the ACC and ACC-RBHA Program Tiered Reconciliation. The reconciliation applies to dates of service effective on and after October 1, 2022 and is based upon Net Medical Expense and Net Capitation as specified in this Policy. AHCCCS shall recoup/reimburse a percentage of the Contractor's profit or loss for all Risk Groups as specified below using a tiered approach. All profit/loss sharing is based on fully adjudicated and approved encounter data and Subcapitated/Block Purchase Expense reports. This reconciliation is performed annually on a Contract year basis.

II. DEFINITIONS

For purposes of this Policy:

ADMINISTRATIVE COMPONENT	An amount equal to the administrative Per Member Per Month (PMPM) amount built into the capitation rates multiplied by the actual member months for the contract year being reconciled.
NET CAPITATION	Prior Period Coverage (PPC) and prospective capitation, risk adjusted if applicable, plus Delivery Supplemental payments, less the Administrative Component, and the Premium Tax component. An amount equal to the Alternative Payment Model (APM) Withhold shall be deducted from capitation. Refer to ACOM Policy 306 for the definition and computation of the APM Withhold.
NET MEDICAL EXPENSE	PPC and prospective expenses reported through fully adjudicated and approved encounters plus Subcapitated/Block Purchase Expense incurred by the Contractor for covered services with dates of service during the Contract year being reconciled. This shall not include the costs of COVID-19 vaccine and vaccine administration for CYE 23 (October 1, 2022, to September 30, 2023). Refer to ACOM Policy 302.
PREMIUM TAX	The tax imposed pursuant to A.R.S. §36-2905 and §36-2944.01 for all payments made to the Contractors for the Contract year.

**PRIOR PERIOD COVERAGE
(PPC)**

For Title XIX members, the period of time prior to the member's enrollment with a Contractor, during which a member is eligible for covered services. The timeframe is from the effective date of eligibility to the day a member is enrolled with a Contractor. Refer to A.A.C. 22. If a member is made eligible via the Hospital Presumptive Eligibility (HPE) program and is subsequently determined eligible for AHCCCS via the full application process, PPC for the member will be covered by AHCCCS Fee-For-Service and the member will be enrolled with the Contractor only on a prospective basis.

REINSURANCE

For purposes of this Policy, reinsurance means the actual reinsurance payments received by the Contractor as the result of medical expense incurred by the Contractor for covered services with dates of service during the Contract year being reconciled.

**SUBCAPITATED/BLOCK
PURCHASE EXPENSE**

Expenses incurred by the Contractor 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 Contractor through quarterly financial reports in the format required by AHCCCS. The reported expenses are attested annually by an independent auditor and documented in the Contractors' Audit Report. This report is a summary of sub-capitation medical services expenses, by risk group, by individual expense line item by date of service. The portion of the sub-capitation payment that is explicitly attributable to the provision of administrative services or delegated managed care activities and associated reporting requirements by the provider should be excluded from this report unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees and not through a contracted network of providers. Sub-capitated expenses should not be reported for non-medical expenses and Alternative Payment Model Performance Based Payments to Providers.

Additional definitions are located on the AHCCCS website at: [AHCCCS Contract and Policy Dictionary](#).

III. POLICY

A. GENERAL

1. The ACC and the ACC-RBHA Program tiered reconciliation shall be performed as specified below. The amount due from or due to the Contractor as the result of this reconciliation shall be based on aggregated profits and losses across all of the Tiered Reconciliation Risk Groups as specified below.

- The Tiered Reconciliation Risk Groups to be included in this reconciliation are listed in the tables below. State Only Transplant rate codes (3100, 310Z, 3200, 320Z) will not be included in this reconciliation.

NON-CRISIS RISK GROUPS AND CONTRACT TYPES TO BE INCLUDED:

RISK GROUP	CONTRACT TYPE TO BE INCLUDED IN THE RECONCILIATION	CONTRACT TYPE DESCRIPTION
AGE <1	A	ACC Capitated
	H	ACC Prior Period Coverage
AGE 1-20	A	ACC Capitated
	H	ACC Prior Period Coverage
AGE 21+	A	ACC Capitated
	H	ACC Prior Period Coverage
DUALS	A	ACC Capitated
	H	ACC Prior Period Coverage
SSI WITHOUT MEDICARE	A	ACC Capitated
	H	ACC Prior Period Coverage
KIDSCARE	Y	ACC Capitated KidsCare
PROP 204 CHILDLESS ADULTS	A	ACC Capitated
	H	ACC Prior Period Coverage
EXPANSION ADULTS	A	ACC Capitated
	H	ACC Prior Period Coverage
SMI (ACC-RBHA ONLY)	C	ACC SMI Capitated
	D	ACC SMI Prior Period Coverage
	W	ACC SMI KidsCare Capitated

CRISIS INCLUDES ALL CONTRACT TYPES EXCEPT THOSE LISTED BELOW:

CONTRACT TYPES TO BE EXCLUDED FROM THE CRISIS RECONCILIATION RISK GROUP	CONTRACT TYPE DESCRIPTION
1	No Payment Allowed
8	No Payment/Medicare Claims Only
9	Non-AHCCCS Claims Processing Only
N	ACC Non-Capped

- The reconciliation shall limit the Contractor’s Profit/Loss percent, as shown in the table below, to the percent of Net Capitation. If a Contractor’s profit is between zero percent and two percent, the Contractor keeps 100 percent and the State keeps nothing. If a Contractor’s profit is between two percent and six percent, the Contractor keeps 50 percent of what falls between two percent and six percent PLUS 100 percent of everything below two percent. Any profits over six percent are to be returned to the State. On the downside, a Contractor’s losses are capped at two percent; losses in excess of two percent are covered by the State. The tiered risk corridor is calculated according to the following schedule:

PROFIT	CONTRACTOR SHARE	STATE SHARE	MAX CONTRACTOR PROFIT	CUMULATIVE CONTRACTOR PROFIT
<= 2%	100%	0%	2%	2%
> 2% and <= 6%	50%	50%	2%	4%
> 6%	0%	100%	0%	4%

LOSS	CONTRACTOR SHARE	STATE SHARE	MAX CONTRACTOR LOSS	CUMULATIVE CONTRACTOR LOSS
<= 2%	100%	0%	2%	2%
> 2%	0%	100%	0%	2%

Refer to Attachment A for an example.

Profits in excess of the percentages set forth above shall be recouped by AHCCCS. Losses in excess of the percentages set forth above shall be paid to the Contractor.

B. AHCCCS RESPONSIBILITIES

- No sooner than six months after the end of the period to be reconciled, AHCCCS shall perform an initial reconciliation of Net Medical Expense to Net Capitation and Reinsurance, as follows:

Profit/Loss to be reconciled = Net Capitation – Net Medical Expense + Reinsurance payments.

Profit/Loss percent = Profit/Loss to be reconciled divided by Net Capitation.

Attachment A provides an example of the tiered reconciliation calculation.

- AHCCCS shall utilize only Net Medical Expense supported by fully adjudicated and approved encounters, and Subcapitated/Block Purchase Expense reported by the Contractor to determine the expenses subject to reconciliation.
- AHCCCS shall utilize amounts paid to the Contractor for Reinsurance as of the date the reconciliation is processed to determine profit/loss to be reconciled.

4. AHCCCS shall compare fully adjudicated and approved encounters and self-reported Subcapitated/Block Purchase Expense information to financial statements and other Contractor submitted files for reasonableness.
5. AHCCCS shall provide the Contractor the data used for the initial reconciliation and provide written notice of the deadlines for review and comment by the Contractor. Upon completion of the review period, AHCCCS shall evaluate Contractor comments and make any adjustments to the data or reconciliation as warranted. AHCCCS may then process partial distributions/recoupments through future monthly capitation payments.
6. A final reconciliation shall be performed no sooner than 15 months after the end of the period to be reconciled. This shall allow for completion of the claims lag, encounter reporting, and Reinsurance payments. AHCCCS shall provide the Contractor the data used for the final reconciliation and written notice of the deadline for review and comment by the Contractor. Upon completion of the review period, AHCCCS shall evaluate Contractor comments and make any adjustments to the data or reconciliation as warranted in order to pay or recoup within two years of the end of the Contract year.
7. Any amount due to or due from the Contractor as a result of the final reconciliation that was not distributed or recouped as part of the initial reconciliation shall be paid or recouped through a future monthly capitation payment.
8. AHCCCS shall include completion factors to all initial reconciliations.

C. CONTRACTOR RESPONSIBILITIES

1. The Contractor shall submit encounters for medical expenses and those encounters shall reach fully adjudicated and approved status by the date required by AHCCCS. AHCCCS shall only utilize fully adjudicated and approved encounters reported by the Contractor to determine the Net Medical Expenses used in the reconciliation.
2. The Contractor shall maintain financial statements that separately identify all risk group transactions and shall submit such statements as required by Contract and in the format specified in the AHCCCS Financial Reporting Guide.
3. The Contractor shall monitor the estimated ACC and ACC-RBHA program tiered reconciliation receivable/payable and record appropriate accruals on all financial statements submitted to AHCCCS on a quarterly basis as specified in the AHCCCS Financial Reporting Guide as specified in Contract.
4. It is the Contractor's responsibility to identify to AHCCCS 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 Contractor to have any identified encounter data issues corrected, fully adjudicated, and approved no later than 15 months from the end of the period being reconciled. AHCCCS shall not consider any data for reconciliations submitted by the Contractor after these timeframes. Any encounter data issues identified that are the result of an error by AHCCCS shall be corrected prior to the final reconciliation.

5. The Contractor shall submit any additional data as requested by AHCCCS for reconciliation purposes (e.g., encounter detail file, Reinsurance payments, etc.).
6. The Contractor shall report all Subcapitated/Block Purchase Expense in a format requested by AHCCCS. Subcapitated/Block Purchase encounters should have a CN 1 code of 05 and a paid amount of \$0 for all encounters. All Subcapitated/ Block Purchase encounters that have a health plan paid amount greater than \$0 shall be excluded from the reconciliation expenditures.
7. If the Contractor performs recoupments/refunds/recoveries on claims, the related encounters shall be adjusted (voided or void/replaced) as specified in ACOM Policy 412. AHCCCS reserves the right to adjust any previously issued reconciliation results for the impact of the revised encounters and recoup any amounts due AHCCCS.
8. If the Contractor does not submit the revised encounters within the required timeframe, AHCCCS shall impose administrative action on the Contractor for failure to meet the requirements of this Policy.