

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

Manual: Division of Health Care Management
Policy and Procedures

Effective Date: October 1, 2002
Revision Date: October 1, 2004

Subject: Prior Period Coverage Reconciliation

Authorized Signature:

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I. Purpose

This policy applies to all AHCCCS Acute Care Contractors.

For contract year ending 9/30/03, there will not be a PPC reconciliation. Capitation rates paid to the Contractors will be adjusted for the contract year ending 9/30/03 to account for this change.

For contract years ending 9/30/04 and forward, AHCCCSA will resume the calculation of the PPC reconciliation and will provide a reconciliation to 2% profit or loss for all eligibility groups, except the Title XIX Waiver Group, Title XXI members and SOBRA Family Planning. The full PPC period is eligible for this reconciliation.

Effective October 1, 1997, AHCCCS transferred payment responsibility for PPC coverage to its Contractors. Contractors now receive a separate capitation rate developed specifically for this time period.

The formula used to develop the PPC rates is as follows:

$$\text{Total PPC Rates} = \frac{\text{Total PPC Utilization or Costs}}{\text{Total PPC Member Months}}$$

Due to the uncertainty regarding actual utilization and medical cost experience during the PPC period, AHCCCSA intends to limit the financial risk to its Contractors. AHCCCSA will reconcile the PPC period for all risk groups, except the Title XIX Waiver Group, Title XXI members and SOBRA Family Planning.

II. Definitions

PPC Period: The period from the effective date of eligibility to the day a member is enrolled with a Contractor.

PPC Medical Expense: Total Medical Expenses for services provided during the PPC time period

III. Policy

General

The reconciliation shall relate solely to aggregate reported PPC medical expenses for the following capitation risk groups: TANF, SOBRA, SSI w/Med, SSI w/o Med. Administrative and non-operating expenses shall be excluded. The reconciliation will exclude the Title XIX Waiver Group and will not relate to Title XXI members as they only have prospective enrollment.

AHCCCSA Responsibilities

1. Approximately six months after the contract year to be reconciled, AHCCCSA shall perform an interim reconciliation of actual medical cost experience to capitation in order to monitor the status of the risk sharing arrangement. The reconciliation for the PPC period shall be based on encounters reported by the Contractor for PPC medical expenses, compared to PPC capitation paid to the Contractor during the reconciliation year (less the administrative and premium tax portion):

	Total PPC Capitation
Less:	Administration % Premium tax % PPC medical expenses
Equals:	Profit/Loss to be reconciled according to risk band elections

2. AHCCCS will compare encounter information to financial statements for reasonableness.
3. Distributions will be made to the contractor within 30 days of completion of the reconciliation, but no later than 240 days after contract year-end.
4. In the event a contractor is required to reimburse AHCCCS, such reimbursement will be collected by AHCCCS through a reduction to the Contractor's prospective capitation payments upon issuance of the second and final reconciliation.
5. A second and final reconciliation will be done approximately 12 months after the end of the contract year to be reconciled. This will allow for completion of the claims lag and encounter reporting. Any amount over or underpaid as a result of the initial reconciliation will be recouped or reimbursed, respectively, at this time.

Contractor Responsibilities

1. Contractor shall maintain financial statements that separately identify all Prior Period Coverage transactions, and shall submit such statements as required by contract and in the format specified in the Reporting Guide.
2. Contractor shall report all encounters and adjustments accurately and timely.

IV. References

- Acute Care Contract Section D, Paragraph 53, *Compensation*

* Administration percentage by contract year:

- CYE '04 – 9%
- CYE '05 – 9%

* Premium Tax – 2%

* Attachment – Sample PPC Reconciliation

HEALTH PLAN
PRIOR PERIOD COVERAGE RECONCILIATION - EXAMPLE
FOR CONTRACT YEAR ENDED 9/30/04

PPC	TANF <1	TANF 1-13	TANF 14-44F	TANF 14-44M	TANF 45+	SSI/W	SSI W/O	SOBRA MOTHERS	TOTAL
PPC Revenue	\$ 315,000.00	\$ 100,000.00	\$ 308,000.00	\$ 80,000.00	\$ 40,000.00	\$ 4,000.00	\$ 15,000.00	\$ 75,000.00	\$ 937,000.00
Premium Tax	\$ (6,297.53)	\$ (1,999.22)	\$ (6,157.59)	\$ (1,599.37)	\$ (799.69)	\$ (79.97)	\$ (299.88)	\$ (1,499.41)	\$ (18,732.65)
Admin %	\$ (25,489.19)	\$ (8,091.81)	\$ (24,922.77)	\$ (6,473.45)	\$ (3,236.72)	\$ (323.67)	\$ (1,213.77)	\$ (6,068.86)	\$ (75,820.24)
PPC Revenue Net of Admin and Premium Tax	\$ 283,213.27	\$ 89,908.98	\$ 276,919.65	\$ 71,927.18	\$ 35,963.59	\$ 3,596.36	\$ 13,486.35	\$ 67,431.73	\$ 842,447.11
Expenditures HP Paid	\$ (275,000.00)	\$ (90,000.00)	\$ (280,000.00)	\$ (74,000.00)	\$ (37,000.00)	\$ (4,500.00)	\$ (16,000.00)	\$ (65,000.00)	\$ (841,500.00)
Net Profit/(Loss)	\$ 8,213.27	\$ (91.02)	\$ (3,080.35)	\$ (2,072.82)	\$ (1,036.41)	\$ (903.64)	\$ (2,513.65)	\$ 2,431.73	\$ 947.11
% of Rev Net of Admin	2.90%	-0.10%	-1.11%	-2.88%	-2.88%	-25.13%	-18.64%	3.61%	0.11%

Net Capitation	\$ 842,447.11
Total Profit/(Loss)	\$ 947.11
Risk Band Corridor - 2% or (2%)	\$ 16,848.94
CYE 04 PPC Amount Due To (From) Health Plan	\$ -

Assumptions:

- 1) The Title XIX Waiver Group is not included in this reconciliation.
- 2) PPC Revenue includes PPC Capitation Paid 10/1/03-9/30/04
- 3) PPC Expenditures include encounters for the period 10/1/03-9/30/04
- 4) Reinsurance Paid includes all reinsurance amounts paid for the Contract Year Ended 9/30/04

Source:Capitation Payments and Member Months Paid IM02M998B
Reinsurance PPC Recon Summary Report IM02S822
Reconciliation of PPC Expenditures IM010R232