



312 – CHILDREN’S REHABILITATIVE SERVICES PROGRAM TIERED RECONCILIATION

Effective Date: 10/01/12, 10/01/13

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Staff responsible for policy: DHCM Finance

I. Purpose

This policy applies to the Children’s Rehabilitative Services (CRS) Contractor.

The CRS Program Tiered Reconciliation applies to dates of service beginning on and after October 1, 2013 and is based upon adjudicated expenses and net capitation as described in this policy. AHCCCS will recoup/reimburse a percentage of the Contractor’s profit or loss for the CRS program as described below using a tiered approach. 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.

II. Definitions

Administrative Component

The administrative component will be equivalent to the amount of administrative expense built into the capitation rate for the year being reconciled. Beginning with contract year ending (CYE) 2014, the administrative component is equal to the administrative PMPM awarded to the Contractor multiplied by the actual member months for the contract year being reconciled.

Premium Tax Component

The premium tax component is equal to the tax imposed pursuant to A.R.S. §36-2905 for capitation payments made for the contract year. The rate of tax imposed under A.R.S. §36-2905 is 2% as of the effective date of this policy, October 1, 2013.

Expenses

Expenses reported through **fully adjudicated encounters** and subcapitated/block purchase expenses incurred by the Contractor for covered services with dates of service during the contract year.



Net Capitation

Capitation less the administrative and the premium tax components.

Reinsurance

For purposes of this reconciliation, reinsurance means the actual reinsurance payments received by the Contractor as the result of expenses incurred by the Contractor for covered services with dates of service during the contract year being reconciled.

Subcapitated/Block Purchase Expenses

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.

Tiered Reconciliation Population

All CRS members, with the exception of State Only Transplant members, are subject to this tiered reconciliation.

III. Policy

A. General

1. The CRS tiered reconciliation shall be based on net capitation less expenses plus reinsurance payments. For each contract year, the amount due from or due to the Contractor as the result of this reconciliation will be based on aggregated profits and losses across the tiered reconciliation population.
2. The reconciliation will limit the Contractor's profits and losses to the percent of net capitation according to the following schedule:

Profit	Contractor Share	State Share	Max Contractor Profit	Cumulative Contractor Profit
<= 3%	100%	0%	3%	3%
> 3% and <= 6%	50%	50%	1.5%	4.5%
> 6%	0%	100%	0%	4.5%



Loss	Contractor Share	State Share	Max Contractor Loss	Cumulative Contractor Loss
<= 3%	100%	0%	3%	3%
> 3%	0%	100%	0%	3%

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

B. AHCCCS Responsibilities

1. No sooner than five and ten months after the end of the period to be reconciled, AHCCCS shall perform initial and interim reconciliations, respectively, of actual medical cost experience to net capitation and reinsurance, as follows:

Profit/Loss to be reconciled = Net Capitation – Expenses – Subcapitated Expenses/Block Purchases + Reinsurance payments.

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

Attachment A to this policy provides an example of the tiered reconciliation calculation.

2. AHCCCS will utilize only expenses supported by fully adjudicated encounters and subcapitated/block purchase expenses reported by the Contractor to determine the expenses subject to reconciliation.
3. AHCCCS will 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 will compare fully adjudicated encounters and self-reported subcapitated/block purchase expense information to financial statements and other Contractor submitted files for reasonableness. AHCCCS may perform an audit of self-reported subcapitated or block purchase expenses included in the reconciliation.
5. AHCCCS will provide the Contractor the data used for the initial and interim reconciliations and provide written notice of the deadlines for review and comment by the Contractor. Upon completion of the review period, AHCCCS will 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 third and 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. AHCCCS will 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 will evaluate Contractor comments and make any adjustments to the data or reconciliation as warranted.

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 and/or interim reconciliations will be paid or recouped through a future monthly capitation payment.
8. AHCCCS may include adjustments to the reconciliations to account for completion factors.

For CYE 14 Only: If a new Contractor is awarded the CRS contract, PPC expenses for dates of service prior to October 1, 2013 will be separately included in the reconciliation at 100% risk sharing with no risk band. If the incumbent Contractor is awarded the CRS contract, all PPC expenses that relate to acute care and behavioral health services for dates of service prior to October 1, 2013 will be included in the reconciliation at 100% risk sharing with no risk band. All PPC expenses that relate to CRS specialty services with dates of service prior to October 1, 2013 will be excluded from the reconciliation.

C. Contractor Responsibilities

1. The Contractor shall maintain financial statements that separately identify all CRS transactions, and shall submit such statements as required by contract and in the format specified in the AHCCCS Financial Reporting Guide for the CRS Contractor.
2. The Contractor shall monitor the estimated CRS 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 for the CRS Contractor.
3. It is the Contractor's responsibility to identify to AHCCCS any encounter data issues or necessary adjustments associated with the initial and interim reconciliations by the deadlines for review and comment. It is also the responsibility of the Contractor to have any identified encounter data issues corrected and adjudicated no later than 15 months from the end of the period being reconciled. AHCCCS will not consider any data submitted by the Contractor after these timeframes. Any encounter data issues identified that are the result of an error by AHCCCS will be corrected prior to the final reconciliation.
4. The Contractor shall submit data as requested by AHCCCS for reconciliation purposes (e.g. encounter detail file, reinsurance payments, etc.).



5. The Contractor shall report all subcapitated/block purchase expenses in a format requested by AHCCCS. Subcapitated encounters should have a subcap code of 01 and a CN 1 code of 05 and a paid amount of \$0. All subcapitated encounters that do not conform to this format and have a health plan paid amount greater than \$0 will be excluded from the reconciliation expenditures.
6. If the Contractor performs recoupments/refunds/recoveries on the related claims, the related encounters must be adjusted (voided or void/replaced) pursuant to 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. If the Contractor does not submit the revised encounters within the required timeframe, AHCCCS may recoup the estimated impact on the reconciliation and reserves the right to sanction the Contractor.

IV. References

- CRS Contract
- ACOM Policy 312, Attachment A – Sample CRS Program Tiered Reconciliation
- ACOM Policy 412
- AHCCCS Financial Reporting Guide for the CRS Contractor