REINSURANCE OFFSET METHODOLOGY

AHCCCS used actual prospective encounter information to rebase the regular inpatient portion of the RI offsets, modeling all plans at the $20K deductible level for all risk groups. The base period used for the RI data and trends was CYE06, CYE05 and CYE04. Due to fluctuations by risk groups from year to year, especially in the smaller GSAs, AHCCCS first set the total GSA RI offsets using historical data and trending this data forward to CYE09 by GSA. Once the RI offsets were set by GSA, AHCCCS distributed the dollars to the risk groups based on each risk groups' historical percentage of RI dollars out of the total RI dollars by GSA.

Historical catastrophic payment data was pulled separately from the regular inpatient reinsurance data since the catastrophic data has no deductible requirements. The catastrophic data was then combined with the regular inpatient reinsurance data for the trending by GSA and allocation to risk groups as described above.

It should be noted that reinsurance **payment** data provided in the data supplement is produced from the Division of Business and Finance (DBF) payment files. For Federal and State fund claiming purposes, DBF is required to attach to the payment the rate code/risk group as of the date of payment, as opposed to encounter data which is date of service based. Given the reinsurance payments can lag as much as 15 months from date of service, some members' rate code/risk group at the date of payment may differ from the rate code/risk group on the date of service. In addition, as noted in the RI payment files, the DBF payment information is not adjusted to put all Contractors at the $20K level. Depending on the contract year of the payment, some Contractors were at the $35k or $50K deductible level. The DBF payment data also includes the TWG payments at a $15K level and includes the impact of PPC. PPC encounters were excluded from TWG reinsurance cases beginning October 1, 2006.

Bidders are encouraged to consider these differences when analyzing RI payment data and RI offsets.