



August 10, 2018

### **Additional Minimum Wage FAQs**

This document is a follow-up to recently released minimum wage information by the Department to Managed Care Organizations (MCOs). This document is meant to clarify and elaborate on additional questions raised by MCOs and providers.

#### **Q1: Must MCOs pass through the same hourly amount to every provider to account for minimum wage adjustments?**

**A:** No. MCOs and providers may negotiate different all-in contracted rates, as long as the rate is sufficient to satisfy statutory wage requirements (minimum wage / wage parity). As stated in guidance released on October 28, 2016 and restated in supplemental guidance released with the May 18, 2018 FAQs, MCOs are not obligated to provide a fixed increase in additional reimbursement. It is anticipated that some providers may need more and some may need less to meet minimum wage requirements.

#### **Q2: Is there a specified amount of minimum wage funding that must be passed through to each provider?**

**A:** No. MCOs are statutorily required to pass through minimum wage funding to providers to ensure workers are paid consistent with the law. MCOs and providers are free to negotiate within the requirements of the minimum wage law to determine the amount of the adjustment that is needed.

#### **Q3: Is there a reduction in minimum wage funding?**

**A:** No. There is not a reduction in funding on a State Fiscal Year basis. MCO rates fund minimum wage in full for SFY 2018-19. However, the funding allotted to each MCO is based on an average hourly minimum wage adjustment for the last 9 months of 2018 that is lower than the average hourly minimum wage adjustment for the first 3 months of 2018. It should be noted that the Calendar Year (CY) estimated unit cost amounts utilize various assumptions such as projected enrollment and program averages. This results in a fluctuation of the wage amount on a CY basis. CY unit cost projections are based on an assumed 75/25 utilization/enrollment split. MCOs will not have an exact 75/25 split for the 9 months vs 3 months of the SFY resulting in a variation of the unit costs listed below. As such, the Department has recommended that MCOs utilize the annual SFY amounts which provide a more reasonable estimation of unit cost.

Additionally, some wage-related unit cost expenses are captured in the base rate when the cost report base data is updated.

The chart below demonstrates SFY regional average unit cost adjustments for the NYC Area. These amounts are then used by the Department and its actuary to derive CY amounts requested by the MCOs. The amounts in the chart below are not risk adjusted, however, MCO rates are risk adjusted which results in variation in unit cost increases. Additionally, an average, non-risk adjusted PMPM to estimate hours will not directly comport to MCO specific experience in terms of hours.

<b>NYC Unit Cost Adjustment to Personal Care</b>		
	<b>SFY 2017-18</b>	<b>SFY 2018-19</b>
CY 2017	\$1.37	N/A
CY 2018	\$4.35	\$3.52
CY 2019	N/A	\$5.87
<b>Blended</b>	<b>\$2.12</b>	<b>\$4.11</b>

**Q4: Does the chart above imply that MCO rates are reduced on a year-to-year basis?**

**A:** No. Rates are increasing from SFY to SFY. However, in this regional example, rates decrease from the first 3 months of CY 2018 (\$4.35) to the last 9 months of CY 2018 (\$3.52) and then increase for the first 3 months of CY 2019 (\$5.87). This is due to the averaging issues noted in Question 3. As such, the Department does not recommend utilizing the fluctuating CY averages, but rather, the SFY constant amount as a basis for negotiation.

**Q5: How much has been included in the Managed Long-Term Care rates for hourly home care service costs?**

**A:** The following chart shows the amounts currently in the New York City managed care base as reported in MCO cost reports (inc. Partial Cap, Fully Integrated Duals Advantage (FIDA), and Medicaid Advantage Plus (MAP)) plus the Wage Adjustment amount added to the SFY 2018-19 rates:

<b><u>Impact of Minimum Wage on Home Care Labor Costs in New York City</u></b>			
<b>Item</b>	<b>CY 2018</b>	<b>CY 2019</b>	<b>SFY 2018-19 Blend</b>
Personal Care Amount in CY2016 Cost Report Base	\$19.55	\$19.55	\$19.55
Wage Adjustment Amount	\$3.52	\$5.87	\$4.11
<b>Total Personal Care Hourly Rate</b>	<b>\$23.07</b>	<b>\$25.42</b>	<b>\$23.66</b>
Home Health Care Amount in CY2016 Cost Report Base	\$20.10	\$20.10	\$20.10
Wage Adjustment Amount	\$3.52	\$5.87	\$4.11
<b>Total Home Health Care Hourly Rate</b>	<b>\$23.62</b>	<b>\$25.97</b>	<b>\$24.21</b>
Personal and Home Health Combined in CY2016 Cost Report Base	\$19.57	\$19.57	\$19.57
Wage Adjustment Amount	\$3.52	\$5.87	\$4.11
<b>Total Personal and Home Health Care Combined Hourly Rate</b>	<b>\$23.09</b>	<b>\$25.44</b>	<b>\$23.68</b>

The Managed Long-Term Care rates assume the NYC Home Care hourly rate (with minimum wage) in NYC is \$23.68 for SFY 2018-19. The SFY 2018-19 blended amounts above were built into MLTC MCO rates and should be considered when MCOs and providers negotiate their contracts which must meet statutory wage requirements. As noted above, MCOs are not obligated to provide a fixed increase associated with the Wage Adjustment. It is anticipated that some providers may need more and some may need less to meet statutory wage obligations.

**Q6: What updated wage related assumptions were used in the minimum wage adjustment?**

**A1:** Updated wage parity information:

- The Department utilized the most recent guidance for Public Health Law § 3614-c(3) establishing the new Wage Parity statute for 2017, holding the supplemental benefit portion at \$4.09 for NYC.

**A2:** Updated wage related benefits:

- In 2018, the Department collected provider data which established wage dependent costs at approximately 17.5%.

**Q7: How does an MCO know what funding is for providers and what they get to keep?**

**A:** The Minimum Wage allocation provided to MCOs is identified on Schedule F of MCO specific rate information. Schedule F is separated into: 1) Minimum Wage Funding, and 2) Surplus and Taxes Funding.

- The Minimum Wage Funding is a projected amount available to MCOs to distribute to providers for their increased worker costs associated with minimum wage. This amount is subject to reconciliation.
- The Surplus and Taxes Funding is the projected amount of Surplus and Taxes paid to the MCO that is attributable to the Minimum Wage increase. This portion of funding is directly intended for MCOs.

**Q8: How will the Minimum Wage Funding Reconciliation occur?**

**A:** Verifiable data from an MCO's reported Minimum Wage expenses submitted via the Supplemental Minimum Wage Reconciliation Cost Report (MWRRCR) will be compared to actual Minimum Wage funding received by that MCO in rates (excluding surplus and taxes). The difference will determine if an MCO was overfunded or underfunded for minimum wage during the time period being reconciled.

Overfunding or underfunding will be reconciled via a rate adjustment for the applicable minimum wage / rate effective period. The new rate will generate a receivable or a payment to the MCO. Receivables will be automatically recouped from subsequent cycle payment checks.

**Q9: What is the reconciliation timeline?**

**A:** The following is a schedule for each SFY reconciliation:

- SFY 2016-17: The Department is currently working on finalizing the reconciliation to the SFY 2016-17 rates.
- SFY 2017-18: The Department plans to collect MCO MWRRCRs for SFY 2017-18 before the end of CY 2018 which will be used for SFY 2017-18 rate reconciliation.
- SFY 2018-19 and beyond: The Department intends to collect SFY MWRRCRs each Summer for reconciliation of the prior fiscal year.

**Q10: When does the Department anticipate updated contracts be completed between MCO and providers?**

**A:** For January 1, 2019 contracts between MCOs and providers, the Department recommends that contract amendments be executed no later than November 1, 2018.