May 16, 2014

Jason Helgerson
Medicaid Director
NYS Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

RE: Payments to Managed Care Plans for Nursing Home Benefit

Dear Mr Helgerson:

We are writing on behalf of our members to respectfully urge the Department of Health to ensure that premium payments to managed long term care (MLTC) and mainstream managed care (MMC) plans properly reflect varying payment levels for contracted and out-of-network nursing homes.

We recently learned that the blended rate cell for MLTCs and the nursing home rate cell for MMCs will reflect ***regional average*** nursing home rates, rather than rates reflective of the nursing homes each plan actually uses to provide services to its enrollees.

As you are aware, the Department's final policy for the transition of the nursing home benefit and population into managed care provides that MLTCs and MMCs are required to pay in-network facilities either the benchmark (i.e., fee-for-service) rate or a negotiated rate (i.e., an alternative arrangement) for three years after a county is deemed mandatory, and to pay the benchmark rate for out-of-network services indefinitely. Similarly, plans must continue to pay the benchmark capital component to in-network and out-of-network nursing homes following the three-year transition period.

While we advocated for the three-year transition and continue to believe it is vitally important, we are equally convinced that managed care premiums constructed based on regional average rates will create a major disincentive for plans to contract with nursing homes that have higher than average Medicaid rates. Ironically, this would seriously undermine the underlying purpose of the transition – ensuring nursing home financial stability – by putting referrals and volume at risk for potentially large numbers of nursing homes.

The Department has suggested in its policy paper that one or more pooling mechanisms "could" be established to ensure that plans are not disproportionately impacted by contracting with nursing homes with higher than average Medicaid rates. More recently, the Department has proposed a $10 million "Nursing Home Price Mitigation Pool" funded through a withhold to the nursing home component of the MLTC mandatory rate. Assuming one or more pools are established for this purpose, such arrangements could create considerable uncertainty for the plans as to how much of the variation in rates will actually be recognized as well as when the associated funding will actually be received. Plans will have no way of knowing whether they can expect adequate payments for the facilities they contract with as well as the out-of-network services that they must provide. One of the fundamental tenets of Medicaid redesign is to create more predictability in payment, and we would argue that one or more pooling arrangements with potentially inadequate funding levels attached to them will work against that objective and add unnecessary complexity.

Accordingly, we would recommend the development of a methodology that would ensure that premium payments for MLTCs and MMCs are properly and timely adjusted to adequately reflect the payment obligations these plans have during the transition period. The proposed construct should remove any unintended incentive for plans to only contract with those nursing homes that have below-average Medicaid rates. Given the time sensitivity of developing premium calculations to support the nursing home transition, we are available to meet with the Department and any other stakeholders on this important issue at your earliest convenience.

Thank you for your consideration of our request. Please contact any of the undersigned if you have any questions.

Sincerely,

Daniel J. Heim
Executive Vice President
LeadingAge New York

Scott Amrhein
President
Continuing Care Leadership Coalition

Robin B. Frank
Vice President
Healthcare Association of NYS

Neil Heyman
President
Southern New York Association

Richard J. Herrick
President & CEO
NYS Health Facilities Association

cc: John Ulberg
Vallencia Lloyd
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