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| LOCAL COMMISSIONERS MEMORANDUM |
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DSS-4037EL (Rev. 9/89)

Transmittal No: 93 LCM-142

Date: October 18, 1993

Division: Health and Long Term
Care

TO: Local District Commissioners

SUBJECT: Letter to Health Maintenance Organizations regarding NYPHRM V
Legislation

ATTACHMENTS: I. Letter regarding Continuation of 9% differential
proposed by New York Prospective Hospital Reimbursement
Methodology (NYPHRM) V (Available on-line)

II. HMO Enrollment Report (Not available on-line)

The purpose of this memorandum is to convey to you the attached letter which was recently sent to all Health Maintenance Organizations (HMOs) in New York State. The subject of this letter, which was sent jointly by State Department of Social Services (SDSS) and State Department of Health, was the continuation of the 9% factor contained in the proposed New York State Hospital Reimbursement Methodology (NYPHRM V) legislation, and the obligations of HMOs under this legislation.

One of these obligations involves the submission by each HMO of an implementation schedule for managed care contracts in all the districts in their service area. Consequently, many HMOs will be contacting you to discuss contracting in your district, if they haven't already done so.

SDSS will review these schedules and either approve them or require changes. We will be seeking your cooperation in this process, and my staff will be available to provide any technical assistance you may need. If you should have any questions, feel free to contact your Managed Care Field Representative at (518) 433-5871.

Sue Kelly
Deputy Commissioner
Division of Health and Long Term Care

Dear :

The purpose of this letter is to update the status of the 9% differential or "factor" imposed by Section 2807-c(2-a) of the Public Health Law, which is payable by HMO's to a statewide pool upon rates of payment to general hospitals for reimbursement of inpatient services furnished to subscribers of HMO's; and to notify you of certain interim steps relating to requests by HMO's for exemption from participation in managed care programs in a social services district and determination of reduction or elimination of the 9% differential.

As you are aware, the 9% differential imposed by subdivision 2-a expires on December 31, 1993 along with the New York Prospective Hospital Reimbursement Methodology established by Section 2807-c, as amended by chapter 922 of the Laws of 1990 (NYPHRM IV). It is anticipated that the State Legislature will enact NYPHRM V, including a continuation of the 9% differential, prior to the expiration of NYPHRM IV, but such action has not occurred to date.

The New York State HMO Conference, the State Department of Health, and the State Department of Social Services have worked to develop new provisions relating to the 9% differential, to be incorporated in NYPHRM V, which would be acceptable to all parties. Included in these draft provisions is a continuation of the concept of an HMO applying to the State Commissioner of Social Services for an exemption from participation in managed care programs in a particular social service district or districts.

Upon the assumption that the State Legislature will enact an extension of the 9% differential, including provision for exemption of an HMO from participation in managed care programs in a social services district, the Department of Health and the Department of Social Services propose voluntary submission, by HMO's contemplating an exemption request for the 1994 rate period, of information relevant to a determination of such an application under the draft provisions.

Accordingly, the Department of Health and the Department of Social Services are requesting that an HMO provide, by October 15, 1993, the following:

1. An implementation schedule that sets forth:
 - a) The dates on which the HMO anticipates entering into contracts with social services districts that the HMO serves;
 - b) The date on which each county shall be included in the HMOs service area for purposes of calculating the HMOs Medicaid target.

2. If the HMO is a fee-for-service Medicaid provider and wishes to have this taken into consideration, the necessary information should be provided with the application.

The above information should be submitted to the NYSDSS to the following:

Stuart Lefkowich
Assistant Commissioner
Bureau of Primary Care
New York State Department of Social Services
Division of Health and Long Term Care
40 North Pearl Street
Albany, New York 12243

In addition, each HMO is requested to complete the attached HMO Enrollment Report and submit this to the State Department of Health, to the following:

Paul Tenan, Director
Bureau of Community Health Insurance and Finance Systems
New York State Department of Health
Corning Tower, Room 1168
Albany, New York 12237

SDSS will review each implementation schedule and propose changes where appropriate. Upon approval of the implementation schedule, an HMO will be exempt from participation in those social services districts covered by the schedule for the period of time set forth in the approved schedule. By November 1, SDSS will submit approved exemptions and enrollment statistics for November, 1993 to SDOH, for calculation of HMO Medicaid targets based upon the draft NYPHRM V provisions. By December, 1, 1993, SDOH will notify each HMO of its obligations, if any, under these provisions.

It should be clearly understood that an HMO has no obligation to make a submission concerning the 1994 rate period at this time and that the Department of Health and the Department of Social Services, likewise, are unable to make formal determinations concerning such rate period. However, a timely, cooperative effort to anticipate requirements for the 1994 rate period will be helpful to all parties.

If you should have any questions, please feel free to contact us.

Sincerely,

Sue Kelly
Deputy Commissioner
Division of Health
and Long Term Care
NYS Dept. of Social Services

Raymond Sweeney
Director
Office of Health Systems
Management
NYS Dept. of Health