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

Transmittal No: 94 LCM-10

Date: January 31, 1994

Division: Health & Long Term Care

TO: Local District Commissioners

SUBJECT: Rate Caps for physician partial capitation managed care programs

ATTACHMENTS: Attachment I Regions - Available on-line
Attachment II Regional rates - Available on-line
Attachment III Utilization table - Not available on-line

The purpose of this letter is to transmit the rate caps for physician based partial capitation managed care programs. These rates were recently approved by the New York State Division of Budget (DOB).

Chapter 165 of the Laws of 1991 mandated a massive Statewide managed care effort which requires that 50% of the non-exempt Medicaid population (approximately 1.25 million eligibles) be enrolled in managed care within a nine year period.

As of January, 1994, there were 286,144 Medicaid eligibles in 32 districts and NYC enrolled in 88 managed care programs. HMOs are expected to continue to expand their Medicaid participation for several years. However, that growth is not expected to go beyond 500,000 - 600,000 recipients. That means that other kinds of managed care programs will be required to enroll an additional 500,000 - 600,000 people. It is necessary to develop additional provider capacity in the form of partial capitation and other programs, especially in the areas where HMO capacity is lacking. On average, each of these managed care providers can be expected to enroll between 5,000 and 10,000 MA recipients. Given the need to enroll 500,000 recipients this means that we may need between 50 and 100 additional managed care providers.

Recognizing the need for alternative program types, we have attempted to encourage the development of physicians-based partial capitation programs. One of the main obstacles to program development has been the inadequacy of

provider rates. To date physician rates have been based on the historic fee-for-service experience which consists of low provider participation, under utilization of primary medical care, episodic treatment, and over-utilization of emergency medicine. The historic fee-for-service cost for physician services is inadequate to pay for the new increased responsibilities of the physician case manager.

To offset the impact of underutilization and low provider participation, the rate caps were developed using a methodology based on statewide utilization and regional pricing rather than district specific historical costs. In many districts, this has the effect of increasing the cost of primary care services. This is an expected and necessary increase, if we hope to reach our enrollment goals.

Attachment II lists the rate caps for primary and specialty care for each region by actuarial class. These rates are the maximum that may be paid in a physician program. Please keep in mind these are rate caps. A district may negotiate any rate that the provider will accept up to the rate cap, but we do not expect many programs to receive the maximum reimbursement.

When negotiating a rate with a possible managed care provider, there are three factors which must be considered, program structure, utilization and benefit package. There are three possible program structures. First there is the Medical Society of the State of New York Model (MSSNY), in which the contractor acts as the administrative entity for the program and performs all the administrative functions of a managed care provider, (quality assurance, utilization review, grievance process, member services, etc.). In the second possible model, the district contracts with a large physician group or groups, and the group assumes most of the program administrative functions. Any functions not performed by the group would become the responsibility of the local district. Finally, the district may contract with small groups of physicians and/or individual physicians. In this case, administrative responsibilities will be shared between the local district and the physician(s), or the district may opt to act as the administrative entity (as Erie County has with its' three physician programs). The rate would vary in each of these models, reflecting the involvement of the provider in the administration of the program.

Should the district decide to negotiate a relatively low rate, it may want to consider sharing any savings achieved with the provider(s) as an incentive to participate in the program. A federal waiver is required for this type of program.

Physicians will often have questions about expected utilization and income. Attachment III is a table which identifies the statewide utilization averages which were used in the rate methodology. Occasionally a physician will want to know how the income from the capitation payment will compare with the income he/she is currently receiving. The per visit payment can be estimated by multiplying the monthly rate times twelve and dividing by expected utilization. Remember that in addition to the capitation payment, a physician may also bill the Medicaid Management Information System (MMIS) for any well child visits and the cost of immunization materials.

The benefit package for physician partial capitation programs is somewhat standardized. Most programs will only cover primary care physician services and the rate the district negotiates will be based on the rate cap in the column labeled Primary Care. The primary care rate caps cover all primary care services provided in a physicians' office (lab-work, tests, x-rays and procedures) and hospital visits. However, practice patterns differ from office to office and the negotiated rates will have to vary to reflect the range of services a physician can provide.

Should the district wish to develop a program which provides both primary and specialty services, the overall rate will be the sum of the primary and specialty rates. However, the district and provider should be aware that this combined rate would then cover all primary care and specialty physician services (lab-work, tests, x-ray, surgery, procedures, etc.) provided in the office or at the hospital. In the MSSNY Model, which includes all primary care physician services and specialty office visits, the specialty rate was adjusted to include an amount that reflects office visits only.

Once both parties have come to an agreement, the negotiated rates must be approved by the New York State Department of Social Services (SDSS) and DOB.

SDSS managed care staff are available to assist a district in all aspects of developing a physician-based managed care program. We would encourage the district to work with SDSS staff when negotiating rates with providers. Should you require technical assistance, please contact your managed care representative at 1-800-343-8859 ext. 6-4429.

If you have any questions about these rates, please call Robert J. Lass at (518) 473-0885 or your managed care representative.

Sincerely,

Sue Kelly
Deputy Commissioner
Division of Health & Long Term Care

Attachment I p.1

NYPHRM REGIONS

COUNTY	REGION
Albany	Northeast
Allegany	Western
Broome	Central
Cattaraugas	Western
Cayuga	Central
Chautauqua	Western
Chemung	Central
Chenango	Utica
Clinton	Northeast
Columbia	Northeast
Cortland	Central
Delaware	Northeast
Dutchess	Northern Metro
Erie	Western
Essex	Northeast
Franklin	Utica
Fulton	Northeast
Genesee	Western
Greene	Northeast
Hamilton	Utica
Herkimer	Utica
Jefferson	Utica
Lewis	Utica
Livingston	Rochester
Madison	Utica
Monroe	Rochester
Montgomery	Northeast
Nassau	Long Island
Niagara	Western
Oneida	Utica
Onondaga	Central
Ontario	Rochester
Orange	Northern Metro
Orleans	Western
Oswego	Utica
Otsego	Utica
Putnam	Northern Metro
Rensselaer	Northeast
Rockland	Northern Metro
St.Lawrence	Utica
Saratoga	Northeast
Schenectady	Northeast
Schoharie	Northeast
Schuyler	Central
Seneca	Rochester
Steuben	Central
Suffolk	Long Island

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Sullivan	Northern Metro
Tioga	Central
Tompkins	Central
Ulster	Northern Metro
Warren	Northeast
Washington	Northeast
Wayne	Rochester
Westchester	Northern Metro
Wyoming	Western
Yates	Rochester
NYC-Bronx	NYC
NYC-Brooklyn	NYC
NYC-Manhattan	NYC
NYC-Queens	NYC
NYC-Staten Island	NYC

Attachment II p.1

METHODOLOGY

We used statewide utilization and regional pricing, rather than district-specific historical fee-for-service costs and utilization. Experience has shown that rates based on the district-specific data were too variable from year to year. Attachment I lists each district and identifies the New York Prospective Hospital Reimbursement Methodology (NYPHRM) region to which the district is assigned.

Office visits were priced at the Preferred Physician and Children Program (PPAC) level. This was done in recognition of the additional responsibilities a physician assumes when he/she agrees to participate. As a managed care provider a physician is expected to provide 24 hour, 7 day per week access and medical case management for enrollees. Access to most other medical services is controlled by the primary care provider. These increases are justified by the savings we expect to achieve (as a result of medical case management) in the cost of other medical services, especially inpatient and emergency services.

The cost of Child/Teen Health Plan (C/THP) services and PPAC well child visits are not included in these rates.

All services billed under an Obstetrics/Gynecology (OB/Gyn) specialty and all births regardless of speciality are carved out, as well as office visits that can be identified as prenatal care.

All rates are net of third party payments. (It is assumed that providers will bill all third party insurers directly.) This is most evident in the rate caps for SSI recipients over 65, which are relatively low because they are net of Medicare reimbursement.

Attachment II p. 2

REGIONAL PHYSICIAN PARTIAL CAPITATION RATE CAPS

LONG ISLAND REGION:	PRIMARY CARE	SPECIALTY CARE
1) ADC+HR <1	$38.45	$11.25
2) ADC+HR F 1-14	$21.36	$5.67
3) ADC+HR F 15-20	$24.08	$10.04
4) ADC+HR M 1-20	$20.43	$7.86
5) ADC 21-64	$30.43	$11.85
6) HR21-29	$25.63	$11.95
7) HR30-64	$34.40	$14.85
8&9) SSI 0-20	$30.99	$32.88
10) SSI 21-64	$33.58	$22.39
11) SSI 65+	$7.72	$4.40
LONG ISLAND COMBINED	$24.94	$11.66
ROCHESTER REGION:		
1) ADC+HR <1	$31.73	$6.52
2) ADC+HR F 1-14	$17.10	$4.09
3) ADC+HR F 15-20	$19.74	$8.46
4) ADC+HR M 1-20	$16.63	$5.20
5) ADC 21-64	$26.16	$11.91
6) HR21-29	$22.25	$9.75
7) HR30-64	$31.67	$13.82
8&9) SSI 0-20	$26.71	$34.67
10) SSI 21-64	$28.19	$21.70
11) SSI 65+	$5.62	$3.31
ROCHESTER COMBINED:	$21.58	$9.86
NORTHEAST REGION:		
1) ADC+HR <1	$31.59	$8.09
2) ADC+HR F 1-14	$17.57	$3.66
3) ADC+HR F 15-20	$21.05	$10.08
4) ADC+HR M 1-20	$17.06	$4.81
5) ADC 21-64	$27.16	$13.52
6) HR21-29	$24.16	$12.64
7) HR30-64	$31.40	$20.73
8&9) SSI 0-20	$26.47	$25.57
10) SSI 21-64	$27.97	$21.18
11) SSI 65+	$5.76	$4.17
NORTHEAST COMBINED:	$21.81	$11.12
UTICA REGION:		
1) ADC+HR <1	$30.73	$6.03
2) ADC+HR F 1-14	$16.84	$3.70
3) ADC+HR F 15-20	$20.88	$7.98
4) ADC+HR M 1-20	$16.28	$4.73
5) ADC 21-64	$26.04	$9.89
6) HR21-29	$23.04	$8.56
7) HR30-64	$27.91	$13.21
8&9) SSI 0-20	$26.69	$27.19
10) SSI 21-64	$25.99	$21.30
11) SSI 65+	$4.23	$2.12
UTICA COMBINED:	$20.74	$9.53

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CENTRAL REGION:		
1) ADC+HR <1	$32.92	$7.71
2) ADC+HR F 1-14	$18.21	$3.60
3) ADC+HR F 15-20	$20.43	$8.36
4) ADC+HR M 1-20	$17.67	$4.44
5) ADC 21-64	$26.06	$10.81
6) HR21-29	$22.60	$9.46
7) HR30-64	$30.33	$14.47
8&9) SSI 0-20	$28.28	$24.27
10) SSI 21-64	$27.18	$20.32
11) SSI 65+	$4.73	$3.72
CENTRAL COMBINED:	$21.98	$9.51
NORTH METRO REGION:		
1) ADC+HR <1	$34.47	$8.63
2) ADC+HR F 1-14	$19.82	$4.18
3) ADC+HR F 15-20	$23.47	$9.49
4) ADC+HR M 1-20	$19.17	$5.32
5) ADC 21-64	$29.55	$11.29
6) HR21-29	$26.95	$10.91
7) HR30-64	$35.18	$13.97
8&9) SSI 0-20	$33.14	$28.66
10) SSI 21-64	$32.40	$21.35
11) SSI 65+	$7.30	$4.65
NORTH METRO COMBINED	$24.51	$10.12
WESTERN REGION:		
1) ADC+HR <1	$32.16	$7.74
2) ADC+HR F 1-14	$18.14	$3.86
3) ADC+HR F 15-20	$20.83	$8.47
4) ADC+HR M 1-20	$17.47	$4.95
5) ADC 21-64	$26.99	$11.38
6) HR21-29	$23.96	$9.10
7) HR30-64	$32.76	$13.01
8&9) SSI 0-20	$26.60	$27.47
10) SSI 21-64	$28.39	$21.64
11) SSI 65+	$5.02	$4.02
WESTERN COMBINED:	$22.63	$9.67
NEW YORK CITY REGION:		
1) ADC+HR <1	$34.53	$7.48
2) ADC+HR F 1-14	$20.63	$3.98
3) ADC+HR F 15-20	$24.43	$11.59
4) ADC+HR M 1-20	$19.82	$5.43
5) ADC 21-64	$31.32	$12.81
6) HR21-29	$29.26	$10.32
7) HR30-64	$36.14	$12.73
8&9) SSI 0-20	$33.48	$35.48
10) SSI 21-64	$34.00	$24.90
11) SSI 65+	$6.92	$4.12
NEW YORK CITY COMBINED	$25.28	$10.00

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UPSTATE TOTAL:		
1) ADC+HR <1	$33.22	$7.19
2) ADC+HR F 1-14	$18.42	$3.89
3) ADC+HR F 15-20	$21.35	$8.74
4) ADC+HR M 1-20	$17.83	$4.96
5) ADC 21-64	$27.73	$11.40
6) HR21-29	$24.54	$9.94
7) HR30-64	$33.04	$14.03
8&9) SSI 0-20	$28.50	$27.15
10) SSI 21-64	$29.66	$21.40
11) SSI 65+	$5.82	$3.73
UPSTATE COMBINED:	$22.85	$9.91
TOTAL STATEWIDE:		
1) ADC+HR <1	$33.98	$7.27
2) ADC+HR F 1-14	$19.94	$3.94
3) ADC+HR F 15-20	$23.49	$10.50
4) ADC+HR M 1-20	$19.21	$5.24
5) ADC 21-64	$30.08	$12.31
6) HR21-29	$27.52	$10.16
7) HR30-64	$35.37	$12.94
8&9) SSI 0-20	$31.20	$30.82
10) SSI 21-64	$32.14	$23.56
11) SSI 65+	$6.55	$4.01
STATEWIDE COMBINED:	$24.47	$9.97