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MEMORANDUM

TO: RHCF Members

FROM: Patrick Cucinelli, Senior Financial Policy Analyst

DATE: October 2, 2009

SUBJECT: **Financially Disadvantaged Funding Program**

ROUTE TO: Administrator, CFO

ABSTRACT: DOH issues DAL on disadvantaged funding program changes.

Introduction

The Department of Health (DOH) has issued an October 2, 2009 *Dear Administrator Letter* (DAL) pursuant to the modifications made to the financially disadvantaged program (FDP) for nursing homes by the final 2009-10 state budget (Chapter 58 of the Laws of 2009, Section 8).

Notice of the DAL posting on the Healthcare Providers Network (HPN - <https://commerce.health.state.ny.us>) was sent directly to providers via e-mail on the HPN. For member convenience, a complete copy of the DAL is attached to this memo.

The DAL

These changes, effective April 1, 2009 and covering FDP payments for 2009, represent a significant restructuring of the program. These changes do not impact the 2008 FDP payments recently released by DOH. Although the total statewide dollars available for the program remains unchanged at \$30 million, the criteria for qualifying for the payments is changing, including the statutory exclusion of publicly-sponsored nursing homes. NYAHS has been providing members with advance notice of these changes, which include:

- Increasing the minimum Medicaid utilization eligibility criterion from 50 percent to 70 percent;

- Targeting eligibility to facilities with the highest negative operating margins (i.e., facilities that are placed in the top two quartiles when ranked by their calculated negative operating margin for the applicable three-year period);
- Increasing the maximum distribution under the FDP from \$400,000 to \$1,000,000 (the total amount authorized is \$30 million annually for the FDP);
- Permitting facilities with positive operating margins in the most recent year of the applicable three-year period to remain eligible for FDPs, and
- Limiting eligibility for FDPs to non-public residential health care facilities. Instead, the state views the availability of Upper Payment Limit (i.e., intergovernmental transfer) payments to public nursing homes as a substitute for the FDP.

The DAL also goes into detail on the new requirement for a restructuring plan, and suggested contents for such a plan.

For more details please refer to the DAL, and please contact me with any questions at pcucinelli@nyahsa.org or call 518-449-2707 ext. 145.

Attachment