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MEMORANDUM IN OPPOSITION

FOR IMMEDIATE RELEASE: APRIL 18, 2021

Re: S.5118 (Rivera)/A.5368 (McDonald) -- AN ACT to amend the social services law, in relation to providing parity to durable medical equipment providers by requiring Medicaid managed care organizations to reimburse such providers at no less than one hundred percent of the state's Medicaid durable medical equipment and complex rehabilitation technology fee schedule for the same services and supplies

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This legislation, S.5118/A.5368, would require Medicaid managed care organizations to reimburse durable medical equipment (DME) providers at no less than one hundred percent of the Medicaid DME and complex rehabilitation technology fee schedule for the same service or item of durable medical equipment, prosthetics, orthotics and supplies. The New York Health Plan Association (HPA) believes this legislation is unnecessary, as plans currently have robust durable medical supply networks, and imposing unnecessary mandates results in burdensome and costly requirements that ultimately lead to higher health care costs for the Medicaid program. For all these reasons, HPA urges your opposition to this proposal.

While well intentioned, the bill is unnecessary as most plans currently provide coverage for durable medical equipment supplies as needed. Reimbursement rates are decided in a fair manner based on negotiations between Medicaid managed care organizations (Medicaid MCOs) and providers. As part of those negotiations, payment rates are linked to both services provided and to performance. Mandating specific payments levels without any accountability for those levels or compliance with quality improvement metrics will undermine incentives for providers to improve the quality of care while keeping costs down. Moreover, imposing specific reimbursement levels ultimately increases costs for the State.

Robust plan networks of DME providers create competition to help drive high prices down. This legislation will eliminate that competition and likely result in reducing the number of DME vendors in health plans' networks. Further, health plans report that DME vendors regularly approach plans to participate in their Medicaid networks, suggesting that access is not a concern. Mandating higher reimbursement rates for DME providers will have a negative impact on value based payment arrangements, as plans work to move toward a value based delivery system. Proposals like this increase costs and reduce the amount of funding available to implement pay for performance contracts with all providers, which does nothing to improve care outcomes for Medicaid members.

This legislation is also problematic as it would mandate specific Medicaid reimbursement rates without corresponding increases to Medicaid MCO capitation payments. The Centers for Medicare & Medicaid Services (CMS) requires that MCO rates must be developed by actuaries and that rate setting not be budget driven. Actuarial soundness is an important tool for retaining the viability of Medicaid managed care as a legitimate alternative to Medicaid fee-for-service delivery systems. Actuarial soundness ensures that health plans serving state Medicaid programs are adequately reimbursed based on the cost of health care expenditures and the populations served, it further serves to ensure availability of sufficient provider networks. Mandating specific payments levels for Medicaid rates without corresponding increases to the Medicaid MCO capitation payments as it will result in financial hardship for the Medicaid MCOs.

For these reasons, HPA urges you to **OPPOSE** S.5118/A.5368.

The New York Health Plan Association represents 28 managed care health plans that provide comprehensive health care services to more than 8 million New Yorkers.