

HEAL 21 Guidance for DT&Cs and CHHAs

Eligibility for Medicaid Rate Adjustments

Applicants eligible for Medicaid rate adjustments must be one of the following legally existing organizations:

- A general hospital;
- A diagnostic and treatment center;
- A hospital eligible to be classified as a sole community hospital;
- A nursing home;
- A certified home health agency;
- An established Article 28 network which includes a general hospital or nursing home; or
- An active parent or co-operator of a general hospital, nursing home, or diagnostic and treatment center.

Federally Qualified Health Centers (FQHCs) are entitled to a potential Medicaid rate enhancement whether or not they opted into the Medicaid ambulatory patient group (APG) reimbursement methodology. Article 31 and Article 16 facilities are not eligible for funding under this RFA.

Preferences

Preference for short-term Medicaid rate adjustments and HEAL capital grant awards will be given to applicants that are supported by any committee or work group convened or appointed by the Commissioner of Health to oversee restructuring efforts in a particular region or area. Favorable consideration will also be given to applicants that meet the following criteria:

- Have a loss of operations for each of the preceding three years;
- Have a negative fund balance or negative equity position for each of the preceding three years; and
- Have a current ratio of less than 1:1 for each of the preceding three years.

Applicants that do not meet these criteria may still be considered if they fulfill unmet health care needs or provide care to vulnerable populations.

Eligible Activities

Activities that are eligible for funding under the RFA fall into four principal categories:

- Mergers, consolidation, and shared governance;
- Closures and conversions;
- Bed reduction and service reconfiguration; and
- Operational activities that help ensure a smooth transition to the reconfigured arrangement of providers, services, and patterns of care that would result from the restructuring activities above.

Projects that do not involve downsizing, consolidations, inter-facility collaboration, or other restructuring activities will not be viewed as favorable. Moreover, applicants will not be eligible to use HEAL funding to offset non-HEAL funding sources in previously submitted Certificate of Need applications or activities that fall outside hospital and nursing home Article 28 licensure. Funding may, however, be used to discharge long-term debt or mortgage payments as long as the proposal otherwise complies with conditions of the RFA.

Approved project activities should result in cost savings to the Medicaid program and the health system generally. Savings should be generated through improved efficiency and reduced reliance on institutional-based care in favor of ambulatory and community-based services. In addition, project activities should also result in the increase of non-Medicaid revenues and the expansion of services without an increase in reimbursement rates.

Mergers, Consolidation, and Shared Governance

In order to be eligible for funding under the RFA, any merger, consolidation, or shared governance arrangement proposal should result in a significant change in the operation of services or a fundamental alteration in the governance of collaborating organizations. Moreover, proposed changes should have a demonstrable impact on efficiency through the reduction of staffed inpatient-bed capacity and improved access to outpatient, ambulatory, and community-based care. Examples of eligible projects include, but are not limited to, the following activities between two or more organizations:

- Full asset mergers;
- Consolidations of shared services;
- Delegations of shared services;
- Active parent arrangements; and
- Article 28 network arrangements.

Closures and Conversions

Under the RFA, inpatient facilities are eligible for funding to either close operations or covert to ambulatory or community-based services. For applications that propose to close an inpatient facility, preference will be given to those proposals that are part of a consolidation with another facility. However, proposals that do not include collaborations with other organizations will also be eligible for funding, but they must include substantive restructuring and may not be scored as high as collaborative proposals.

Bed Reduction and Service Reconfiguration

Funding under the RFA will only be awarded for proposals that reduce staffed inpatient beds in order to convert the vacated space to expand ambulatory or community-based services. For example, funding may be used for the conversion of staffed nursing home beds to assisted living program (ALP) beds that were approved under the ALP Solicitation of Interest (SOI) Rounds 1 and 2.

These efforts may also include the redeployment of inpatient staff and personnel to outpatient, ambulatory, or community-based services. However, funding may not be awarded for the reduction of non-clinical inpatient space (i.e. support space). Furthermore, program changes such as the conversion of an adult day health care (ADHC) program to a Program of All-Inclusive Care for the Elderly (PACE) would be eligible for consideration, but without downsizing, inter-facility collaboration, or other restructuring activities, may not be viewed as a strong application.