

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is made by and between the MHA Management Services Corporation (MSC), an affiliate of the Missouri Hospital Association, Home State Health Plan (Home State), Missouri Care, Inc. (Missouri Care) and UnitedHealthcare of the Midwest, Inc. (UHC). Home State, Missouri Care and UHC are collectively referred to herein as MCOs.

WHEREAS, MHA's members consist of Missouri hospitals that participate in the Federal Reimbursement Allowance (FRA) program, through which they pay a provider tax to the state which, in turn, generates federal matching dollars under the Medicaid program; and

WHEREAS, the FRA program funds Medicaid reimbursements to hospitals by the MO HealthNet Division; and

WHEREAS, MSC currently administers a voluntary pooling arrangement by which participating hospitals pool their Medicaid reimbursements; and

WHEREAS, the pool employs a methodology for distributing pooled funds among pool participants; and

WHEREAS, that formula currently accounts for direct Medicaid add-on payments made by the MO HealthNet Division to hospitals; and

WHEREAS, the MO HealthNet Division has decided to expand the managed care program for children and low-income parents statewide, effective May 1, 2017; and

WHEREAS, the MO HealthNet Division has awarded contracts to Home State, Missouri Care and UHC to serve as the managed care organizations for its beneficiaries; and

WHEREAS, based on recent federal guidance, the MO HealthNet Division will transition the direct Medicaid add-on payments from fee-for-service to managed care for the managed care population; and

WHEREAS, the MO HealthNet Division has adjusted the capitated rates to incorporate the additional costs associated with direct Medicaid add-on payments; and

WHEREAS, the MO HealthNet Division's contracts with the MCOs note the MCOs must use the increased hospital funds for reimbursement of inpatient and outpatient hospital services; and

WHEREAS, CMS issued final guidance on January 18, 2017, which clarifies that the MO HealthNet Division cannot incorporate the direct Medicaid add-on payments into the capitation rates as a pass-through; and

WHEREAS, the parties wish to establish an agreed upon process for distributing the direct Medicaid add-on payments in a manner that complies with CMS guidance while maintaining the financial soundness of MHA's members.

NOW, THEREFORE, in consideration of the foregoing and good and valuable consideration hereinafter described, the parties agree as follows:

I. Mutual Understanding and Representations

- A. The MO HealthNet Division intends to expand its managed care program for children and low-income parents to a statewide program effective May 1, 2017.
- B. Under the fee-for-service program, hospital payments for treating Medicaid beneficiaries are comprised of claims payments (for both inpatient and outpatient services) and direct Medicaid add-on payments.
- C. Inpatient direct payments are designed to supplement per diem payments to ensure hospitals are compensated for their inpatient cost-per-day, including increased allowable costs attributable to the FRA assessment. Outpatient direct payments are designed to recognize hospitals' increased allowable costs attributable to the FRA assessment.
- D. The MO HealthNet Division publishes an inpatient and outpatient hospital rate list which represents Full Medicaid Pricing, hereinafter referred to as the "rate list". MHD periodically updates the rate list as rate changes occur.
- E. Add-on payments are currently calculated as part of the total reimbursement paid to hospitals under fee-for-service to determine Full Medicaid Pricing.
- F. The FRA funds 100 percent of the state share of direct Medicaid add-on payments that will be transitioned from fee-for-service to managed care. In addition, FRA funds a significant portion of claims payments.
- G. Both the claims payments and the direct Medicaid add-on payments related to managed care have been incorporated into the capitated rates.
- H. The MO HealthNet Division's contracts with the MCOs note the MCOs must use the increased hospital funds for reimbursement of inpatient and outpatient hospital services; however, federal regulation prohibits such contracts from specifying which hospitals must receive the funds or that the amount distributed must equal the amount incorporated into the capitated rates.
- I. The MO HealthNet Division's contracts with the MCOs require the MCOs to submit a monthly questionnaire to the MO HealthNet Division containing key data elements necessary for tracking payments to hospitals.
- J. The parties agree to work together in good faith to ensure stability through an orderly transition for the hospital industry and the continued success of the FRA program. The transition is keeping with the spirit of the Medicaid and CHIP Managed Care Final Rule, and will provide time and flexibility to integrate current payment arrangements into different payment structures as needed to comply with federal and state standards as those standards are clarified.
- K. The parties agree that the memorandum of understanding is conditional on their understanding of information as available at that time from the State and Mercer related to the direct Medicaid add-on payments.

II. MSC Responsibilities

- A. MSC staff will continue to administer a voluntary pooling arrangement to handle the payments that are transitioned to the MCOs.

- B. Upon completion of this MOU, MSC staff will hold a series of webinars to educate hospitals about the agreed upon process for handling this transition and explain the flow of funds and its implications for hospitals that contract or do not contract with the MCOs.
- C. MSC staff will work with hospitals to provide the MCOs with the necessary bank account information to administer payments, and MSC will facilitate the appropriate permissions from the hospitals to allow the MCOs to meet the reporting requirements of this MOU.

III. MCO Responsibilities

- A. The MCOs agree to utilize a common process, outlined in Exhibit A, for calculating and remitting amounts owed to hospitals as direct Medicaid add-on payments.
- B. The MCOs agree to use the principles outlined in section IV below as the basis for developing the process outlined in Exhibit A.
- C. The MCOs will negotiate confidential inpatient and outpatient claims payments directly with the hospitals for the component of hospital costs deemed to not be attributable to the direct Medicaid add-on payment.

IV. Direct Medicaid Add-On Principles

- A. Amount to be Distributed
 - 1. Each MCO will use their actual membership experience and cash payment received from the MO HealthNet Division, reflecting adjustments that may be applied by MHD to determine their total monthly direct Medicaid add-on payment to hospitals. Once the MCOs receive payment from the MHD, each MCO will subsequently process the payment and distribute funds accordingly.
 - 2. The total amount distributed for the direct Medicaid add-on payment will not exceed the amount of capitation, including adjustments, defined by the MO HealthNet Division as the Full Medicaid Pricing impact and paid to each MCO, except as agreed upon pursuant to Section VI.A of this MOU. The amount to be distributed will be allocated to inpatient and outpatient based on capitation information provided by the MO HealthNet Division, with Emergency Room capitation payments categorized as Outpatient.
- B. MCO Payment Structure for Hospitals That Have Agreements with MCOs (Participating Hospitals)
 - 1. Inpatient Direct Medicaid Payment
 - a. The MCO will use the inpatient direct Medicaid payment as a per diem from column E published on the rate list for determining the inpatient direct Medicaid payments.
 - b. The MCO will use the projected managed care days provided by the MO HealthNet Division for determining the inpatient direct Medicaid payments.

- c. For each facility on the rate list, multiply step 1.a. times 1.b. to establish the facility-specific allocation of the inpatient direct Medicaid payments to be made annually by all of the MCO payers.
2. Outpatient Direct Medicaid Payment
 - a. The MCO will use the outpatient direct Medicaid payment as a percentage from column I published on the rate list for determining the outpatient direct Medicaid payments.
 - b. The MCO will use the projected managed care charges provided by the MO HealthNet Division for determining the outpatient direct Medicaid payments.
 - c. For each facility on the rate list, multiply step 2.a times 2.b to establish the facility-specific allocation of the outpatient direct Medicaid payment to be made annually by all of the MCO payers.
 3. Timing and Flow of Inpatient and Outpatient Direct Medicaid Payments
 - a. The annual inpatient and outpatient direct Medicaid payments will be divided by twelve payrolls to determine the monthly payment.
 - b. Monthly payments will be processed and paid no later than the second provider check date of each month based on the Claims Processing and Payment Schedule published by the MO HealthNet Division on its website at: <http://manuals.momed.com/ClaimsProcessingSchedule.html>.
 - c. The monthly payments will begin after the May capitation payment is received on Friday, June 5, 2017, for both the current managed care areas of the state and the expansion areas of the state.
 - d. The direct Medicaid payments will be deposited into each hospital's Central Bank account unless otherwise indicated by the hospital.
 - e. Two days prior to making the monthly payment, each MCO will send a report to MSC that includes the facility name, the NPI number, the bank and routing account numbers, and the total amount that will be paid to each facility.
- C. MCO Payment Structure for Hospitals That Do Not Have Agreements With MCO (Non-Participating Hospitals)
1. Inpatient Direct Medicaid Payment
 - a. The MCO will use the inpatient direct Medicaid payment as a per diem from column E published on the rate list for determining the inpatient direct Medicaid payments.
 - b. The MCO will use the projected managed care days provided by the MO HealthNet Division for determining the inpatient direct Medicaid reserve.
 - c. The MCO will use the hospital's actual inpatient utilization for determining the inpatient direct Medicaid payments. The actual inpatient utilization used in this calculation will be limited to the projected managed care days provided by MHD.

- d. For each facility on the rate list, multiply step 1.a. times 1.b. to establish the facility-specific inpatient direct Medicaid payment to be made, reflecting adjustments based on variances in utilization.
2. Outpatient Direct Medicaid Payment
 - a. The MCO will use the outpatient direct Medicaid payment as a percentage from column I published on the rate list for determining the outpatient direct Medicaid payments.
 - b. The MCO will use the projected managed care charges provided by the MO HealthNet Division for determining the outpatient direct Medicaid reserve.
 - c. The MCO will use the hospital's actual outpatient charges for determining the outpatient direct Medicaid payments. The actual outpatient charges used in this calculation will be limited to the projected outpatient charges provided by MHD.
 - d. For each facility on the rate list, multiply step 2.a times 2.b to establish the facility-specific outpatient direct Medicaid payment to be made, reflecting adjustments based on variances in utilization.

3. Timing and Flow of Inpatient and Outpatient Direct Medicaid Payments
 - a. Payments to Non-PAR hospitals will use actual paid claim experience versus using a prospective payment methodology. Each MCO will reserve the portion of the direct Medicaid add-on payment for Non-PAR facilities in a liability account as cash is received from the MO HealthNet Division. Payment will be drawn from this reserve as claims are paid to these Non-PAR hospitals.
 - b. The monthly payments for actual claims experience will begin once the May capitation payment is received on Friday, June 5, 2017, for both the current managed care areas of the state and the expansion areas of the state.
 - c. Monthly payments will be processed and paid no later than the second provider check date of each month based on the Claims Processing and Payment Schedule published by the MO HealthNet Division on its website at: <http://manuals.momed.com/ClaimsProcessingSchedule.html>.
 - d. The direct Medicaid payments will be deposited into each hospital's Central Bank account unless otherwise indicated by the hospital.
 - e. Two days prior to making the monthly payment, each MCO will send a report to MSC that includes the facility name, the NPI number, the bank and routing account numbers, and the total amount that will be paid to each facility.

D. Distribution of Unspent Funds.

1. A reconciliation of the direct Medicaid add-on payments received by MCOs versus distributed by MCOs will be completed 180 days after the state fiscal year to allow sufficient time for claims run-out. This reconciliation does not apply to NICU payments. The NICU payments reconciliation will be completed 365 days after the state fiscal year to allow sufficient time for claims run-out.

2. Any unspent funds will be distributed to hospitals no later than 210 days following the end of each state fiscal year for which the payments related. For NICU, any unspent funds will be distributed 395 days following the end of each state fiscal year for which the payments related.
3. Any unspent funds will be distributed proportionally to all hospitals based on forward-looking utilization estimates as outlined in Exhibit A.
4. Following the later of the distribution of unspent funds or the applicable reconciliation period as identified in section 1 or 2 above, there shall be no further request, reconciliation or settlement of funds related to direct Medicaid add-on payments for the associated state fiscal year.

E. Inpatient and Outpatient Claims Payments

1. Inpatient and outpatient claims will be processed and paid based on each health plan's established payment schedule.
2. The claims payments will be deposited into a bank account as directed by each hospital.
3. Nonparticipating hospitals will be paid the rate published by the MO HealthNet Division.

V. Term and Termination

- A. This MOU shall be effective on the date of the last signature below and shall continue until June 30, 2018, unless MSC and all MCOs agree to an alternative agreement to be effective prior to June 30, 2018.
- B. This MOU will terminate effective June 30, 2018, unless MSC and all MCOs agree to extend it. At a maximum, this MOU may renew for four successive, one-year terms only in the event the MO HealthNet Division exercises its option to renew the contracts of the MCOs.
- C. This MOU shall automatically terminate if there is a change in state law or federal regulation that prevents implementation of statewide managed care or that regulates the FRA payment process in a way that conflicts with this MOU.

VI. Miscellaneous

- A. The parties foresee that the transition from Medicaid fee-for-service payments to Medicaid managed care will cause an interruption in payments to hospitals. The MCOs will consider in good faith, on a case-by-case basis, a short-term cash advance for those hospitals for which such interruption causes financial hardship. MHA will provide a listing of these hospitals, the amount and timing of the requested cash advance for each hospital and detailed information to support the requested cash advance for MCO review prior to May 31, 2017.
- B. The parties agree that the administrative costs incurred by the MCOs to comply with the requirements of this MOU should be considered an allowable cost that should be incorporated into the actuarially sound rates paid by the state. For purposes of determining the allowable administrative costs, the percentage applied to the direct Medicaid add-on payments shall mirror the administrative percentage applied by MSC.
- C. The parties agree to create an FRA Working Group that will include representatives from each MCO and from MSC. The FRA Working Group will examine the process and assumptions underlying this MOU at least quarterly and make adjustments as required to be in compliance with all laws and regulations, and address any unforeseen gaps in the process or calculations.
- D. The MHA membership will continue to evaluate alternative methodologies for payment as permitted under federal regulation to transition to a more value-based and quality centered payment solution. Any alternative payment methodologies will be presented by MSC staff to the FRA Working Group. Upon approval by the parties, such a proposal shall be implemented and supplant the initial proportional distribution.
- E. This MOU only may be amended by written agreement of all parties.
- F. For purposes of this MOU, Central Bank is Central Bank of Jefferson City, and the ABA Routing Number shall be provided by MSC.
- G. Any and all data shared between MSC and the MCOs pursuant to this MOU are deemed confidential and are not to be used for any other purpose except as set forth in this paragraph. Disclosure of such data is permissible to comply with the requirements of this MOU or federal or state law or regulation and for the purposes of an audit. MSC may disclose such data to the board of trustees of MHA, the board of directors of MSC, any committees and task forces of the boards, and any member hospitals that are participants in the voluntary FRA pool. Any additional exception to such confidentiality not contemplated by this MOU shall be permitted only if such disclosure is agreed to in writing by MSC and the MCOs. Any breach of this confidentiality that is not covered by an exception shall result in the immediate termination of this agreement.
- H. This MOU is intended to comply with any and all federal and state statutes, regulations and rules, including but not limited to HIPAA, 42 U.S.C. § 1320a-7b(b) (the "Fraud and Abuse Statute"), 42 U.S.C. §1395nn and 42 U.S.C. § 1395nn (the "Stark Law"), federal and state antitrust statutes, and the safe harbors and exceptions promulgated pursuant the Fraud and Abuse Statute and the Stark Law, as amended from time to time. In the event

that any law, regulation or administrative or judicial interpretation is adopted, amended, promulgated, modified or issued which prohibits or restricts all or any party of this MOU, the Parties shall either: (i) renegotiate this MOU in the manner intended to comply with such law, regulation or decision; or (ii) terminate the MOU without penalty to either party.

Each person signing this MOU represents that he or she is duly authorized and has the legal capacity to execute and deliver this MOU.

MHA MANAGEMENT SERVICES CORPORATION

HOME STATE HEALTH PLAN

Herb B. Kuhn
Herb B. Kuhn (Mar 17, 2017)

Ryan Litteken

Herb B. Kuhn
President and CEO

Ryan Litteken:
Sr. Director Finance

03/17/2017

3/17/2017

Date

Date

MISSOURI CARE, INC.

UNITEDHEALTHCARE OF THE MIDWEST, INC.

Lou Gianquinto
Lou Gianquinto (Mar 17, 2017)

Jamie Bruce
Jamie Bruce (Mar 17, 2017)

Lou Gianquinto
President, Missouri Care
3/3/16/2017

Jamie A. Bruce
Missouri Health Plan CEO

Date

Date

jcd/mk