



Nonprofits Must Adjust to Medicaid Redesign

The provision of health services for low-income individuals in New York State is undergoing radical change as a result of the state's Medicaid Redesign. Medicaid Redesign seeks to lower hospitalization rates by increasing the coordination of services and providing ancillary services outside of a hospital. As a result, nonprofits must contract with as many as twenty managed care companies to receive payment for services, rather than continuing to receive payment through contracts with New York State or directly from Medicaid.

Beginning in July 2015, adult Medicaid recipients in New York City will be required to enroll with a managed care company, which will, in turn, reimburse providers for services rendered. This requirement will extend to adults throughout New York State beginning in October 2015 and children beginning in 2016.

The change affects mental health treatment, services for senior citizens such as social adult day care, HIV/AIDS services, substance abuse treatment, and other health-related services that historically have been funded through government contracts or private payment and collectively are referred to as "behavioral health services." As part of its Urban Health Initiative, Lawyers Alliance is working with nonprofit providers to prepare for this substantial program and funding change.

Medicaid Redesign Will Dramatically Alter the System

Even before the transition to managed care, nonprofit behavioral health organizations often lacked the financial stability to overcome the challenges of a disruption in their funding streams. Because payments come through managed care companies, further delays are likely to negatively impact cash flow for already vulnerable organizations. In order to operate in this changing environment, providers will need new billing systems, possibly a line of credit to ease cash flow concerns, and systems to satisfy new contractual compliance and reporting obligations.

In the coming years, behavioral health providers will need to compete further in an open market, driving down reimbursement rates. This is encouraging service providers to consider how they can join together to deliver services on a scale that will satisfy the expectations of managed care companies and lower overhead costs.

Lawyers Alliance Is Supporting Providers

Lawyers Alliance is working to manage and minimize disruptions in the provision of service to needy populations by helping behavioral health organizations cope with emerging legal issues in this new environment.

Demystifying Managed Care Contracts: As nonprofits seek to contract with managed care companies, they will need to demonstrate their value and ability to work effectively and efficiently with multiple managed care companies in order to obtain sufficient contract funding. These contractual relationships are very complicated, covering a range of topics from service delivery to billing, and they often require new regulatory compliance protocols. Lawyers Alliance is reviewing and comparing clients' contracts with managed care companies to enable clients to better understand the business relationship, anticipate cash flow, and develop systems for contract and regulatory compliance.

Case example: Community Access assists people with psychiatric disabilities to make the transition from shelters and hospitals to independent living. Every day, Community Access supports 1,600 New Yorkers to live independently in transitional or permanent housing programs, build community connectors, or pursue education and career opportunities. Community Access has applied for funding through the state's Medicaid Redesign program to open a Brooklyn respite site, as well as three new sites in Manhattan. Lawyers Alliance and pro bono counsel from Epstein Becker & Green, P.C. have reviewed managed care contracts that will support the program.

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Photo: AIDS Center of Queens County

AIDS Center of Queens County has taken steps to prepare for Medicaid Redesign.

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Mergers and Strategic Alliances: Nonprofits competing in a managed care environment need to consider how strategic alliances might facilitate their ability to maintain quality programs. Joining with other nonprofits through a merger, joint venture, or other strategic alliance may enable them to reduce compliance costs by combining back office operations for cost savings. Alternatively, such a transaction may create a more attractive revenue stream or expand program options, thereby allowing them to serve more program participants. Particular attention in these transactions should be paid to issues relating to licensing and maximizing reimbursement rates.

Case example: For almost 30 years and as the only AIDS Community Service Provider in Queens, **AIDS Center of Queens County (ACQC)** has provided critical services and advocacy for more than 8,000 HIV-positive clients and 30,000 community residents in five locations. Recognizing the need to take action to ensure the continuity of its services in an evolving funding environment, ACQC approached the AIDS Health Foundation (AHF) with the intention of forming a partnership that would allow ACQC to expand and enhance existing services and help maintain the long-term sustainability of its programs. With assistance through Lawyers Alliance staff and pro bono counsel from Kirkland & Ellis LLP, ACQC recently finalized an affiliation agreement that will allow ACQC and AHF to leverage their respective strengths to better serve the needs of people living with HIV/AIDS throughout Queens.

For further information about Lawyers Alliance's work with behavioral health organizations, please contact Senior Staff Attorney **Elizabeth Perez** at 212-219-1800 x 232 or eperez@lawyersalliance.org.



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For more than thirty years, Lawyers Alliance has benefited from the generous financial support of The New York Community Trust. The Trust understands that New York City's nonprofit sector is strengthened by the availability of quality technical assistance. Through the years, The Trust has funded the launch of Lawyers Alliance's workforce development, disaster relief, and elder service initiatives, as well as innovative projects and collaborations to sustain programs of nonprofits in financial distress.

In 2015, Lawyers Alliance is fortunate to receive a Trust grant to support its work to help organizations reimagining themselves in an era of Medicaid Redesign. Senior Program officers **Irfan Hasan** and **Patricia Swann** and former Program Director **Len McNally** spearheaded this grant. Lawyers Alliance congratulates Len McNally on the occasion of his retirement and thanks him for championing the nonprofit sector.