



**CABINET FOR HEALTH AND FAMILY SERVICES
DEPARTMENT FOR MEDICAID SERVICES**

Steven L. Beshear
Governor

275 East Main Street, 6W-A
Frankfort, KY 40621
www.chfs.ky.gov
P: (502) 564-4321
F: (502) 564-0509

Audrey Tayse Haynes
Secretary

Lawrence Kissner
Commissioner

July 22, 2014

Ms. Jackie Glaze
Associate Administrator for Medicaid
and Children's Health Operations
Atlanta Federal Center
61 Forsyth Street, Room 5B95
Atlanta, GA 30303-8909

RE: Potential Medicaid Reimbursement Methodologies for Community Mental Health Centers

Dear Ms. Glaze:

As you know, the Kentucky Department for Medicaid Services (DMS) and Kentucky's Community Mental Health Centers (CMHCs) have been working collaboratively to update and innovate the current Medicaid reimbursement methodology applicable to Kentucky's CMHCs. This letter outlines where we are in the process and what the next steps will be. As before, we seek guidance from the Centers for Medicare and Medicaid Services (CMS) on the overall direction and timing,

On Friday, July 18th, we met with all of the CMHC's and their respective CEO and CFO to discuss all of our correspondence we have traded back and forth. As it stands today, there are two options on the table. **Option A is a cost based report** path using a CMS approved cost report. **Option B is aligning the fee schedules to be 100%** of the 2015 Medicare Fee Schedule. The CMHC's, through the two CMHC associations that represent them, will meet and make a final decision (on option A or B) by August 1, 2014. We will submit our SPA relative to this decision as soon as possible after their decision is reached.

Should they choose option B, I think the path is pretty straightforward. However, if they choose option A, I would like to know if the following timeline is acceptable.

First, the fiscal year of our CMHC's mirrors that of our state running from July 1 through June 30 each year. Given all the MAJOR changes we have made in membership expansion and services to mental health and substance abuse treatment, the cost environment is rapidly changing. Consequently, we believe the most appropriate fiscal year to determine 2015 costs is the year that began after 1/1/14. Therefore, if the CMHC's decide to move forward with Option A, we propose the following outline:

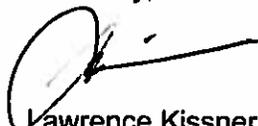
1. We keep the 2014 rates active into 2015 with the understanding that they will be settled to final rates sometime in the future.
2. We collect the 7/1/14 – 6/30/15 cost reports approximately 90 days after the close of the state fiscal year (target 10/1/15).

3. We run the cost reports through Myers and Stauffer, our local accounting firm, prior to sending them in to CMS, Review targeted for 60 days (target 12/1/15).
4. We send the audited cost reports to you for final review and look for a 60 – 90 day turnaround (target 2/1/16 to 3/1/16).
5. CMS approves final costs and rates, DMS re-prices the claims back to 1/1/15 with the appropriate changes, and final rates are published.

In addition, one of the CMHC's is planning on being a test subject for the cost report. Consequently, they will send us a cost report for period of 7/1/13 through 6/30/14 and we will run it through M&S and then CMS for review. This is to determine A) the format of the cost report, B) the allowable costs incurred by a sample CMHC, and C) what the overall impact is relative to this specific CMHC. It also gives us a dry run on the process of working up a cost report, how much time is needed, etc.

I believe this is a solid plan, depending on the two possible options. Please let us know your thoughts.

Sincerely,



Lawrence Kissner
Commissioner

CC: Neville Wise, Deputy Commissioner
Lisa Lee, Deputy Commissioner