NYSADSA
New York State Adult Day Services Association Inc.

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New York State Department of Health (DOH)
Bureau of Managed Long Term Care (MLTC)
Technical Assistance Center (TAC)
99 Washington Avenue/One Commerce Plaza, 16th Floor
Albany, NY 12210

Re: Concerns Regarding Unilateral Reimbursement Rate Reductions for Social Adult Day Care (SADC) Services by Centers Plan for Healthy Living (CPHL)/Elevance Health

Dear MLTC TAC Representatives:

I am writing on behalf of the New York State Adult Day Services Association (NYSADSA), an association representing SADC providers in New York State who contract with MLTC plans, including CPHL, which is pending acquisition by Elevance Health. As dedicated providers of essential community-based services for Medicaid-eligible individuals, particularly those who are chronically ill, disabled, or aging in place, we are deeply concerned about a recent unilateral reduction in reimbursement rates for SADC services implemented by CPHL prior to the anticipated sale. This rate cut—from $75 per day to $60 per day—has significant implications for service sustainability, beneficiary access, and compliance with state and federal Medicaid standards. We respectfully request your assistance in investigating this matter and facilitating a resolution to ensure fair and adequate reimbursements.

SADC programs play a critical role in New York's MLTC framework, offering social, recreational, and supportive services that promote independence, prevent institutionalization, and align with the federal Home and Community-Based Services (HCBS) Settings Rule. These programs serve vulnerable populations, including dually eligible Medicaid-Medicare beneficiaries, by providing person-centered care that reduces isolation and supports overall well-being. However, the 20% rate reduction has placed immense financial pressure on providers, many of whom operate on thin margins amid rising operational costs such as wages, inflation, and compliance requirements. Without adjustment, this will lead to program closures, reduced capacity, and diminished service quality—outcomes that directly contradict New York's commitment to expanding HCBS access as outlined in recent state budgets and MLTC policies.

Our concerns are heightened by the context of this rate change. The reduction occurred shortly before CPHL's pending acquisition by Elevance Health, at a time when state capitation rates to MLTC plans remained stable or increased (e.g., overall Medicaid spending growth from $28.3 billion in Fiscal Year (FY) 2024 to $31.7 billion in FY 2025). There is no evidence of corresponding cuts in capitated payments from the State that would necessitate such a drastic provider-level adjustment. Furthermore, reports indicate that Elevance's existing MLTC plans in New York reimburse SADC services at higher rates, suggesting the cut may have been a short-

term measure to enhance CPHL's financial profile ahead of the sale, potentially prioritizing seller profits over long-term care sustainability. Additionally, the pattern of initially offering higher rates to attract providers and grow membership, followed by a sharp reduction pre-sale, raises potential compliance issues under the federal Anti-Kickback Statute (42 United States Code (U.S.C.) § 1320a-7b(b)), which prohibits remuneration intended to induce referrals or business in federally funded programs like Medicaid. While we understand that SADC programs cannot refer directly to Medicaid, under Title 9 New York Codes, Rules, and Regulations (NYCRR) § 6654.20, SADC providers can provide referrals to other referring providers such as Consumer Directed Personal Assistance Program (CDPAP) fiscal intermediaries and licensed home care services agencies as part of case coordination and assistance. If the elevated rates were above fair market value and designed to incentivize network participation and enrollment for the purpose of inflating the plan's value for acquisition, this could implicate anti-kickback violations, warranting further scrutiny to protect program integrity. This raises questions about whether the rate structure complies with federal requirements for reasonable and adequate payments under 42 Code of Federal Regulations (CFR) § 438.4, which mandate that reimbursements support network adequacy and beneficiary access.

Compounding these issues are two recent policy changes that further strain SADC providers' resources and viability:

1. **Increased Eligibility Requirements for MLTC Enrollment**: Under MLTC Policy 25.04 (issued June 30, 2025, effective Sept. 1, 2025), new Minimum Needs Requirements raise the threshold for enrollment in MLTC Partial Capitation and Medicaid Advantage Plus plans. Individuals must now need at least limited assistance with physical maneuvering for more than two activities of daily living (ADLs), or supervision with more than one ADL if diagnosed with dementia or Alzheimer's, in addition to requiring Community-Based Long-Term Services and Supports (CBLTSS) for more than 120 days. These higher needs will require a higher staff-to-participant ratio and a higher level of transportation, such as hands-on assistance, rather than regular SADC group transportation.
2. **Expanded SADC Transportation Responsibilities**: Per MLTC Policy 24.01 (issued July 1, 2024, effective Jan. 1, 2025) and related Frequently Asked Questions (FAQs) on the Non-Emergency Medical Transportation (NEMT) carve-out, SADC providers must assume full responsibility for managing all transportation for SADC participants, including beyond basic SADC group transportation. This includes obtaining vehicles or contracting with vendors, as the hybrid transitional period ended on Dec. 31, 2024, and transportation is no longer carved out to fee-for-service or handled by MLTC plans. Furthermore, the flat transportation reimbursement rates (e.g., $25 per round trip) do not account for varying levels of service or participants' unique needs, such as mobility requirements necessitating ambulettes or specialized assistance. While CPHL provides one uniform rate code for all transportation, this one-size-fits-all approach conflicts with New York Medicaid regulations, which require NEMT to be arranged at the most medically appropriate and cost-effective level of service based on the enrollee's mobility and medical needs (as outlined in the Medicaid Transportation Policy Manual and DOH guidelines). Moreover, it contravenes the federal HCBS Settings Rule (42 CFR § 441.301(c)(1)), which mandates that HCBS, including transportation as a supportive

service, must be provided based on the participant's assessed needs through a person-centered service plan tailored to individual preferences and requirements. This also aligns with broader federal requirements under 42 CFR § 431.53, which assures necessary transportation to providers in a manner suitable to the beneficiary's condition, and 42 CFR § 440.170(a), defining transportation as a Medicaid benefit that must be economical, efficient, and of appropriate quality, implying differentiation by need. In managed care, 42 CFR § 438.206 further requires plans to ensure that services account for enrollees' special needs, including transportation. These added operational and financial burdens—without corresponding rate adjustments—further threaten access to SADC services, as providers will struggle to cover increased costs while facing reduced reimbursements.

In light of ongoing scrutiny of CPHL operations—including past audits by the Office of the Medicaid Inspector General (OMIG) and advocacy for reforms to address rate disparities—we urge the TAC to:

1. Investigate the rationale behind CPHL/Elevance's rate reduction, including any potential misalignment with capitation funding or merger-related financial strategies, as well as compliance with anti-kickback and other fraud and abuse laws.
2. Review the impact on SADC provider networks and beneficiary services, ensuring alignment with DOH policies on HCBS and person-centered planning.
3. Provide guidance on next steps, such as formal complaints or appeals processes, if the issue persists.

We appreciate the TAC's role in supporting MLTC stakeholders and resolving issues that affect care delivery. Resolving this matter promptly is essential to maintaining the integrity of New York's long-term care system and preventing disruptions for the thousands of individuals who rely on SADC services. We are available to provide additional documentation, participate in meetings, or collaborate with DOH representatives as needed. Please contact us at nysadsa@leadingageny.org to discuss further.

Thank you for your attention to this urgent concern. We look forward to your response and assistance.

Sincerely,

Yvonne Ward
Consultant
NYSADSA

cc: OMIG, Bureau of Compliance
Office of the Attorney General (OAG), Medicaid Fraud Control Unit