



**Department
of Health**

Medicaid
Redesign Team

DSRIP Funds Flow Guidance & NewCo FAQ

June 2015

Purpose

The purpose of this presentation is to provide PPSs with general guidance around DSRIP funds flow, through general funds flow diagrams and use cases based on, as well as additional guidance to PPSs which have created, or are considering creating, a NewCo.

Contents

- General Principles of DSRIP Funds Flow
- Funds Flow Diagrams
- Funds Flow Use Cases
- NewCo FAQ

General Principles of DSRIP Funds Flow

- PPS Lead must be a Safety Net provider in order to receive DSRIP payments
 - A NewCo may become a PPS Lead entity if it satisfies certain conditions and is approved as a PPS Lead by DOH and CMS
- PPS must establish a clear business relationship between the component providers, including a joint budget and funding distribution plan that specifies in advance the methodology for distributing funding to participating providers (STC 5.b)
 - Funding distribution plan must comply with all applicable laws and regulations
 - PPSs must comply with all federal fraud and abuse requirements of the Medicaid program

General Principles of DSRIP Funds Flow

- **The PPS Lead must establish a budget and funding distribution plan,** (at the level of detail set forth in the DSRIP Project Plan Application and Award Letter and the DSRIP Implementation Plan) **that specifies how DSRIP funds received will be distributed among the participating providers** in the PPS to incentivize providers to reach DSRIP performance goals. The PPS Lead in its budget plan will need to provide a distribution methodology taking into account **five different categories:**
 - Project implementation costs
 - Costs for delivery of services not reimbursed or under-reimbursed by Medicaid
 - Provider performance payments
 - Compensate revenue loss
 - Other for administrative and other costs not included in previous categories

General Principles of DSRIP Funds Flow

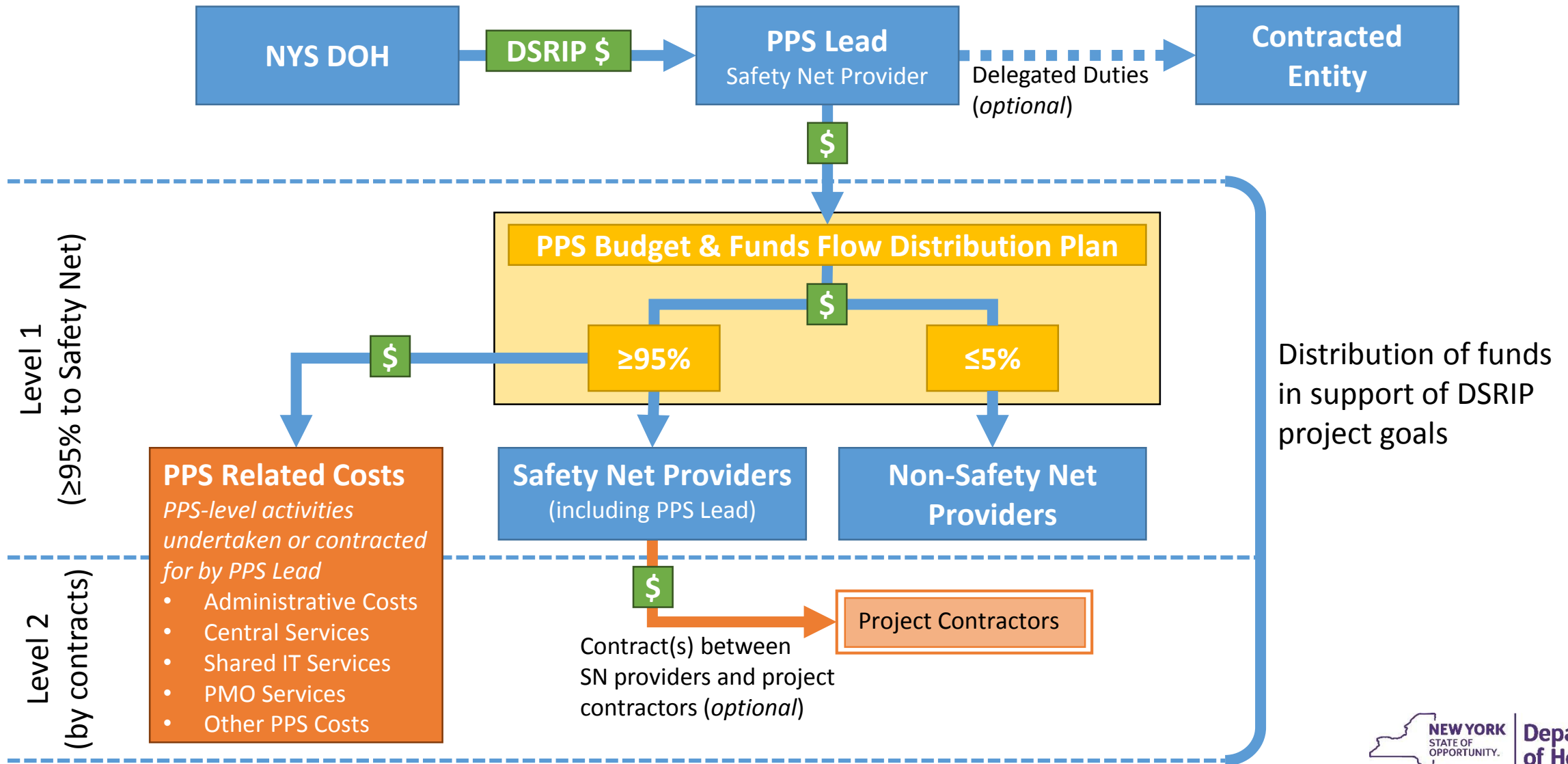
- PPS funds may be subject to recoupment or recovery based upon internal review or audit if it is determined that funds are willfully misused and/or the information relied upon for payment purposes was misreported or falsely stated or if the Department made an error in determining the payment.
 - PPSs should maintain records that demonstrate how distribution of funds is consistent with their budget and funding distribution plan and meets DSRIP project goals.
- Non-Safety Net providers are eligible to receive, in aggregate, DSRIP payments totaling no more than 5 percent of a project's total valuation (STC 2.d)
- After DSRIP payments are received from the PPS Lead, Partners are not restricted from making payments to other in-network or out-of-network providers (e.g., contracts for DSRIP-supportive services).
- **Once a performance payment is properly received (all above requirements are satisfied), the DSRIP program does not impose any additional restrictions on these funds.**

Funds Flow Diagrams

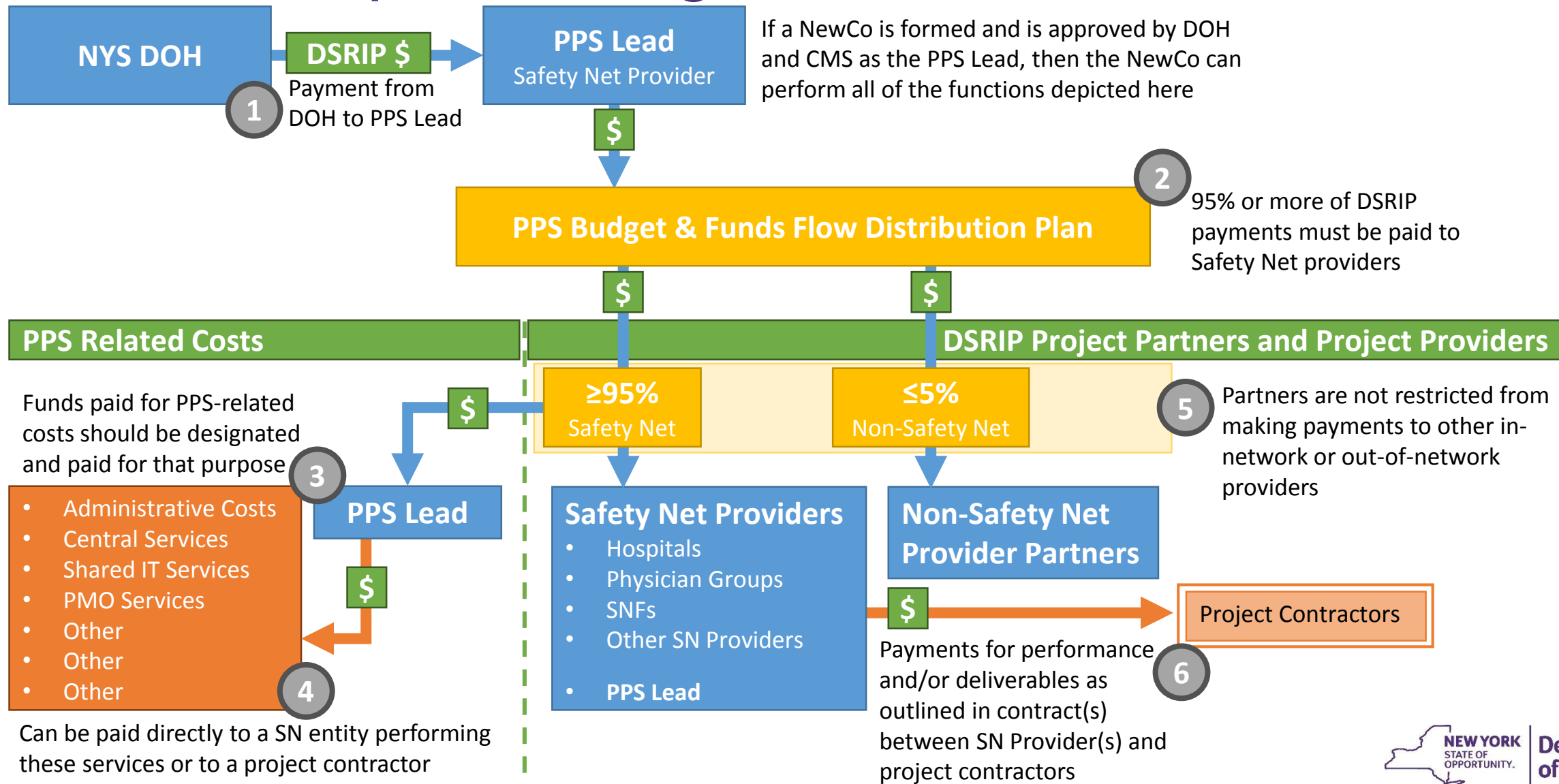
These diagrams illustrate general high-level concepts of funds flow within the DSRIP program.

These are not intended to illustrate budget plans that need to be established by the PPS Lead.

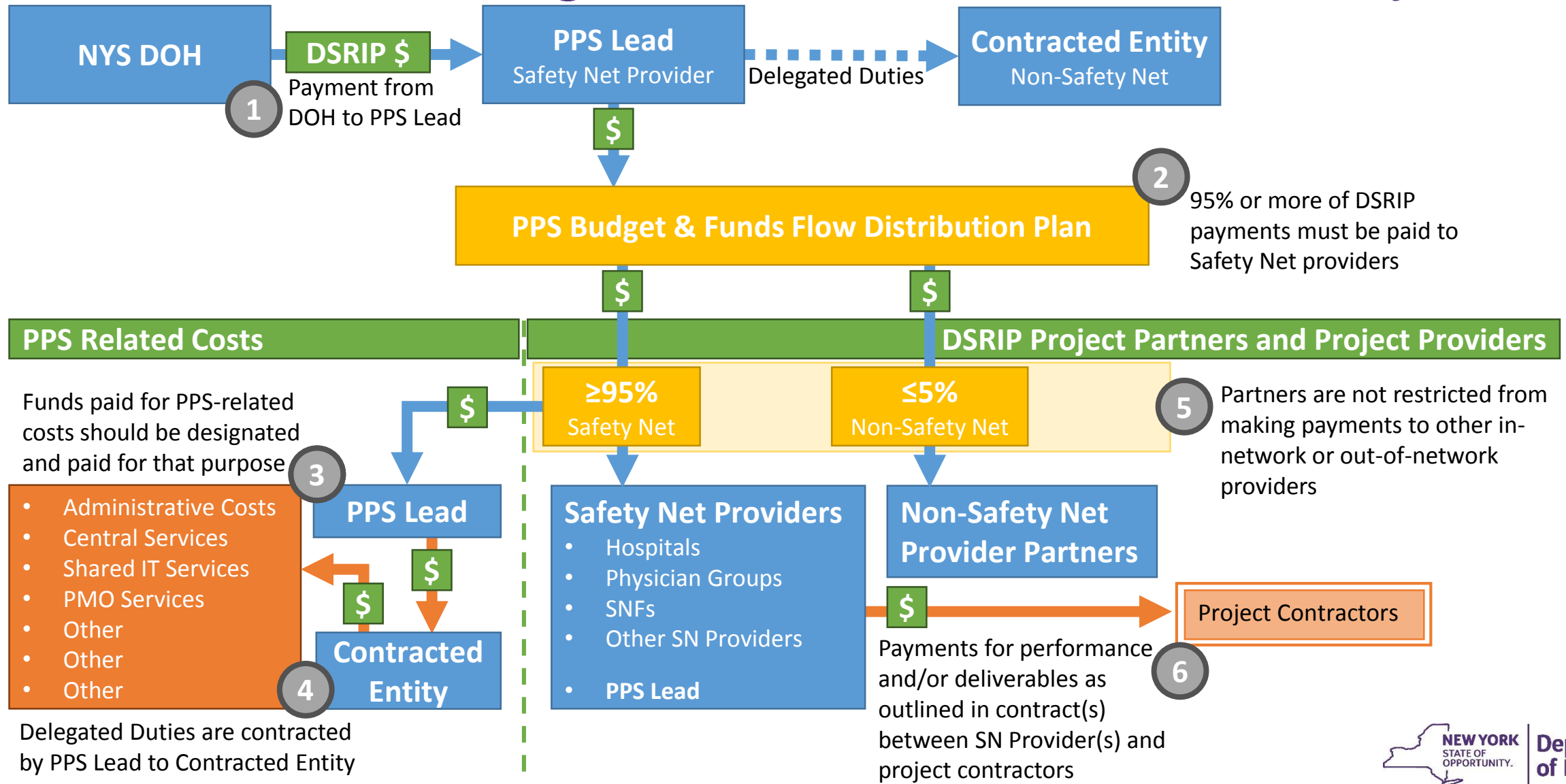
DSRIP funds flow: Simplified



#1: Lead performing administrative duties



#2: Duties delegated to a contracted entity



Funds Flow Use Cases

These use cases are intended to illustrate possible generic funds flow scenarios within DSRIP.

These are not intended to be an exhaustive list of possible funds flow scenarios that would be acceptable within the DSRIP program, nor are they intended to illustrate specific budget plans that need to be established by the PPS Lead.

Funds flow use cases

- Receiving DSRIP funds:
 1. PPS Lead is a SN provider
 2. PPS Lead is a NewCo
- Performing PPS duties:
 3. PPS Lead conducts PPS duties directly
 4. PPS Lead delegates some/all PPS duties to a Contracted Entity
- Distributing DSRIP funds to network partners:
 5. Distributing funds to PPS Partners and downstream contractors

Funds flow use cases: Receiving DSRIP funds



Use Case #1: PPS Lead is a SN provider

1. PPS Lead receives DSRIP Project Plan Award Letter from DOH
2. Fully executed DSRIP Award Letter is returned to DOH
3. PPS Lead complies with the State Comptroller's procedures to authorize electronic payments
4. In addition to the Electronic Payment Authorization Form, a Substitute Form W-9, must be on file with the Office of the State Comptroller, Bureau of Accounting Operations
5. PPS Lead receives DSRIP payments according to schedule laid out by DOH

Funds flow use cases: Receiving DSRIP funds



Use Case #2: PPS Lead is a NewCo

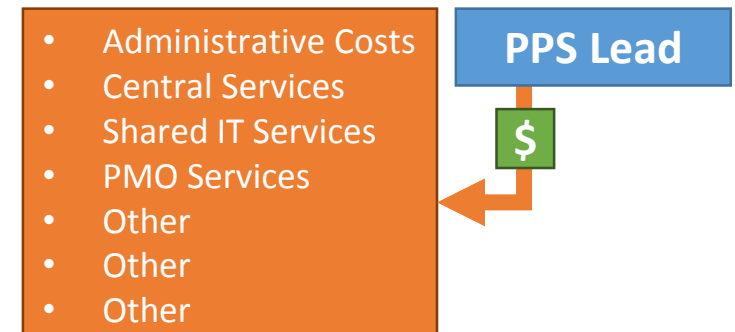
1. NewCo has met the requirements to be a Safety Net Provider or has been granted a Vital Access Provider (VAP) exception
2. NewCo is approved as a PPS Lead by DOH and CMS (see NewCo FAQ for conditions whereby a NewCo may become a PPS Lead entity)
3. NewCo is registered as a Medicaid provider and has an MMIS ID
4. Follow steps as per “*Use Case #1: PPS Lead is a SN provider*”
 - Where there is a public hospital in a NewCo with multiple members, DSRIP payments will be made to the public hospital entity

Funds flow use cases: Performing PPS duties



Use Case #3: PPS Lead conducts PPS duties directly
(related to Funds Flow Diagram #1)

1. PPS Lead is responsible for ensuring PPS meets all requirements
2. Funds paid for PPS costs are designated for that purpose within the budget
3. Funds are received by PPS Lead entity
4. PPS-related administration and other costs are paid for by the PPS Lead
 - If a Safety Net provider is performing these duties, they can be paid directly to the provider.
 - Otherwise PPS Lead entity should contract for the services. Payment is issued to the PPS Lead and then to the Contracted entity as per the contract.

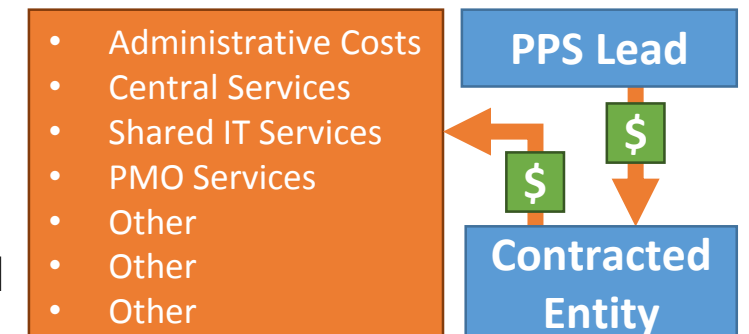


Funds flow use cases: Performing PPS duties



Use Case #4: PPS Lead delegates some/all PPS duties to Contracted Entity
(related to Funds Flow Diagram #2)

1. PPS Lead is responsible for ensuring PPS meets all requirements
2. PPS Lead defines delegated duties
3. PPS Lead enters into contract with Contracted Entity for delegated duties
4. Funds paid for PPS costs are designated for that purpose within the budget
5. Funds are received by PPS Lead entity
 - Contracted Entity may* or may not “take possession” of DSRIP funds
 - Payment is issued to the PPS Lead and then the contracted entity is paid as per the contract.
6. PPS-related administration and other costs are paid for
 - Either directly to SN entity or via a contracted entity (similar to Use Case #3, step 4)
 - PPS Partner could issue payments as part of their delegated duties



* Does not apply to Public PPSs

Funds flow use cases: Distributing DSRIP funds to network partners

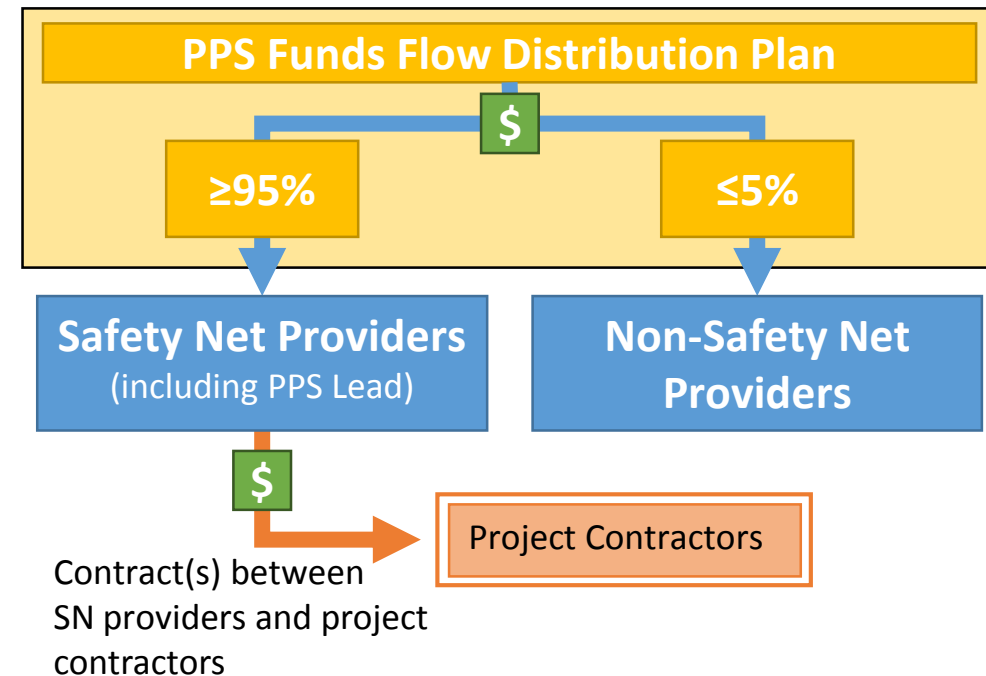
Use Case #5: Distributing funds to PPS Partners and downstream contractors

1. PPS has an Operating Agreement in place with all PPS Partners
2. DSRIP funds are distributed to providers via the Budget Funding Distribution plan approved by the PPS Board

Distribution plan approved by the PPS Board

- No more than 5% of funds may be distributed directly to non-Safety Net providers
- Funds can be distributed directly from PPS Lead
- Delegated duties of Contracted Entity could include issuing payments under PPS Lead's plan

3. Project contractors may receive payments from a Safety Net provider for agreed upon project performance and deliverables
 - Does not replace the PPS Operating Agreement



NewCo FAQ

This FAQ is intended to provide additional guidance to PPSs which have created, or are considering creating, a NewCo.

Q: Can a NewCo become a PPS Lead entity?

A: It is possible for a NewCo to become a PPS Lead entity if it satisfies the following conditions:

- ✓ The NewCo must be a Not-for-Profit legal entity duly registered with the Secretary of State.
- ✓ The NewCo must be a Safety Net Provider or have received a Vital Access Provider (VAP) exception.
- ✓ If the NewCo has a sole member, that sole member must be a Safety Net Provider.
- ✓ If the NewCo has multiple members, all “owners” or governing members must be Safety Net Providers. Any non-Safety Net Provider members should not have voting powers nor play an active role in NewCo governance.
- ✓ The NewCo must be a subsidiary of, or controlled by, the original Lead entity(s) in a manner consistent with the original Lead Entity’s application.
- ✓ A NewCo’s governance must be embodied in its governing documents (e.g., its Bylaws).
- ✓ A NewCo must have the financial backing of at least one of its Partners, which must be an organization(s) that has passed the Financial Stability Test (*likely the initial Lead Entity, although not necessarily*), as evidenced by a “backing letter” acceptable to DOH.
- ✓ The NewCo must be approved as a PPS Lead by DOH and CMS.

Q: Must the NewCo be a not-for-profit organization?

A: Yes

Q: Can a NewCo receive DSRIP award money directly from DOH?

A: Only PPS Lead entities will receive DSRIP award money directly from DOH.

For a NewCo to receive DSRIP award money directly from DOH, the NewCo would have to qualify as a PPS Lead entity, including being registered as a Medicaid provider, and either satisfying the requirements to be a Safety Net Provider or having been granted a Vital Access Provider (VAP) exception.

Where there is a public hospital in a NewCo with multiple members, DSRIP payments will be made to the public hospital entity in order to enable IGT funding and the PPS NewCo will receive its DSRIP payments from the public hospital partner.

Q: If a NewCo cannot receive DSRIP award money directly from DOH, can the NewCo function as the PPS Lead entity?

A: The NewCo has to be approved by DOH and CMS as previously cited to be a PPS Lead entity per the requirements previously stated. If it is not approved, then it cannot serve as PPS Lead entity or receive funds.

Q: Can a NewCo be used to create multiple Lead entities for a single PPS?

A: No. Only one legal entity can receive DSRIP award money, and that entity is the Lead entity.

If you have additional questions, please submit them to your DSRIP Support Team.

Questions?

DSRIP e-mail:

dsrip@health.ny.gov

