

STATE OF NEW YORK  
SUPREME COURT

COUNTY OF ALBANY

X

NEW YORK STATE ASSOCIATION OF HEALTH  
CARE PROVIDERS, INC., suing on behalf  
of all of its member providers of  
personal care services under the  
Medicaid Program; HOMEMAKERS OF THE  
MOHAWK VALLEY, INC.; WELLNESS HOME  
CARE, LTD.; A&B HEALTH CARE SERVICES,  
INC.; WILLCARE, INC. and COMPREHENSIVE  
GERIATRIC SERVICES, INC.,

Index No. 3271-93

STIPULATION  
OF SETTLEMENT

Plaintiffs,

-against-

GREGORY M. KALADJIAN, as Acting Commissioner  
of Social Services of the State of New York;  
and PATRICK BULGARO, as Director of the Budget  
of the State of New York,

Defendants.

X

This Stipulation is entered into this 1st day of November, 1993, by  
and between the attorneys for the respective parties to this  
proceeding.

WHEREAS Plaintiffs have initiated this proceeding to challenge the  
legality of actions undertaken by Defendants purporting to adopt  
retroactively a Medicaid reimbursement methodology for personal care  
services for calendar year 1992, and

WHEREAS Plaintiff, New York State Association of Health Care  
Providers, Inc. ("HCP"), also seeks an injunction against any net  
reduction in aggregate Medicaid reimbursement to any of its member  
agencies as a result of the methodology as originally set forth

pursuant to an emergency regulation filed with the Secretary of State on February 24, 1993 (see Exhibit "C" of the Complaint herein) and more recently refiled on an emergency basis on September 13, 1993 (the "1992 Methodology"), and

WHEREAS the other Plaintiffs (each of which is a provider of personal care services under the Medicaid Program) seek the same relief with regard to their own Medicaid reimbursement rates, and

WHEREAS Plaintiffs have also challenged certain aspects of the Defendants' calculation of the so-called "administrative and general expense" caps imposed pursuant to 3 of Chapter 41 of the Laws of 1992, and

WHEREAS the Plaintiffs and Defendants have entered into settlement discussions and are desirous of settling this proceeding and have instructed their respective counsel to enter into this Stipulation of Settlement, now therefore,

IT IS HEREBY STIPULATED AND AGREED by and between the attorneys for the respective parties to this proceeding, (acting on behalf of their clients, and with their full consent which the undersigned attorneys hereby represent they have obtained) that this proceeding be and the same hereby is settled based upon the following terms and conditions:

1. **Outline of Overall Settlement Objectives**

(a) Providers adversely affected by the 1992 methodology:

Any "provider" (which term shall hereinafter refer to any member of HCP which has provided personal care services under the New York State Medical Assistance Program during 1992 and January and February of 1993, whose aggregate net reimbursement from contracts entered into

with any social services district for calendar year 1991 was or would have been reduced by virtue of the application of the 1992 methodology shall be held harmless for 1992 and January and February of 1993.

(b) Providers benefited by the 1992 methodology:

Any provider whose aggregate net reimbursement from contracts entered into with any social services district for calendar year 1991 was or would be increased by virtue of the application of the 1992 methodology shall have its rate under such contracts maintained or implemented, if not yet implemented, for 1992 and January and February of 1993.

(c) For all rate periods beginning on or after March 1, 1993, all providers' reimbursement will be subject to the rate decreases resulting from the discontinuance or collapsing of the rate codes referred to in paragraph "4" on page 1 of a certain two page letter dated July 16, 1993, addressed to Mr. Cornelius D. Murray, Esq., from Michael D. Cathers, Esq., a copy of which letter is annexed hereto as Exhibit "A".

(d) The means for achieving these overall objectives are more fully set forth in the paragraphs "2" - "3", inclusive, of this Stipulation.

2. **Step 1: Tentative Recalculation of Rates Using 1992**

**Methodology**

(a) Defendants will first recalculate the rates under providers' contracts for all members of HCP, including the individually named Plaintiffs herein, using the 1992 methodology and applying the administrative and general expense cap retroactively to January 1,

1992. The administrative and general expense cap will be calculated without including "rent" as an administrative and general expense, but with rent, if any, being included as part of the overall costs against which the percentage limitations specified in 3 of Chapter 41 of the Laws of 1992 shall be applied. Finally, the discontinuance or collapsing of all rate codes, which was to be effectuated pursuant to the 1992 methodology, will be applied to all providers.

(b) The Defendants will next process, and factor into the rates under all contracts for all providers, all currently approved rate revisions and all pending approvable rate revisions.

3. Step 2 - Treatment of Providers After Step 1(a) or Step 1(b)

(a) Providers adversely affected after Step 1(a) or Step 1(b):

Any provider that, after completion of Step 1(a) or Step 1(b), would have its aggregate net reimbursement from contracts entered into with any social service district for calendar year 1991 reduced by virtue of the application of the 1992 methodology shall be held harmless for 1992 and January and February of 1993. The Department will hold each such provider harmless by expeditiously paying each provider a lump sum that will fully reimburse each provider for the aggregate net loss it incurred under each contract as a result of the implementation of the 1992 methodology.

(b) Providers benefited after Step 1(a) or Step 1(b):

Any provider that, after the completion of Step (1)(a) or Step (1)(b), would have its aggregate net reimbursement from contracts entered into with any social services district for calendar year 1991 increased by virtue of the application of the 1992 methodology shall

have its rate under such contracts implemented for 1992 and January and February of 1993.

4. Reimbursement between March 1, 1993, and December 31, 1993

(a) Providers adversely affected by the 1992 methodology:

Any provider that, by virtue of the 1992 methodology, would experience an aggregate decrease in reimbursement under any contract for the period January 1, 1992, through February 28, 1993, will be reimbursed under such contracts from March 1, 1993, through December 31, 1993, based upon the rates and codes in effect prior to the change of methodology, except that for all periods on and after March 1, 1993, such providers will be subject to the discontinuance or collapsing of the rate codes as previously described.

(b) Providers benefited by the 1992 methodology:

Any provider that, by virtue of the 1992 methodology, would experience an aggregate increase in reimbursement for the period January 1, 1992, through February 28, 1993, will continue to be reimbursed under such 1992 methodology - which methodology includes the discontinuance or collapsing of the rate codes as previously described - from March 1, 1993, through December 31, 1993.

(c) Notwithstanding Paragraphs 4(a) and 4(b) of this Stipulation, nothing in this Stipulation shall preclude individual providers from entering into new contracts, mutually acceptable to them and social services districts and subject to approval by the Defendants, substituting new rates for calendar year 1993.

5. Implementation and Payment of Rates

All final rates, calculated in accordance with the foregoing steps,

shall be expeditiously calculated and issued to the respective providers by Defendants. Thereafter, all payments based upon such recalculation and issuance, including any retroactive amounts necessary to restore sums (including any interest collected by the State) that were recouped by Defendants from providers whose aggregate net reimbursement under any 1991 contract was decreased based upon the 1992 methodology, shall be expeditiously paid. Failure by the Department to adhere to this expeditious payment requirement shall entitle Plaintiffs to seek immediate judicial relief to enforce the provisions of this Stipulation and to seek such other, further and different relief as the Court may deem just and appropriate.

6. Cessation of Recoupment

The Defendants shall, immediately upon execution of this Stipulation, initiate all steps it deems necessary to cease any further recoupment from those providers which, by virtue of the 1992 methodology, had experienced under any 1991 contract a retroactive reduction in rates that resulted in an aggregate net loss which Defendants had attempted to recover by recouping from current reimbursement otherwise due such providers.

7. New Providers and Budgeted Rates

Any providers whose original rates were based upon a so-called "budgeted rate process" or which received a budgeted rate because of the provision of a new service shall be treated the same as all other providers under this Stipulation.

8. Withdrawal of Emergency Regulations

Defendants agree, upon execution of this Stipulation, to withdraw,

or allow to lapse, the emergency regulations containing the 1992 methodology, as most recently refiled on September 13, 1993, and Defendants shall not seek to apply or further enforce such 1992 methodology except in accordance with the terms of this Stipulation.

9. Directives to Social Services Districts

After execution of this Stipulation, the Department of Social Services will, with reasonable timeliness, notify social services districts of the terms of this Stipulation and direct them to take whatever steps the Department determines are necessary to ensure compliance with its terms.

10. Audits

All providers' rates which, as a result of this Stipulation, are to be based upon costs reported to the Defendants, will be subject to audit and possible recalculation, upward or downward, based upon those audits, in accordance with Department of Social Services' audit regulations and subject to providers' rights to administrative and legal appeals available to them.

11. Stipulation of Discontinuance

Plaintiffs hereby agree to stipulate to discontinue, with prejudice and without costs or attorneys' fees, this proceeding against the Defendants after the rates are recalculated, issued and paid in accordance with the terms of this Stipulation, provided, however, that such discontinuance shall not preclude either party from seeking judicial relief in this proceeding to enforce any of the terms of this Stipulation.

12. Consent to Order

The parties hereby consent to an Order by Supreme Court, Albany

County, containing the terms and conditions of this Stipulation as hereinabove set forth.

IN WITNESS WHEREOF, the parties to this proceeding, through their attorneys, hereby signify their consent to the terms of this Stipulation by the signature of said attorneys this 1st day of November, 1993.

O'CONNELL AND ARONOWITZ

By: \_\_\_\_\_  
Cornelius D. Murray, Esq.  
Attorneys for Plaintiffs

HON. ROBERT ABRAMS  
Attorney General of the State  
of New York

By: \_\_\_\_\_  
Jeffrey Dvorin, Esq.  
Assistant Attorney General  
Attorney for Defendants

SO ORDERED:

\_\_\_\_\_  
Justice, Supreme Court