

August 3, 2015

Elizabeth Dudek, Secretary
Agency for Health Care Administration
2727 Mahan Drive
Tallahassee, FL 32308

Dear Ms. Dudek:

I am writing on behalf of Kindred Hospital (the "Hospital"), a long term care hospital licensed pursuant to Chapter 59A-3 of the Florida Administrative Code. This letter is written in response to the Agency for Health Care Administration's (the "Agency's") letter dated July 17, 2015, requesting certification that each of the Hospital's Medicaid managed care contracts are valued at less than 120% of Medicaid rates. Your letter asked for a response by August 1, 2015; however, given that August 1 was a Saturday, I hope that you will consider this letter a timely response.

Our review of existing managed care contracts for which the Hospital is an in-network provider has confirmed, and we hereby certify, that no such contracts are valued at more than 120% of Medicaid rates. Please understand that we are not being responsive to any single patient specific arrangements to provide intensive care management and acute care services for patients having complex medical conditions requiring admission to a long-term acute care facility.

As the Agency understands, long-term acute care hospitals are required to maintain a 25 day average length of stay for inpatients. Patients admitted to these facilities have very medically-complex conditions that require specialized services. Consistent with the shared desire of the plans and the State of Florida to return this small population of particularly high-risk patients to optimal health as quickly as possible, the Hospital has agreed to provide appropriate services to Medicaid managed care beneficiaries on a case-by-case basis.

The increased cost of caring for this group of patients is reflected in the risk adjustment that plans receive in their capitated payments from the Agency. The plans and the referring physician have determined that a long-term acute care hospital is the most appropriate setting in which to treat certain patients. Recognizing both the particularly high cost of providing this specialized level of care we continue to work to ensure that appropriate services are sustainably provided to this patient population. Without the flexibility to adjust payment rates according to case mix and severity of illness, the Hospital is concerned that it may affect its ability to continue providing these important services to some of the highest-risk patients in the Medicaid program.

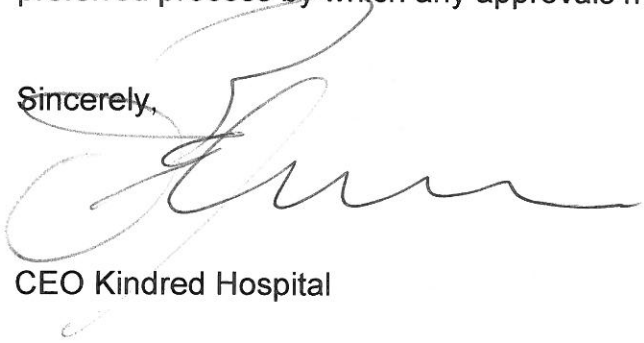
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**AGENCY FOR HEALTH
CARE ADMINISTRATION**

We understand the Agency's desire to achieve savings from the Statewide Medicaid Managed Care program, and we believe the services we provide are wholly consistent with the effort to deliver necessary care in the most appropriate, cost-effective setting. We look forward to working with the Agency to ensure that these services can continue to be sustainably provided to vulnerable and particularly high-risk beneficiaries. The Hospital has not previously understood the Agency to consider these single patient arrangements subject to separate review and approval; however, if the Agency determines that such approval is required, please advise us of this determination and the preferred process by which any approvals may be obtained going forward.

Sincerely,

A handwritten signature in black ink, appearing to be "J. Smith", written over a faint circular stamp or watermark.

CEO Kindred Hospital