

February 19, 2021

Dear Residential Provider Partner,

We have heard from many residential providers in the past several weeks. I am writing today with important updates to the residential rate model conversion that we have been working on with you.

Approximately 25 percent of providers have accepted the new rates and have sent back a signed contract. Over 70 percent of you are still contemplating what your next steps will be, and where your final rate will land as part of the negotiation process. It is my goal today to raise awareness of some of the ways we are working to demonstrate how much we value you as partners in caring for Lakeland Care members, and to share some very provider-friendly developments, including an unprecedented promise.

What we are hearing from you -

- You are concerned about the timing and being able to accept the rate on April 1st.
- You don't understand why Lakeland Care is now reducing rates when we have been such a strong partner in the past with the rates we paid.
- You are concerned that with our decreases, you are unable to accept additional Family Care members or may have to reduce the number of Family Care members you serve.
- You state that this is a difficult time to reduce rates, following the additional impact of COVID-19.

Why is Lakeland Care reducing residential rates?

- As the Family Care program has evolved into the entitlement phase, the rate setting model continues to evolve and change as well. As a result, in 2021 Lakeland Care received a reduction in our capitation rate from the Department of Health Services. In order to align our member service costs with the capitation rate, Lakeland Care needs to right size the residential rates we are paying. Historically, Lakeland Care has paid residential rates based on a facility basis versus an individual basis; therefore, Lakeland Care's residential rates have historically been above the state average in Family Care.

How do I know Lakeland truly values my interests and wants providers to be successful?

- Lakeland Care has always been and will always strive to be a strong partner with all our providers. We value you and could not do this work without you.
- We strive to be transparent and share with you why we must implement changes, whether it be changes related to contracting, rates, or member quality.
- Lakeland Care will continue partnering with Residential providers by sharing any recognized Operating Income as identified on our 2021 annual audit report, with providers who have taken a contracted rate decrease in 2021. Lakeland Care would retain the first 1% of Operating Income to sustain future operations. Any Operating Income greater than 1% would be shared equally between Lakeland Care and qualifying providers. If this threshold is reached, Lakeland Care would send a one time "bonus" payment by the end of July 2022. This Operating Income sharing will be limited to fiscal year 2021 only. Lakeland Care is currently budgeted for an Operating Loss in 2021 but is taking the appropriate steps to return to operating income while honoring our members. We hope this helps you understand that these changes to rates are not being done to create increased profit at your expense, and we promise you as partners that should a profit be realized, you will share in that with us.

Why this year, with the pandemic?

We understand that 2020 and 2021 have been difficult, with the COVID-19 pandemic. We must balance this with the need to right size our rate setting process. Lakeland Care was able to offer direct financial support to providers through a sustainability payment or a rate increase from us during 2020. We also provided some PPE free of charge when we could get it, and some providers could not find or buy the PPE needed. This was done as a gesture to support you as our partner and was a direct investment in support of providers from Lakeland Care's unrestricted capital.

What is Lakeland Care doing in response to YOUR concerns?

Lakeland Care understands your concerns, and the need for us to all work together for the mutual members we serve.

- We have evaluated and identified the best possible rate we can offer, while still meeting our organization's financial needs.
- You will be receiving a new contracted rate agreement within the next business day that outlines the new rates, for each member.
- In addition, we are moving up the timeframe for rate increases. We will now be including all members who qualify for an increase on April 1st as well.
- We will keep the April 1, 2021 timeframe to implement the new rates/contract.
- Transportation will continue to be an expectation of contracted residential providers, effective April 1, 2021.

What are the next steps?

- We hope that you will sign the new contracted rate agreement, indicating that you are accepting the rates effective April 1, 2021.
- If you are a provider who already signed a contracted rate agreement, you will receive a new version with updated rates for you to review and sign. These new rates can only be the same or more favorable for your organization. There will be no providers in a worse position due to this new offer.
- We will be following up with each provider to address any questions about the rates, how we can partner together, and next steps in the process. You can also reach out to us through your Provider Specialist if you have questions prior to our reach out within the next few weeks.

In closing, I want to add that a strong tenet of Lakeland's mission and values is focused on supporting and strengthening the communities where we live and work. This includes our partnerships with you, our providers. We truly value all you do for the members we jointly support.

Sincerely,



Jeremy Kral
Director of Community Supports

Cc: Jen Harrison, COO
Sara Muhlbauer, CEO