



Department of Health

KATHY HOCHUL
Governor

JAMES V. McDONALD, M.D., M.P.H.
Commissioner

MEGAN E. BALDWIN
Acting Executive Deputy Commissioner

June 21, 2023

Dear Administrator:

We are transmitting for your review the calculation of your hospital's **initial** inpatient acute, exempt hospital and exempt unit reimbursement rates for Medicaid Fee-for-Service (FFS), Medicaid Managed Care (MMC) and Workers Compensation/No-Fault (WCNF), which are effective January 1, 2023. These rates have been promulgated in accordance with Article 2807-c and, for the acute rates, Article 2807-c (35)(c).

The January 1, 2023 Medicaid FFS rates have been approved by the New York State Division of the Budget and have been transmitted to eMedNY for payment and automatic retroactive claims processing in cycle #2393. For those hospitals eligible for lump sum transformation payments, in lieu of the 2% rate add-ons, payment information for the eligible periods will be forthcoming once available.

These rates are based upon the same information and methodology as the inpatient rates effective April 1, 2022 but take into consideration the updates provided in the Attachment to this letter. Please read the Attachment carefully for any updates that were incorporated since the January 1, 2023 rates that were previously noticed to hospitals on November 14, 2022.

Appeals:

With the exception of the 2023 budgeted capital, capital reconciliations and minimum wage updates, all data associated with these rates was previously subjected to the appeal process. Therefore, only appeals related to these updates or mathematical errors by the Department will be accepted for this rate period.

Part 86-1.32 of the New York Codes, Rules and Regulations sets forth the rules governing appeals, which does not include issues regarding methodology. In filing an appeal, a facility must provide the following:

- 1) A cover letter signed by the Operator or Chief Executive Officer of the hospital containing a summary of the item(s) of appeal.
- 2) Supporting schedules or any other pertinent data is to be included with the facility's appeal letter.
- 3) All rate appeals and supporting documentation pertaining to items revised in this publication of inpatient rates for services for Title XIX (Medicaid) beneficiaries should be submitted to the Bureau of Hospital and Clinic Rate Setting and must be received by this office **no later than October 19, 2023**. Due to bureau staff working remotely, it is requested that providers submit a copy of their appeal request via email to HospFFSunit@health.ny.gov. Given that many hospital staff may also be working remotely, the Department **is not requiring that the original signed appeal request letter be physically mailed**. Providers can expect a written acknowledgement from the Department once the letter has been received and an appeal# has been established and assigned to a rate analyst.

Where possible, original appeal letters may be mailed to:

*Ms. Monique Grimm
Director
Bureau of Hospital and Clinic Rate Setting
One Commerce Plaza, Room 1430
99 Washington Ave
Albany, New York 12210*

Should you have any questions regarding the above information, please send an email to the hospital rate-setting unit at HospFFSunit@health.ny.gov and either Tami Berdi or John Neuberger will respond to your inquiry.

Sincerely,

Monique Grimm
Director
Bureau of Hospital and Clinic Rate Setting

Attachment

ATTACHMENT

January 1, 2023 Hospital Inpatient Initial Rates Updates to the Acute, Exempt Hospital and Exempt Unit Rates

A) Acute Rate Sheets:

- **2023 Budgeted Capital:**

- ❖ **Rate Schedule 6:** This rate schedule is the capital cost allocation for acute (and exempt) services based upon each hospital's 2023 budgeted capital report, as submitted to the Department. Unless hospitals elected to have the capital traceback percentages used from Schedule 3 of their 2021 Institutional Cost Report (ICR), capital traceback percentages reported on Table 1 – Part 4 of the report were applied to the submitted budgeted capital. All the latest versions of the 2023 budgeted capital reports have been incorporated into these rates. In addition, an excess budget over actual percentage has been applied in accordance with a statutory requirement. As a result of the Public Health Emergency, the Department is aware that some provider's capital projects scheduled during the 2021 cost reporting period may have negatively impacted their 2021 excess budget over actual percentage, therefore the higher of the 2019 or 2021 excess budget over actual percentage is being applied to the 2023 budgeted capital. As a reminder, the calculation of the excess percentage is based on a statutory requirement to use total inpatient capital versus total capital.

2021 Excess Budget over Actual % - Current Methodology:

- 1) Total allowable inpatient actual capital for 2021 (per Schedule 3 from the 2021 ICR) divided by:
 - 2) Total allowable inpatient budgeted capital for 2021 without the excess % applied (see Rate Schedule 6 published on the HCS within the 2021 rate sheets), however utilizing the actual 2021 traceback %'s from Schedule 3 of the 2021 ICR. This is done so that the same set of traceback %'s are used to compare actual and budgeted capital.
 - 3) For providers that incurred an unfunded depreciation penalty on the 2021 ICR Schedule 3 (Part I) and requested a waiver on Exhibit 42 of the 2021 ICR, the penalty was waived only for the purpose of calculating the 2021 excess budget over actual %. ****Please note that final approvals/denials of unfunded depreciation waiver requests will be made during the 2021 ICR audit.**
- ❖ **Budgeted Capital Add-ons:** Continuation of the 10% reduction percentage to all hospital inpatient budgeted capital rate add-ons effective on and after October 1, 2021.

- **Actual Capital Adjustments (2018 & 2019 Base Years):**

- ❖ Implementation of prospective rate adjustments for all acute services associated with reconciliations for the following rate periods:
 - January 1, 2018 – December 31, 2018
 - January 1, 2019 – December 31, 2019
- ❖ Per the enacted State Fiscal Year (SFY) 2020-2021 Budget and the Public Health Law, for all inpatient rate add-ons reconciled on or after April 2, 2020, if the difference between the budgeted and actual capital add-on results in a positive add-on, the positive add-on will be reduced by 10%, a negative add-on will be increased by 10%.

The backup files for all capital reconciliations have been posted to the Healthcare Finance Data Gateway within the Health Commerce System (HCS). For 2019, providers should refer to Schedules 1, 2 and 3 within their 2019 final audited ICR's (this was the first year that the schedules were included in the ICR).

****Please note that corrections made by the Department for Medicaid Service Code (MSC) reporting errors, which impacted provider's 2019 ICR Schedules, have been incorporated into the 2019 capital reconciliations. Questions related to these adjustments may be sent to the FFS email account provided in this letter.***

- **Continuation of 2% Hospital Investment (Medicaid Only):** The enacted SFY 2018-2019 Budget established a Health Care Transformation Fund. A portion of these funds has been allocated to hospitals to provide a 2% investment on all operating components of the Medicaid inpatient rates. For those hospitals where the estimated annual Medicaid impact from the 2% operating investment is less than \$75,000, lump sum payments may be issued for \$75,000 per state fiscal year. The rate sheets will indicate those hospitals that are eligible for lump sum payments versus the 2%.
- **Continuation of 1% Operating Increase:** Part I of Chapter 57 of the Laws of 2022 of the enacted SFY 2022-2023 Budget established a 1% Across-the Board increase on all operating components of these rates.
- **Continuation of Financially Distressed/Safety Net Hospital rate add-ons (Medicaid Managed Care only):** For dates of April 1, 2022 – March 31, 2023, the Centers for Medicare and Medicaid (CMS) approved rate add-ons to the Medicaid Managed Care rates of payment for hospitals that qualified as financially distressed/safety net. These add-ons are only applicable to the acute DRG and psychiatric exempt unit rates.
- **Continuation of NYC Upper Payment Limit (UPL) Conversion rate add-ons (Medicaid Managed Care only):** For dates of April 1, 2022 – March 31, 2023, the Centers for Medicare and Medicaid (CMS) approved rate add-ons to the Medicaid Managed Care rates of payment for NYC public hospitals that qualified. These add-ons are only applicable to the acute DRG and Specialty Hospital exempt unit rates.
- **Minimum Wage (MW):** The Department of Health has incorporated additional adjustments to the inpatient reimbursement as a result of Article 19 of the NYS Labor Law that establishes new minimum wage increases effective for January 1, 2023. Based on the Division of the Budget (DOB) issuance of its minimum wage report on September 22, 2022,

the minimum wage increase for regions outside of New York City, Long Island and/or Westchester counties (Upstate) increased from \$13.20 to \$14.20 per hour. Hospitals that have locations within that region were given the opportunity to complete a 2023 minimum wage survey since the 2023 notice rates were issued and any resultant financial impact is incorporated into these January 1, 2023 initial rates.

- **Trend/Roll Factors (Rate Schedule 2):** This rate schedule contains the yearly trends that comprise the roll factors utilized for trending the statewide prices (Medicaid and Workers' Compensation/No-Fault (WCNF)), direct medical education and non-comparable costs. An initial trend of 3.1% for 2023 was included in the calculation of the WCNF rates only. The enacted SFY 2023-2024 Budget extended the freeze on the Medicaid trend at 0% through March 31, 2025.
- **Budget Neutrality and Transition Factors:**
 - ❖ Budget Neutrality Factor: The budget neutrality factor remained the same as the January 1, 2022 – December 31, 2022 rates.
 - ❖ Transition Factor: As of January 1, 2022, there was no longer a transition factor applied to the statewide base price and operating components.
- **High Cost Charge Convertors:** Updated based on 2021 unaudited ICR data.

B) Exempt Units/Exempt Hospital Rate Sheets:

- Inclusion of 2023 budgeted capital days and discharges, as described above for the Acute rates.
- Continuation of the 10% budgeted capital reduction, as described above for the Acute rates.
- Inclusion of the 2018 and 2019 actual capital prospective rate adjustments, as described above for the Acute rates.
 - ❖ **Note:** For hospitals that closed their exempt unit services subsequent to January 1, 2018, or temporarily suspended their services due to the Public Health Emergency, the 2018 and 2019 capital reconciliations were retroactively processed within each respective rate period since it is not possible to process the adjustments in the January 1, 2023 rates. The backup files for the 2018 and 2019 capital reconciliations were posted to the Healthcare Finance Data Gateway within the Health Commerce System (HCS). For reconciliations that resulted in retroactive rate adjustments, the revised rate sheets and capital reconciliations were posted under a "Revised" rate package within each respective rate period on the HCS. All other reconciliations were posted with the January 1, 2023 rates.
- Continuation of 2% Hospital Investment (Medicaid Only), as described above for the Acute rates.
- Continuation of 1% Across-the-Board increase, as described above for the Acute rates.

- Continuation of Financially Distressed/Safety Net Hospital rate add-ons, as described above for the Acute rates (Psychiatric Exempt only).
- Continuation of NYC Upper Payment Limit (UPL) Conversion rate add-ons, as described above for the Acute rates (Specialty Hospital only).
- Minimum Wage, as described above for the Acute rates.
- Inclusion of the 2023 initial trend factor for the WCNF rates, as described above for the Acute rates.

C) Service Intensity Weights (SIWs)/Outlier Thresholds/3M Grouper:

The Department will continue to use the July 1, 2018 All Patient Refined Diagnosis Related Groups (APR-DRGs) SIWs, average lengths of stay (ALOS) and outlier thresholds for discharge dates on and after January 1, 2023. Claims with discharge dates on and after January 1, 2023 will also continue to be processed using v34 of the 3M APR-DRG grouping software. It is anticipated that the SIWs, ALOS, outlier thresholds and grouping software version will change for discharge dates on and after July 1, 2024 when the acute rates are expected to be rebased.

D) Electronic Access – Health Commerce System (HCS):

As previously notified, the Department transitioned the inpatient rate publication from the “Hosp Inpatient Reform Rate” application to the “**Healthcare Financial Data Gateway**” application within the HCS. The “Publications” tab of that application can be used to access your facility’s rate sheets.

Please note that the HCS is designed as a secure network and only those HCS accounts with access to the Healthcare Financial Data Gateway will be able to download the rate sheets. The web address for the HCS is <https://commerce.health.state.ny.us/>. Please select the “Help” menu if you have difficulty viewing any of the files.