



Department of Health

ANDREW M. CUOMO
Governor

HOWARD A. ZUCKER, M.D., J.D.
Commissioner

SALLY DRESLIN, M.S., R.N.
Executive Deputy Commissioner

October 8, 2019

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, 2019. These rates have been promulgated in accordance with Article 2807-c and, for the acute rates, Article 2807-c (35)(c).

The January 1, 2019 Medicaid FFS rates have been approved by the New York State Division of the Budget (Budget) and have been transmitted to eMedNY for payment and retroactive claims processing in cycle #2199. For those hospitals eligible for lump sum transformation payments, payment information will be forthcoming once available.

These rates are based upon the same information and methodology as the acute, exempt hospital and exempt unit rates effective November 1, 2018, but take into consideration the updates provided in the *Attachment* to this letter.

Appeals:

With the exception of the 2019 Budgeted Capital and Minimum Wage updates, all data associated with these rates was previously subjected to the appeal process. Therefore, only appeals related to Budgeted Capital, Minimum Wage 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:

- a. A cover letter, signed by the Operator or Chief Executive Officer of the hospital containing a summary of the item(s) of appeal.
- b. Supporting schedules or any other pertinent data is to be included with the facility's appeal letter.
- c. 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 Mental Hygiene Services, Hospital and Clinic Rate Setting and **must be received by this office no later than December 9, 2019.** Providers may also submit a copy of their appeal request via email to HospFFSunit@health.ny.gov. However, the **original signed appeal request letter must still be mailed** to the address below and received by our office no later than December 9, 2019 for the appeal to be considered.

Original appeal copies should be mailed to:

*Ms. Janet Baggetta
Director
Bureau of Mental Hygiene Services, Hospital and Clinic Rate Setting
One Commerce Plaza, Room 1432
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 Monique Grimm or Tami Berdi will respond to your inquiry.

Sincerely,

Janet Baggetta
Director
Bureau of Mental Hygiene Services, Hospital and Clinic Rate Setting

ATTACHMENT
January 1, 2019 Hospital Inpatient Initial Rates
Updates to the Acute and Exempt Unit/Exempt Hospital Rates

Acute Rates:

- **2019 Budgeted Capital (Rate Schedule 6):** This rate schedule is the capital cost allocation for acute and exempt services based upon each hospital's 2019 budgeted capital report, as submitted to the Department. For those hospitals that submitted the traceback percentages as part of the 2019 budgeted capital report, those %'s were applied to the submitted budgeted capital. Otherwise, the 2017 capital cost traceback percentages (as calculated by the Department per base year Schedule 3), were applied. All the latest versions of the 2019 budgeted capital surveys have been incorporated into these rates.

In addition, the 2017 excess budget over actual percentage has been applied (see below). As a reminder, the Department's policy for the calculation of the excess percentage is based on the statutory requirement to use inpatient capital versus total capital. Since the release of the notice rates, the methodology for calculating the excess budget over actual percentage has been updated to one that was determined to be more equitable for hospitals. The same set of 2017 traceback %'s were used in comparing both the budgeted and actual capital for 2017. The "higher of" percentage from the old method (#1 below) and new method (#2 below) will be used for 2019 and then the new method will be used for 2020 and forward.

METHODOLOGY FOR EXCESS % CALCULATION – HIGHER OF 1) or 2):

- 1) **Original method:** 2017 Excess Budget over Actual % was calculated by dividing:
 - a. Total allowable inpatient actual capital for 2017 (per base year Schedule 3 published on the HCS with the 1/1/2019 notice rates) by
 - b. Total budgeted inpatient capital for 2017 without excess % applied (Rate Schedule 6 published on the HCS within the 2017 rate sheets).

****Note:** If your budgeted capital from 2017 had an excess % applied, divide the 2017 budgeted inpatient capital by the excess % to determine the full value of the 2017 budgeted inpatient capital. This full value of 2017 budgeted capital needs to be calculated before it is used in the excess budget over actual capital calculation. The excess % calculation is displayed on Rate Schedule 6.

- 2) **New method:** 2017 Excess Budget over Actual % was calculated by dividing:
 - a. Total allowable inpatient actual capital for 2017 (per base year Schedule 3 published on the HCS with the 1/1/2019 notice rates) by
 - b. Total budgeted inpatient capital for 2017 without excess % applied (Rate Schedule 6 published on the HCS within the 2017 rate sheets, however the 2017 traceback %'s per base year Schedule 3 were used versus the 2013 traceback %'s). Similar to the original method, the full value of the 2017 budgeted capital was used (without excess % applied).

- **Actual Capital Adjustments:** The prospective capital rate adjustments related to actual capital for 2014 and 2015 have been **removed** with the January 1, 2019 rates. Since the 2016 and 2017 Institutional Cost Reports (ICRs) are in the process of being audited, the prospective capital rate adjustments associated with those rates will be included in a future rate publication (depending on the timing of the completed audits).
- **2% Hospital Investment (Medicaid Only):** The 2018-19 enacted State Budget established a Health Care Transformation Fund. A portion of these funds has been allocated to hospitals to provide a 2% investment on all the 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 year. The rate sheets will indicate those hospitals that are eligible for lump sum payments versus the 2%. Information regarding the lump sum payment will follow once the payments are issued.
- **Minimum Wage (MW):** The Department of Health has incorporated additional adjustments to the acute services as a result of Article 19 of NYS Labor Law that establishes new minimum wage increases effective January 1, 2019. The rates were adjusted based on wage survey data that was submitted and attested to by hospitals. Facilities who failed to complete the survey defaulted to the use of an average wage calculation based on their facility's 2016 institutional cost report (ICR) and as such may have resulted in no additional reimbursement. The following changes were implemented with the 2019 rates:
 - a. The total minimum wage adjustment for 2019 was allocated to inpatient services only.
 - b. The 2019 add-on was calculated by dividing total MW costs by total 2016 reported ICR acute discharges.
 - c. Prior years' acute add-ons were left as is and will be updated to new method at the time of reconciliation. 2018 MW was previously allocated between inpatient and outpatient and will therefore need to be updated to total MW costs (simultaneously with the removal of the add-on from the 2018 APG 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 WCNF), direct medical education and non-comparable costs. An initial trend of 2.2% for 2019 was included in the calculation of the WCNF rates only. Also, for WCNF, the final trend for 2017 was updated to 2.1% since previously an initial trend of 2.4% had been utilized. The Medicaid trend and roll factors are correct as displayed. The 2019/2020 State budget extended the freeze on the Medicaid trend at 0% through March 31, 2021.
- **Budget Neutrality and Transition Factors:**
 - a. Budget Neutrality Factor: The budget neutrality factor remained the same as the July 1, 2018 rates.
 - b. Transition Factor: The hospital-specific transition factors have been updated as a result of the limit on losses increasing from 1% to 2% and the cap on gains increasing from 3.56% to 4.56%, effective January 1, 2019.
- **High Cost Charge Convertors:** Updated based on 2017 unaudited cost report data.

Exempt Unit/Exempt Hospital Rates:

- Inclusion of the 2019 budgeted capital days and discharges, as described for the Acute rates.
- Removal of 2014 and 2015 actual capital prospective rate adjustments, as described for the Acute rates. Adjustments for 2016 and 2017 to be provided after the ICR audits are completed.
- 2% Hospital Investment (Medicaid Only), as described for the Acute rates.
- Inclusion of Minimum Wage Adjustments for Critical Access Hospitals and Specialty Hospitals, as described for the Acute rates. The following changes were implemented with the 2019 rates:
 - ❖ The 2019 add-on was calculated by dividing total MW costs by total 2016 reported ICR inpatient days (for the associated hospital rate).
 - ❖ Prior years' MW costs were removed from cost and ceiling calculations. Additionally, prior years' add-ons were recalculated using each year's total MW costs divided by total 2016 reported ICR inpatient days (for the associated hospital rate).
- Inclusion of the 2019 trend factor for Workers Compensation/No-Fault, as described for the Acute rates.

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, 2019. Claims with discharge dates on and after January 1, 2019 will also continue to be processed using v34 of the 3M APR-DRG grouping software.

Electronic Access – Health Commerce System (HCS):

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.