



Department of Health

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Dear Health Plans:

The purpose of this letter is to provide Health Plans with information regarding the initial hospital Medicaid Managed Care inpatient rates effective January 1, 2019 for Acute DRG, Exempt Hospitals, Exempt Hospital Units and Chemical Dependency Detoxification services. Please be advised that a separate letter and rate schedule will be issued regarding updated hospital Quality and Sole Community Provider Pool rate add-ons, effective April 1, 2019, associated with the State Fiscal Year (SFY) 2019-20 Quality and Sole Community Pool distributions.

As a reminder, these rates are based upon the same methodology and data used in the November 1, 2018 rates but take into consideration the following updates:

- 2019 budgeted capital, as reported by hospitals, and calculated in accordance with Section 8 of Article 2807-c of the Public Health Law.
- Removal of prospective rate adjustments associated with the capital component of each of the inpatient rates to reflect the reconciliation of budget to actual costs and utilization for the periods January 1, 2014 – December 31, 2014 and January 1, 2015 – December 31, 2015.
- Article 19 of NYS Labor Law established new minimum wage increases beginning January 1, 2019. Consequently, the Department of Health has incorporated adjustments to the acute, critical access hospital and specialty hospital rates for applicable hospitals.
- The hospital-specific transition factors have been revised within the Acute discharge rates as a result of a phase-in to the limit on losses and the cap on gains associated with the rebasing of these rates. The budget neutrality factor remained the same.
- Continuation of 2% hospital investment on all the eligible operating components of the inpatient rates. Please note, for those hospitals where the estimated annual Medicaid impact from the 2% operating investment is less than \$75,000, the operating components were not adjusted since lump sum payments are anticipated to be made through Medicaid Fee-for-Service.
- Cobleskill Regional Hospital conversion from Acute DRG per discharge to Critical Access Hospital per diem reimbursement effective January 1, 2019.

For payment of the January 1, 2019 rates, the July 1, 2018 service intensity weights (SIWs), average lengths of stay (ALOS) and cost outlier thresholds should continue to be utilized, as well as the 3M APR-DRG grouper version 34.

Based on the above changes, the Department is adjusting the July 2019 Managed Care Organization (MCO) premiums. **Plans are encouraged to process adjustments according to the terms of their provider contracts with hospitals. This includes any reprocessing that should occur consistent with those agreements. As a reminder, the Managed Care model contract requires Managed Care Organizations (MCOs) to pay hospitals for quality and sole community provider pool distributions.**

On the enclosed rate schedules, we have included all hospitals and the Medicaid Managed Care Rates and informational Graduate Medical Education (GME) components, for the inpatient services listed below:

- Acute Case Payment (Per Discharge)
- Specialty Hospitals - Long Term Acute, Cancer and Blythedale Children's (Per Diem)
- Psychiatric Exempt Unit (Per Diem)
- Chemical Dependency Rehab Exempt Unit (Per Diem)
- Critical Access Hospitals (Per Diem)
- Medical Rehab Exempt Unit (Per Diem)
- Chemical Dependency Detoxification Exempt Unit (Per Diem) – **separate schedule**

Also enclosed are payment calculation files that display how each component from the schedules are used in the payment of a Medicaid claim.

Acute Care Per Case Rate Schedule – These are the rate components to be paid to hospitals for acute case payment services:

1. **Default & Contract Discharge Case Payment Rate (Including PHL 2807-c(33) but Excluding GME):** Acute per case payment to be used when either an HMO plan contract is applicable or not applicable. This is the statewide price adjusted by ISAF (Column 3) and transition adjustments (where applicable).
2. **Default & Contract Statewide Base Price (Including PHL 2807-c(33)):** Statewide base price when HMO contract is applicable or not applicable and is provided for informational purposes only. The statewide price is used in the development of the discharge rate in Column 1.
3. **Institutional Specific Adjustment Factor (ISAF):** Hospital specific adjustment to reflect wage differences (Wage Equalization Factor).
4. **High Cost Charge Converter:** Charge converter to reduce hospital charges for cost outlier payments.
5. **Indirect Medicaid Education Percentage (IME%):** Indirect medical education percentage and is provided for informational purposes only.
6. **Direct Medical Education (DME) Add-on:** Direct Medical Education per discharge add-on and is provided for informational purposes only.
7. **Capital Per Discharge (Excluding Non-Comparable Add-ons):** Capital per discharge add-on after application of SIW to the discharge rate.
8. **Ambulance Add-ons:** Ambulance per discharge add-on after application of SIW to the discharge rate.
9. **Teaching Election Amendment (TEA) Physicians Add-on:** TEA per discharge add-on after application of SIW to the discharge rate.
10. **School of Nursing Add-on:** School of Nursing per discharge add-on after application of SIW to the discharge rate.
11. **Minimum Wage Add-on:** Minimum Wage per discharge add-on for those hospitals affected by the minimum wage increases effective January 1, 2019.
12. **Quality Pool Add-on:** Add-on per discharge for hospitals that qualify for the Quality Pool for SFY 2018-19.
13. **Sole Community Provider Pool Add-on:** Add-on per discharge for hospitals that qualify for the Sole Community Provider Pool for SFY 2018-19.
14. **Capital Per Diem:** Capital per diem to be used when transfer payment on a per diem basis is being made.
15. **Sterilization During Delivery:** This is for Managed Care enrollees of Fidelis Care only.
16. **ALC Per Diem:** Alternate Level of Care per diem for those patients who no longer require acute hospital care and are awaiting placement or discharge.
17. **Indigent Care and Health Care Initiatives Surcharge:** Surcharge percentage obligation as authorized by Public Health Law 2807-j.

Inpatient Exempt Hospital/Exempt Unit Rate Schedule – These are the rate components to be used for exempt hospitals or exempt units within a general hospital:

1. **Specialty Acute Hospital Billing Rate (w/out DME, incl Quality Pool):** Per diem rate for specialty long term acute hospitals, cancer hospitals, and children's hospitals.
2. **Specialty Acute Hospital DME Add-on:** Direct Medical Education per diem for informational purposes only.
3. **Specialty Acute Hospital Quality Pool Per Diem Add-on:** Quality Pool per diem for informational purposes only (amount is already included in column 1 rate). The Quality Pool add-ons are not subject to the 2% investment.
4. **Specialty Acute Hospital ALC Per Diem:** Alternate Level of Care per diem for those patients who no longer require specialty acute services and are awaiting placement or discharge.
5. **Psychiatric Billing Rate (age 18 and over):** Operating portion of the billing rate which consists of the statewide price adjusted by an institution specific adjustment factor (ISAF) and a rural adjustment factor (if applicable). Since individuals age 18 and over are not eligible for an age adjustment factor, this column represents the billing rate without any adjustment for the age factor (or any other adjustment factors related to Mental Retardation or Comorbidities).
- 5a. **Psychiatric Billing Rate (age 17 and under):** Rate from column 1 adjusted by 1.3597 age adjustment factor only (no adjustments related to Mental Retardation or Comorbidities).
6. **Psychiatric Non-Operating Billing Rate (w/out DME):** Capital portion of the billing rate.
7. **Psychiatric DME Add-on:** Direct Medical Education per diem for informational purposes only.
8. **Psychiatric ECT Payment:** Electroconvulsive Therapy (ECT) add-on (per treatment) which has been adjusted by the same ISAF as the statewide price.
9. **Psychiatric ALC Per Diem Rate:** Alternative Level of Care per diem for those patients who no longer require psychiatric services and are awaiting placement or discharge.
10. **Chemical Dependency Rehabilitation Billing Rate (w/out DME, incl Quality Pool):** Per diem rate for Alcohol and Drug Rehabilitation programs which are combined into one service type.
11. **Chemical Dependency Rehabilitation DME Add-on:** Direct Medical Education per diem for informational purposes only.
12. **Chemical Dependency Rehabilitation Quality Pool Per Diem Add-on:** Quality Pool per diem for informational purposes only (amount is already included in column 10 rate). The Quality Pool add-ons are not subject to the 2% investment.
13. **Chemical Dependency Rehabilitation ALC Per Diem:** Alternate Level of Care per diem for those patients who no longer require Chemical Dependence Rehab services and are awaiting placement or discharge.
14. **Critical Access Hospital Billing Rate (w/out DME, incl Quality Pool):** Per diem rate those hospitals that are designated as critical access hospitals.
15. **Critical Access Hospital Quality Pool Per Diem Add-on:** Quality Pool per diem for informational purposes only (amount is already included in column 14 rate). The Quality Pool add-ons are not subject to the 2% investment.
16. **Critical Access Hospital ALC Per Diem:** Alternate Level of Care per diem for those patients who no longer require acute care and are awaiting placement or discharge.
17. **Medical Rehabilitation Billing Rate (w/out DME, incl Quality Pool):** Per diem rate for medical rehabilitation services.

18. **Medical Rehabilitation DME Add-on:** Direct Medical Education per diem for informational purposes only.
19. **Medical Rehabilitation Quality Pool Per Diem Add-on:** Quality Pool per diem for informational purposes only (amount is already included in column 17 rate). The Quality Pool add-ons are not subject to the 2% investment.
20. **Medical Rehabilitation ALC Per Diem:** Alternative Level of Care per diem for patients who no longer require medical rehabilitation and are awaiting placement or discharge.
21. **Detox Medically Managed & Medically Supervised Withdrawal Billing Rates:** Per diem rates to be paid to hospitals for medically managed/supervised services with certified detox program by OASAS. These rates are published on a separate schedule.
22. **Indigent Care and Health Care Initiative Surcharge:** Surcharge percentage obligation as authorized by Public Health Law Section 2807-j.

Should you have any questions regarding the above rate information, please submit your inquiry to HospFFSunit@health.ny.gov and either Monique Grimm or Tami Berdi from the hospital fee-for-service rate setting unit will respond. Questions regarding Managed Care premiums should be addressed to bmcr@health.ny.gov.

Sincerely,

Michael Dembrosky
Director
Bureau of Acute & Managed Care Reimbursement