



Department of Health

KATHY HOCHUL
Governor

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

JOHANNE E. MORNE, M.S.
Executive Deputy Commissioner

July 17, 2024

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, 2024. These rates have been promulgated in accordance with Article 2807-c and, for the acute rates, Article 2807-c (35)(c).

The January 1, 2024 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 #2449. For those hospitals eligible for lump sum transformation payments, in lieu of the 2% rate add-ons, payment information for the eligible period will be forthcoming once available.

These rates are based upon the same information and methodology as the inpatient rates effective April 1, 2023 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, 2024 rates that were previously noticed to hospitals on November 20, 2023.

Appeals:

With the exception of the 2024 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.

Section 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 November 14, 2024**. It is requested that providers submit a copy of their appeal request via email to HospFFSunit@health.ny.gov. 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, 2024 Hospital Inpatient Initial Rates Updates to the Acute, Exempt Hospital and Exempt Unit Rates

A) Acute Rate Sheets:

- **2024 Budgeted Capital:**

- ❖ **Rate Schedule 6:** This rate schedule is the capital cost allocation for acute (and exempt) services based upon each hospital's 2024 budgeted capital report, as submitted to the Department. Unless hospitals elected to have the capital traceback percentages used from Schedule 3 of their 2022 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 2024 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 reminder, the calculation of the excess percentage is based on a statutory requirement to use total inpatient capital versus total capital.

2022 Excess Budget over Actual %:

- 1) Total allowable inpatient actual capital for 2022 (per Schedule 3 from the 2022 ICR) divided by:
 - 2) Total allowable inpatient budgeted capital for 2022 without the excess % applied (see Rate Schedule 6 published on the HCS within the 2022 rate sheets), however utilizing the actual 2022 traceback %'s from Schedule 3 of the 2022 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 2022 ICR Schedule 3 (Part I) and requested a waiver on Exhibit 42 of the 2022 ICR, the penalty was waived only for the purpose of calculating the 2022 excess budget over actual %. ****Please note that final approvals/ denials of unfunded depreciation waiver requests will be made during the 2022 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. The reduction is expected to increase to 20% for services on and after October 1, 2024, due the State Fiscal Year (SFY) 2024-25 Enacted Budget. A separate notification will be sent once the additional reduction is implemented.
- **Actual Capital Adjustments (2020 Base Year):**
 - ❖ Implementation of prospective rate adjustments for all acute services associated with reconciliations for the following rate periods:
 - January 1, 2020 – April 1, 2020 and April 2, 2020 – December 31, 2020.
 - ❖ Per the SFY 2020-21 Enacted 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%.

- ❖ Since the release of the Notice rates, the following updates have been made to correct the 2020 actual capital adjustments:

- Acute: correction to rounding calculation.
- Critical Access Hospital: correction to include swing bed days in the calculation of the 2020 capital adjustments.

The backup files for all capital reconciliations have been posted to the Healthcare Finance Data Gateway within the Health Commerce System (HCS). Providers should refer to Schedules 1, 2 and 3 included in their 2020 final audited ICR's.

****Please note that any corrections made by the Department for Medicaid Service Code (MSC) reporting errors, which impacted provider's 2020 ICR Schedules, have been incorporated into the 2020 capital reconciliations.***

- **Continuation of 2% Hospital Investment (Medicaid Only):** The SFY 2018-19 Enacted 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 absence of the 2% operating investment indicates which hospitals are eligible for the lump sum payments.
- **Continuation of 1% and 7.5% Operating Increases:** Part I of Chapter 57 of the Laws of 2022 of the SFY 2022-23 Enacted Budget established a 1% Across-the Board increase on all operating components of these rates. Part E of Chapter 57 of the Laws of 2023 of the SFY 2023-24 Enacted Budget established a 7.5% increase on all operating components of these rates.
- **Continuation of Safety Net Hospital/Financially Distressed Hospital Directed Payment rate add-ons (Medicaid Managed Care only):** For April 1, 2023 – March 31, 2024 dates of service, the Centers for Medicare and Medicaid (CMS) approved rate add-ons to the Medicaid Managed Care rates of payment for hospitals that qualified as safety net/financially distressed. **The add-ons for April 1, 2024 – March 31, 2025 dates of service await the necessary approvals and will be released at a later date.** These add-ons are only applicable to the acute DRG and psychiatric exempt unit rates.
- **NYC Public Hospital Directed Payment rate add-ons (Medicaid Managed Care only):** For April 1, 2023 – March 31, 2024 and April 1, 2024 – March 31, 2025 dates of service, the rate add-ons to the Medicaid Managed Care rates of payment for eligible NYC public hospitals await the necessary approvals. These add-ons are only applicable to the acute DRG and Specialty Hospital rates.
- **Minimum Wage (MW):** In accordance with section 652 of the New York State Labor Law and the SFY 2023-2024 enacted Budget, minimum wage will increase as follows for 2024:
 - ❖ New York City, Long Island and Westchester increases to \$16.00 per hour.
 - ❖ Remainder of State increases to \$15.00 per hour.

Hospitals that have locations within these regions were given the opportunity to complete a 2024 minimum wage survey subsequent to when the 2024 notice rates were issued and any resultant add-ons are incorporated into the January 1, 2024 initial rates.

2023 Minimum wage add-ons: Updated since the release of the Notice rates to correct a VLOOKUP issue discovered with the 2023 portion of the Minimum Wage add-ons. This correction only affected a few providers.

- **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 3.0% for 2024, as well as an update of the final trend to 8% for 2022, was included in the calculation of the WCNF rates only. The SFY 2023-24 Enacted Budget extended the freeze on the Medicaid trend at 0% through 2025.
- **Budget Neutrality and Transition Factors:**
 - ❖ Budget Neutrality Factor: The budget neutrality factor remained the same as the January 1, 2023 – December 31, 2023 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 latest 2022 unaudited ICRs, including any resubmissions since the release of the Notice rates.

B) Exempt Unit/Exempt Hospital Rate Sheets:

- Inclusion of 2024 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. The reduction is expected to increase to 20% effective October 1, 2024.
- Inclusion of the 2020 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, 2020, or temporarily suspended their services due to the Public Health Emergency, the 2020 capital reconciliations were retroactively processed within each respective rate period since it is not possible to process the adjustments in the January 1, 2024 rates. The backup files for the 2020 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, 2024 rates.
- Continuation of 2% Hospital Investment (Medicaid Only), as described above for the Acute rates.

- Continuation of 1% and 7.5% Across-the-Board increases, as described above for the Acute rates.
- Continuation of Safety Net/Financially Distressed Hospital Directed Payment rate add-ons, as described above for the Acute rates (Managed Care Psychiatric Exempt rates only).
- NYC Public Hospital Directed Payment rate add-ons, as described above for the Acute rates (Specialty Hospital rates only). These add-ons still await the necessary approvals.
- Minimum Wage, as described above for the Acute rates.
- Inclusion of the 2024 initial trend factor and 2022 final 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, 2024. Claims with discharge dates on and after January 1, 2024 will also continue to be processed using v34 of the 3M APR-DRG grouping software.

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

Inpatient rate publications are posted to the “Hosp Inpatient Reform Rate” application of the “**Healthcare Financial Data Gateway**” application within the HCS. The “Publications” tab of the 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.