



Department of Health

KATHY HOCHUL
Governor

JAMES V. McDONALD, MD, MPH
Commissioner

JOHANNE E. MORNE, MS
Executive Deputy Commissioner

October 13, 2026

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, 2026. These rates have been promulgated in accordance with Article 2807-c and, for the acute rates, Article 2807-c(35)(c).

The 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 #2565 (check date of 10/19/2026 check date and check release date of 11/4/2026). For hospitals eligible for annual lump sum transformation payments (\$75k), in lieu of the 2% rate add-ons, payment for the period January 1, 2026 – June 30, 2026 (\$37.5k) is also included in cycle #2565. The remaining 50% will be paid before the end of the year.

Please note that it is anticipated that April 1, 2026 and July 1, 2026 rates will be issued to reflect an inpatient investment and 10% capital restoration, respectively, per the State Fiscal Year 2026-27 enacted State Budget. Additional communications will follow once the necessary approvals have been obtained.

The January 1, 2026 rates are based upon the same information and methodology as the inpatient rates effective January 1, 2025 and April 1, 2025 but take into consideration the updates provided in **Attachment 1** to this letter. Please read the attachment carefully for any updates that may have been incorporated since the January 1, 2026 rates that were previously noticed to hospitals on November 20, 2025.

Appeals:

With the exception of the 2026 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 the enclosed inpatient rates of service for Title XIX (Medicaid) beneficiaries must be submitted to the Bureau of Hospital and Clinic Rate Setting **no later than February 10, 2027**. 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 mailed**.

Where preferred, original appeal letters may be mailed to:

*Ms. Monique Grimm
Bureau Director
Bureau of Hospital and Clinic Rate Setting
Division of Finance and Rate Setting
One Commerce Plaza, Room 1430
99 Washington Avenue
Albany, NY 12210*

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.

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
Bureau Director
Bureau of Hospital and Clinic Rate Setting
Division of Finance and Rate Setting

Enclosures

ATTACHMENT 1

January 1, 2026 Hospital Inpatient Initial Rates Updates to the Acute, Exempt Hospital and Exempt Unit Rates

Acute Rate Sheets:

- **2026 Budgeted Capital:**

- ❖ **Rate Schedule 6:** This rate schedule is the capital cost allocation for acute (and exempt) services based upon each hospital's 2026 budgeted capital report, as submitted to the Department. Unless hospitals elected to have the capital traceback percentages used from Schedule 3 of their 2024 Institutional Cost Report (ICR), capital traceback percentages reported on Table 1 – Part 4 of the budgeted capital report were applied to the submitted budgeted capital. All the latest versions of the 2026 budgeted capital reports have been incorporated into these rates. In addition, an excess budget over actual percentage has been applied in accordance with the statutory requirement. As a reminder, the calculation of the excess percentage is based on a requirement to use total inpatient capital versus total capital.

2024 Excess Budget over Actual % - Current Methodology

- 1) Total allowable inpatient actual capital for 2024 (per Schedule 3 from the 2024 ICR) divided by:
- 2) Total allowable inpatient budgeted capital for 2024 without the excess % applied (see Rate Schedule 6 published on the HCS within the 2024 rate sheets), however utilizing the actual 2024 traceback %'s from Schedule 3 of the 2024 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 2024 ICR Schedule 3 (Part I) and requested a waiver on Exhibit 42 of the 2024 ICR, the penalty was waived only for the purpose of calculating the 2024 excess budget over actual %.

- ❖ **Budgeted Capital Add-ons:** Per the State Fiscal Year (SFY) 2024-2025 enacted Budget and the Public Health Law, a 20% reduction percentage was applied to all hospital inpatient budgeted capital rate add-ons effective on and after October 1, 2024. Per the SFY 2026-2027 enacted Budget, it is anticipated that 10% of the reduction will be restored, effective July 1, 2026. Please note that July 1, 2026 was the earliest effective date the Department could obtain for State Plan Amendment #26-0048, based on when the Federal Public Notice was published.

- **Actual Capital Adjustments (2022 Base Year):**

- ❖ Implementation of prospective rate adjustments for all acute services associated with capital reconciliations for the following rate period:
 - January 1, 2022 – December 31, 2022
- ❖ Per the SFY 2024-2025 enacted Budget and the Public Health Law, for all inpatient capital rate add-ons reconciled on or after October 1, 2024, 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 20%, a negative add-on will be increased by 20%. Per the SFY 2026-2027 enacted Budget, it is anticipated that 10% of the adjustments will be restored, effective July 1, 2026. Please note that July 1, 2026 was the earliest effective date the Department could obtain for State Plan Amendment #26-0048, based on when the budget passed and Federal Public Notice was published.

Hospitals should refer to Schedules 1, 2 and 3 within their 2022 final audited ICR's.

****Please note that manual corrections made by the Department for Medicaid Service Code (MSC) reporting errors, which impacted provider's 2022 ICR Schedules, may have been incorporated into the 2022 capital reconciliations. Questions related to these adjustments may be sent to HospFFSunit@health.ny.gov.***

- **Continuation of 2% Hospital Investment (Medicaid Only):** The SFY 2018-2019 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 rate sheets will indicate those hospitals that are eligible for lump sum payments versus the 2% rate adjustments.
- **Continuation of 1% and 7.5% Operating Increases:** Part I of Chapter 57 of the Laws of 2022 of the SFY 2022-2023 enacted Budget established a 1% increase on all operating components of these rates. Part E of Chapter 57 of the Laws of 2023 of the SFY 2023-2024 enacted Budget established a 7.5% increase on all operating components of these rates. Per Part O of Chapter 57 of the Laws of 2026 of the SFY 2026-2027 enacted Budget, an additional operating rate increase is anticipated effective April 1, 2026, pending the necessary approvals.
- **Minimum Wage (MW):** In accordance with section 652 of the New York State Labor Law, minimum wage increased as follows for 2026:
 - ❖ New York City, Long Island and Westchester increased to \$17.00 per hour.
 - ❖ Remainder of State increased to \$16.00 per hour.

Hospitals that have locations within these regions were given the opportunity to complete a 2026 minimum wage survey and any resultant add-ons were incorporated into the January 1, 2026 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 2.5% for 2026, and final 2024 trend of 2.9%, were included in the calculation of the WCNF rates only. The SFY 2025-2026 enacted Budget extended the freeze on the Medicaid trend at 0% through March 31, 2029.
- **Budget Neutrality and Transition Factors:**
 - ❖ Budget Neutrality Factor: The budget neutrality factor remained the same as the January 1, 2025 – December 31, 2025 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 2024 final audited ICR data.
- **NYC Health and Hospitals (H+H) Average Commercial Rate (ACR) – Managed Care only:** Year 2 per discharge rate add-ons. These add-ons only apply to the service period **April 1, 2025 – March 31, 2026**. Please note that there are no ACR – Year 2 add-ons for the psychiatric exempt unit rates. The add-ons for the period April 1, 2026 – March 31, 2027 are pending approval.

As stated previously, the Department has effectuated premium payments to health plans to align with the updated MMC State Directed Payment add-ons associated with this rate publication (through March 31, 2026).

Please refer to **Attachment 2** to this letter for billing guidelines associated with these add-ons. For questions, please contact:

Billing Guidelines: bmcrc@health.ny.gov

Add-ons and Health Plan Premiums: phr@health.ny.gov

- **Financially Distressed/Safety Net Hospital State Directed Payment Rate add-ons – Managed Care Only:** These add-ons only apply to the service period **April 1, 2025 – March 31, 2026** and are applicable to the acute DRG and psychiatric exempt unit rates for select hospitals. The add-ons for the period April 1, 2026 – March 31, 2027 are pending approval.

As stated previously, the Department has effectuated premium payments to health plans to align with the updated MMC State Directed Payment add-ons associated with this rate publication (through March 31, 2026).

Please refer to **Attachment 3** to this letter for billing guidelines associated with these add-ons. For questions, please contact:

Billing Guidelines: bmcrc@health.ny.gov.

Add-ons and Health Plan Premiums: phr@health.ny.gov.

Exempt Units/Exempt Hospital Rate Sheets:

- Inclusion of 2026 budgeted capital days and discharges, as described above for the Acute rates.
- 20% budgeted capital reduction, as described above for the Acute rates.
- Inclusion of the 2022 actual capital prospective rate adjustments, as described above for the Acute rates.
- Continuation of 2% Hospital Investment (Medicaid Only) or \$75k lump sum transformation payments, as described above for the Acute rates.
- Continuation of 1% and 7.5% operating increases, as described above for the Acute rates.
- Minimum Wage - Please refer to the Acute rates for information on minimum wage.
- Inclusion of the 2026 initial trend factor and 2024 final trend factor for the WCNF rates, as described above for the Acute rates.

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

The Department will continue to use 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, 2026. Claims with discharge dates on and after January 1, 2026 will also continue to be processed using v34 of the 3M APR-DRG grouping software.

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.

ATTACHMENT 2

(Billing Guidance for NYC Health and Hospitals (H+H) Average Commercial Rate (ACR) – Year 2 Add-ons)

- A) Inpatient Acute Discharges:** Acute inpatient discharges are defined as inpatient stays that in addition to medical/surgical stays, include areas such as maternity, newborn, and neonatal.
- Inpatient mental health and substance abuse, nursing facility and hospice services are not included

Claims Definition (Institutional Facility Claims only):

1) NEWBORN / NEWBORN (Low Birth Weight)

- APR-DRGs: 580, 581, 583, 588, 589, 591, 593, 602, 603, 607, 608, 609, 611, 612, 613, 614, 621, 622, 623, 625, 626, 630, 631, 633, 634, 636, 639, 640

2) MATERNITY

- APR-DRGs: 539, 540, 541, 542, 560

3) MEDICAL / SURGICAL

- Type of Bill: 11x, 12x, 41x **AND**
- Claim contains at least one of the following:
 - o **Room and Board Revenue Codes:** 0024, 0100, 0101, 0110, 0111, 0112, 0113, 0117, 0118, 0119, 0120, 0121, 0122, 0123, 0127, 0128, 0129, 0130, 0131, 0132, 0133, 0137, 0138, 0139, 0140, 0141, 0142, 0143, 0147, 0148, 0149, 0150, 0151, 0152, 0153, 0157, 0158, 0159, 0160, 0164, 0170, 0171, 0172, 0173, 0174, 0179, 0200, 0201, 0202, 0203, 0206, 0207, 0208, 0209, 0210, 0211, 0212, 0213, 0214, 0219 **AND**
 - Claim does not contain the following (Mental Health/Substance Abuse Treatment) **:
 - o **Rate Codes:** 1133-1146, 2852, 2957, 2858, 2993, 4001-4006, 4202-4204, 4210, 4213, 4220, 4608, 4800-4803
 - o **APR DRGs:** 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 770, 772, 773, 774, 775, 776

ATTACHMENT 3

(Billing Guidance for Financially Distressed/Safety Net Hospital Rate Add-ons)

B) Inpatient Acute Discharges: Acute inpatient discharges are defined as inpatient stays that in addition to medical/surgical stays, include areas such as maternity, newborn, and neonatal.

- Inpatient mental health and substance abuse, nursing facility and hospice services are not included

Claims Definition (Institutional Facility Claims only):

4) NEWBORN / NEWBORN (Low Birth Weight)

- APR-DRGs: 580, 581, 583, 588, 589, 591, 593, 602, 603, 607, 608, 609, 611, 612, 613, 614, 621, 622, 623, 625, 626, 630, 631, 633, 634, 636, 639, 640

5) MATERNITY

- APR-DRGs: 539, 540, 541, 542, 560

6) MEDICAL / SURGICAL

- Type of Bill: 11x, 12x, 41x **AND**
- Claim contains at least one of the following:
 - o **Room and Board Revenue Codes:** 0024, 0100, 0101, 0110, 0111, 0112, 0113, 0117, 0118, 0119, 0120, 0121, 0122, 0123, 0127, 0128, 0129, 0130, 0131, 0132, 0133, 0137, 0138, 0139, 0140, 0141, 0142, 0143, 0147, 0148, 0149, 0150, 0151, 0152, 0153, 0157, 0158, 0159, 0160, 0164, 0170, 0171, 0172, 0173, 0174, 0179, 0200, 0201, 0202, 0203, 0206, 0207, 0208, 0209, 0210, 0211, 0212, 0213, 0214, 0219 **AND**
 - o Claim does not contain the following (Mental Health/Substance Abuse Treatment) **:
 - o **Rate Codes:** 1133-1146, 2852, 2957, 2858, 2993, 4001-4006, 4202-4204, 4210, 4213, 4220, 4608, 4800-4803
 - o **APR DRGs:** 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 770, 772, 773, 774, 775, 776
- **Note:** Exception applies for hospitals listed below due to absence of NYS Medicaid Psychiatric per diem rate

C) Inpatient Psychiatric Days: Inpatient psychiatric days are defined as inpatient days for those service areas incurred in providing daily bedside care to Psychiatric inpatients. This category does not include days associated with substance use disorder (SUD) discharges

Claims Definition (Institutional Facility Claims only):

1) PSYCHIATRIC

- Claim contains at least one of the following:
 - o **Rate Codes:** 2858, 2852, 4001-4006, 4608 (Inpatient Mental Health**) **OR**
 - o **APR-DRGs:** 740, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760 **OR**

****Note:** The following hospitals do not have a New York State Medicaid Fee-for-Service “per diem” psychiatric billing rate. Any claims within this category for these hospitals should be considered acute inpatient discharges. The acute inpatient discharge add-on would apply.

- Brooklyn Hospital Center
- Crouse Hospitals
- John R. Oishei Children’s Hospital
- Mount St. Mary’s Hospital
- St. John’s Riverside Hospital
- Wyckoff Heights Medical Center