NEW YORK STATE | Department of Health

KATHY HOCHUL
Governor

JAMES V. McDONALD, MD, MPH
Commissioner

JOHANNE E. MORNE, MS
Executive Deputy Commissioner

October 16, 2026

Dear Health Plans:

The purpose of this letter is to provide Health Plans with information regarding the initial hospital Medicaid Managed Care (MMC) inpatient rates, based on the initial Medicaid Fee-for-Service (FFS) rates, effective January 1, 2026 for Acute DRG, Exempt Hospitals and Exempt Hospital Unit services.

The rates are based on the same methodology and data used in the rates effective April 1, 2025, but take into consideration the following updates:

- 2026 budgeted capital, as reported by hospitals, and calculated in accordance with Public Health Law § 2807-c(8).
- Inclusion 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 2022 base year reporting period.
- Article 19 of NYS Labor Law established new minimum wage increases beginning January 1, 2026. Consequently, the Department of Health has incorporated adjustments to the acute, critical access hospital, specialty hospital, and medical rehabilitation hospital rates, where applicable.
- Continuation of 2% hospital investment on all eligible operating components of the inpatient rates. For 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 made through Medicaid FFS.
- Continuation of 1% and 7.5% operating component rate increases in accordance with Part I of Chapter 57 of the Laws of 2022 of the State Fiscal Year (SFY) 2022-23 enacted Budget and Part E of Chapter 57 of the Laws of 2023 of the SFY 2023-24 enacted Budget, respectively. Per Part O of Chapter 57 of the Laws of 2026 of the SFY 2026-27 enacted Budget, an additional operating rate increase is anticipated effective April 1, 2026, pending the necessary approvals.
- Continuation of 20% reduction to all capital rate add-ons. Per the SFY 2026-27 enacted Budget, a 10% capital restoration is anticipated effective July 1, 2026, pending the necessary approvals.
- Continuation of Safety Net/Financially Distressed Hospital state directed rate add-ons for Acute DRG and Psychiatric Hospital rates, where applicable. These rate add-ons are only effective for the period April 1, 2025 through March 31, 2026. For dates of service April 1, 2026 through March 31, 2027, the add-ons will be published soon. Please see the billing guidance attachment to this letter.
- Continuation of the NYC Health and Hospitals (H+H) Average Commercial Rate (ACR) state directed rate add-ons. These rate add-ons are only effective for the period April 1, 2025 through March 31, 2026. For dates of service April 1, 2026 through March 31, 2027, the add-ons are pending the necessary approvals. Please see the billing guidance attachment to this letter.

Plans should treat these adjustments in accordance with Section 22.19 and Appendix V of the Managed Care Model Contract and the terms of their provider contracts with hospitals. This includes any reprocessing or claims settlements that should occur consistent with those agreements. As stated in the health plan letters for the April 1, 2025 rate publication, the Department previously effectuated the premium payments to health plans to align with the Managed Care State Directed Payment add-ons included with this rate publication.

For payment of the January 1, 2026 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.

Within the published rate schedules, we have included MMC rates and informational Graduate Medical Education (GME) components, for the inpatient services listed below. Also published is a separate payment calculation file that displays how each component from the rate schedules is used in the payment of Medicaid claims.

- Acute Case Payment (Per Discharge)
- Specialty Hospitals - Long Term Acute Care, Cancer and Children's Hospitals (Per Diem)
- Psychiatric Exempt Unit (Per Diem)
- Psychiatric Adult Dual Diagnosis Exempt Unit (Per Diem)
- Psychiatric Child Dual Diagnosis 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 rate schedule**

Column Descriptions for the Acute and Exempt Hospital/Exempt Unit Rate Schedules:

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 a health plan contract is applicable or non-applicable. This is the statewide price adjusted by ISAF (Column 3) and transition adjustments (if applicable).
2. **Default & Contract Statewide Base Price (Including PHL 2807-c(33)):** Statewide base price when a health plan contract is applicable or non-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 Convertor:** Charge convertor 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 to be paid after application of SIW to the discharge rate.
8. **Ambulance Add-ons:** Ambulance per discharge add-on to be paid after application of SIW to the discharge rate.
9. **Teaching Election Amendment (TEA) Physicians Add-on:** TEA per discharge add-on to be paid after application of SIW to the discharge rate.
10. **School of Nursing Add-on:** School of Nursing per discharge add-on to be paid after application of SIW to the discharge rate.
11. **Minimum Wage Add-on**: Minimum Wage per discharge add-on to be paid after application of SIW to the discharge rate for those hospitals affected by the minimum wage increases.
12. **Safety Net/Financially Distressed Hospital Add-on**: Safety net/financially distressed state directed add-on to be paid after the application of SIW to the discharge rate. These add-ons are not subject to the reduction that may be associated with Early Elective Delivery (EED) claims (**see Attachment A for details**).
13. **NYC Health + Hospitals (H+H) Average Commercial Rate (ACR) - Year 2 Add-on**: NYC H+H ACR state directed add-on to be paid after the application of SIW to the discharge rate. These add-ons are not subject to the reduction that may be associated with EED claims (**see Attachment B for details)**.
14. **Capital Per Diem:** Capital per diem to be used when transfer payment on a per diem basis is being made.

15. **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.
16. **Indigent Care and Health Care Initiatives Surcharge:** Surcharge percentage obligation as authorized by Public Health Law § 2807-j.

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 UPL Add-on):** Per diem rate for specialty long term acute care 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 Long-Term Care NYC Upper Payment Limit (UPL) Conversion Add-on (N/A)**: UPL per diem for informational purposes only (amount is already included in column 1 rate).
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 5 adjusted by 1.3597 age adjustment factor only (no adjustments related to Developmentally Disabled or Comorbidities).

6. **Psychiatric Non-Operating Billing Rate (w/out DME)**: Capital portion of the billing rate.
7. **Psychiatric Safety Net/Financially Distressed Hospital Add-on**: Safety net/ financially distressed hospital per diem state directed add-on (see Attachment for details).
8. **Psychiatric DME Add-on:** Direct Medical Education per diem for informational purposes only.
9. **Psychiatric ECT Payment:** Electroconvulsive Therapy (ECT) add-on (per treatment) which has been adjusted by the same ISAF as the statewide price.
10. **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.
11. **Psychiatric Adult Dual Diagnosis Billing Rate:** Per diem rate for specialized hospital-based inpatient psychiatric units, certified by the Office of Mental Health, solely dedicated to the treatment of adults with diagnosis of both developmental disability and either serious mental illness or serious emotional disturbance.
12. **Psychiatric Child Dual Diagnosis Billing Rate:** Per diem rate for specialized hospital-based inpatient psychiatric units, certified by the Office of Mental Health, solely dedicated to the treatment of children with diagnosis of both developmental disability and either serious mental illness or serious emotional disturbance.
13. **Chemical Dependency Rehabilitation Billing Rate (w/out DME):** Per diem rate for Alcohol and Drug Rehabilitation programs which are combined into one service type.
14. **Chemical Dependency Rehabilitation DME Add-on:** Direct Medical Education per diem for informational purposes only.
15. **Chemical Dependency Rehabilitation ALC Per Diem:** Alternate Level of Care per diem for those patients who no longer require Chemical Dependency Rehab services and are awaiting placement or discharge.
16. **Critical Access Hospital Billing Rate (w/out DME):** Per diem rate for those hospitals that are federally designated as Critical Access Hospitals.
17. **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.
18. **Medical Rehabilitation Billing Rate (w/out DME):** Per diem rate for medical rehabilitation services.
19. **Medical Rehabilitation DME Add-on:** Direct Medical Education per diem for informational purposes only.

20. **Medical Rehabilitation ALC Per Diem:** Alternate 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 with certified detox program by OASAS for medically managed/supervised services. These rates are published on a separate rate schedule.
22. **Indigent Care and Health Care Initiative Surcharge:** Surcharge percentage obligation as authorized by Public Health Law § 2807-j.

Should you have any questions regarding the above **rate information**, please submit your inquiry to HospFFSunit@health.ny.gov and either Tami Berdi or John Neuberger from the hospital fee-for-service rate setting unit will respond. Questions regarding Managed Care **premium payments or state directed payments** should be addressed to phr@health.ny.gov.

Sincerely,

Michael Dembrosky
Bureau Director
Bureau of Managed Care Reimbursement

Enclosures

ATTACHMENT A

(Billing Guidance for Safety Net/Financially Distressed Hospital Rate 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:
  - **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) ******:
  - **Rate Codes**: 1133-1146, 2852, 2957, 2858, 2993, 4001-4006, 4202-4204, 4210, 4213, 4220, 4608, 4800-4803
  - **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

B) ***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:
  - **Rate Codes**: 2858, 2852, 4001-4006, 4608 (Inpatient Mental Health******) **OR**
  - **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 Childrens Hospital
- Mount St. Marys Hospital
- St. John's Riverside Hospital
- Wyckoff Heights Medical Center

ATTACHMENT B

(Billing Guidance for NYC Health + Hospitals (H+H) Average Commercial Rate (ACR) - Year 2 Rate 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:
     - **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) ******:
     - **Rate Codes**: 1133-1146, 2852, 2957, 2858, 2993, 4001-4006, 4202-4204, 4210, 4213, 4220, 4608, 4800-4803
     - **APR DRGs**: 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 770, 772, 773, 774, 775, 776