

**Re: State to Implement 2% Across the Board Medicaid Payment Reductions**

**Provider Notification Letter**

The final 2011-12 state budget (Chapter 59 of the Laws of 2011) requires a 2% across the board reduction to most Medicaid payments. Such payment reductions will apply for dates of service on or after April 1, 2011. The reduction will remain in effect for dates of service through March 31, 2013. These provisions were enacted to meet the target of the Medicaid Redesign initiative authorized by the Governor.

**The following services are exempt from the 2% reduction:**

**1). Payments whereby Federal law precludes such reduction, including:**

- Federally Qualified Health Center services;
- Health services provided to Native Americans who reside on reservations and receive services at one of four tribal clinics affiliated with the federal Indian Health Program;
- Supplemental Medical Insurance – Part A and Part B;
- State Contribution for Prescription Drug Benefit (aka Medicare Part D payments);
- Any local share cap payment required by the Federal medical assistance percentages (FMAP) increase legislation;
- Required payments related to the School Supportive Health Services Program and Preschool Supportive Health Services Program settlement agreement;
- Hospice services;
- Services provided to American citizen repatriates; and
- Court orders and judgments.

**2). Payments that are funded exclusively with federal and/or local funds, including:**

- Upper payment limit payments to non-state owned or operated governmental providers certified under Article 28 of the NYS Public Health Law;
- Certified public expenditure payments to the NYC Health and Hospital Corporation;
- Certain disproportionate share payments to non-state operated or owned governmental hospitals; and
- Services provided to inmates of local correctional facilities.

**3) Other Payments Excluded:**

- Any payments pursuant to Article 32, Article 31 and Article 16 of the mental hygiene law are exempt from the 2% reduction; with the exception of:
  - Hospital based and Freestanding Methadone Maintenance Treatment Programs (MMTP) - **2% Reduction applies**
  - All services provided in an Article 28 hospital (including mental health and substance abuse) - **2% Reduction applies**
  - However, Outpatient and CPEP programs operated by Art 28 hospitals are **Exempt**

**The following services listed below are subject to the 2% payment reduction (unless otherwise stated):** *\*Please note that the final 2011-12 State Budget (chapter 59 of the 2011 Laws) authorizes alternative methods to achieve proportionate savings. For a more in-depth list of services please view the Medicaid State Plan Amendments-11-70 institutional and 11-72 non-institutional services at [http://www.health.state.ny.us/regulations/state\\_plans/status/](http://www.health.state.ny.us/regulations/state_plans/status/).*

For services subject to the 2% reduction, the decrease will be reflected on the Medicaid check or EFT beginning on Cycle 1786 (check date 11/14/2011 with a release date of 11/30/2011). Paper remittances will display the actual reduction amount as a recoupment identified by Financial Reason Code ‘FC2’ and the corresponding description of “State mandated payment reduction”. Similarly, the 835 electronic remittances will carry the reduction amount in the PLB segment with the qualifier J1.

Since the law is applicable to dates of service on or after April 1, 2011, the Department will implement a reconciliation of previously paid claims to determine the additional recoupment amount for those claims. Once completed, information pertaining to the manner in which these funds are to be recovered will be posted on the Department's 2% Across the Board website:

[http://www.health.ny.gov/health\\_care/state/index](http://www.health.ny.gov/health_care/state/index).

<p>Medicaid Administration Costs</p>	<p><b>MEDICAID ADMINISTRATION COSTS PAID TO LOCAL GOVERNMENTS, CONTRACTORS AND OTHER SUCH ENTITIES</b> 2% reduction applies</p>
<p>Inpatient Services</p>	<p><b>HOSPITAL INPATIENT REIMBURSEMENT</b> 2% reduction applies</p> <p><b>INDIGENT CARE POOL PAYMENTS</b> 2% reduction applies</p> <p><b>GRADUATE MEDICAL EDUCATION – MEDICAID FOR MANAGED CARE PATIENTS</b> 2% reduction applies</p>

<p><u>Inpatient Services continued...</u></p>	<p><b>HOSPITAL DISPROPORTIONATE SHARE PAYMENTS MADE TO GOVERNMENTAL GENERAL HOSPITALS OPERATED BY THE STATE OF NEW YORK OR THE STATE UNIVERSITY OF NEW YORK</b> 2% reduction applies</p> <p><b>INDIGENT CARE ADJUSTMENTS TO HOSPITALS OPERATED BY THE STATE OF NEW YORK OR THE STATE UNIVERSITY OF NEW YORK</b> 2% reduction applies</p> <p><b>SUPPLEMENTAL MEDICAID PAYMENTS TO VOLUNTARY HOSPITALS</b> 2% reduction applies</p> <p><b>ADDITIONAL DISPROPORTIONATE SHARE PAYMENTS TO VOLUNTARY NON-PROFIT HOSPITALS THAT PROVIDE MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES</b> 2% reduction applies</p>
<p><u>Nursing Homes</u></p>	<p><b>NURSING HOME</b> <u>In State Nursing Homes</u> - Alternative proposal accepted to generate commensurate savings through an increase of the cash assessment</p> <p><u>Out of State Nursing Homes</u>- 2% reduction applies.</p>
<p><u>Non-institutional Services</u></p>	<p><b>ASSISTED LIVING PROGRAMS</b> Alternative proposal accepted to generate commensurate savings through a reduction of the State only funding of 'EQUAL'</p> <p><b>EARLY INTERVENTION</b> 2% reduction applies</p> <p><b>FOSTER CARE</b> 2% reduction applies</p> <p><b>FREESTANDING CLINIC</b> Alternative proposal accepted to generate commensurate savings through a reduction to the APG base rates</p> <p><b>HOME HEALTH</b> <u>CHHA</u>- 2% reduction applies</p> <p><u>LTHHCP</u>- Alternative proposal accepted to generate commensurate savings through an increase of the cash assessment</p> <p><b>HOME NURSING</b> 2% reduction applies.</p> <p><b>HOSPITAL BASED OUTPATIENT</b> 2% reduction applies</p> <p><b>MANAGED LONG TERM CARE</b> Alternative proposal to generate commensurate savings through reducing premium levels</p> <p><b>MANAGED CARE/ FHP/HMO</b> Alternative proposal to generate commensurate savings through reducing premium levels</p>

<p>Non-institutional Services Continued...</p>	<p><b>METHADONE MAINTENANCE TREATMENT PROGRAMS-MMTP (HOSPITAL BASED &amp; FREESTANDING)</b> 2% reduction applies</p> <p><b>PERSONAL CARE</b> 2% reduction applies</p> <p><b>PHARMACY</b> <u>Alternative proposal</u>- interactions amongst existing proposals and other pharmacy programs will generate commensurate savings, resulting in .33% reduction for SFY11/12 and a 1% or less payment reduction for SFY 12/13.</p> <p><b>PHYSICIANS</b> <u>Office place of service</u> - Alternative proposal accepted to generate commensurate savings for office based physicians through an reduction in radiology fees</p> <p><u>All other places of service</u>- 2% reduction applies</p> <p><b>OTHER SERVICES (DENTAL, EYE/X-RAY, ETC. FOR A COMPREHENSIVE LIST SEE STATE PLAN PAGE)</b> <u>Office place of service</u> - Alternative proposal accepted to generate commensurate savings for office based physicians through an reduction in radiology fees</p> <p><u>All other places of service</u>- 2% reduction applies to all others; except for Dental fee schedule billing</p>
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All questions should be submitted to the following electronic mailbox:

***2PercentAcrossTheBoard@health.state.ny.us.***

Please include your provider name and Medicaid number on the email so that questions may be reviewed by program area. Keep in mind that we will not be able to respond to individual emails; however, responses to frequently asked questions will be posted to the Department's website. Please access the website regularly for the most updated information.