

**ATTACHMENT**  
**January 1, 2022 Hospital Inpatient Initial Rates**  
**Updates to the Acute and Exempt Unit/Exempt Hospital Rates**

**Acute Rates:**

- **2022 Budgeted Capital:**

- ❖ **Rate Schedule 6:** This rate schedule is the capital cost allocation for acute and exempt services based upon each hospital's 2022 budgeted capital report, as submitted to the Department. Unless hospitals elected to have the 2020 capital traceback percentages used from Schedule 3 of the 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 2022 budgeted capital reports have been incorporated into these rates.

In addition, an excess budget over actual percentage has been applied (see update below\*). As a reminder, the Department's policy for the calculation of the excess percentage is based on the statutory requirement to use only inpatient capital versus total capital.

**\*Since the release of the January 1, 2022 Inpatient notice rates, it has come to the Department of Health's attention that the Public Health Emergency may have impacted capital projects scheduled during the 2020 cost reporting period, thus negatively impacting the 2020 excess budget over actual percentage calculation. Therefore, the higher of the 2019 excess budget over actual percentage (included in the January 1, 2021 Inpatient initial Rates) or 2020 excess budget over actual percentage (included in the January 1, 2022 Inpatient notice rates) is being applied to the 2022 budgeted capital.**

**Excess Budget over Actual % (2022 only) – Higher of 1) or 2):**

- 1) 2020 excess % calculation:
  - a. Total allowable inpatient actual capital for 2020 (per Schedule 3 from the 2020 ICR) divided by:
  - b. Total budgeted inpatient capital for 2020 without the excess % applied (Rate Schedule 6 published on the HCS within the 2020 rate sheets), however utilizing the actual 2020 traceback %'s from Schedule 3 of the 2020 ICR. This is done so that same set of traceback %'s are used to compare actual and budgeted capital.
  - c. For providers which incurred an unfunded depreciation penalty on the 2020 ICR Schedule 3 (Part I) and requested a waiver on Exhibit 42 of the 2020 ICR, the penalty was waived for the purpose of calculating the 2020 excess budget over actual %. **Please note that final approvals/ denials of waiver requests will be made during the 2020 ICR audit.**
- 2) 2019 Excess Budget over Actual Percentage:
  - a. 2019 % included in the capital calculations for the January 1, 2021 Inpatient initial rates.

- ❖ **Budgeted Capital Add-on:** Per the enacted State Fiscal Year (SFY) 2021-2022 State Budget, there was an increase in the reduction percentage to all hospital inpatient budgeted capital rate add-ons from 5% to 10% effective on and after October 1, 2021. This 10% reduction was continued in the January 1, 2022 initial rates.

- **Actual Capital Reconciliations (2016 and 2017 Base Years):**

- ❖ Implementation of prospective rate adjustments associated with capital reconciliations for the following periods:
  - January 1, 2016 – December 31, 2016
  - January 1, 2017 – December 31, 2017
- ❖ Per the enacted SFY 2020-2021 State Budget, 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% whereas a negative add-on will be increased by 10%.

The backup files for the capital reconciliations have been posted to the Healthcare Financial Data Gateway of the Health Commerce System (HCS).

- **Continuation of 2% Hospital Investment (Medicaid Only):** The enacted SFY 2018-2019 State Budget established a Health Care Transformation Fund. A portion of these funds has been allocated to hospitals to provide a 2% investment on all of the 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%.
- **Minimum Wage (MW):** The Department of Health has incorporated additional adjustments to the inpatient reimbursement as a result of Article 19 of NYS Labor Law that establishes new minimum wage increases effective for January 1, 2022. The rates were adjusted based on wage survey data that was submitted and attested to by hospitals. Facilities that failed to complete the survey were defaulted to the use of an average wage calculation based on their facility's 2019 ICR and as such may have resulted in no additional reimbursement. The following were implemented with the 2022 rates:
  - ❖ The total MW adjustment for 2022 was allocated to inpatient services only.
  - ❖ The 2022 add-on was calculated by dividing total MW costs by total 2019 reported ICR acute discharges (or days for Critical Access and Specialty Hospitals).
  - ❖ Prior years' acute add-ons were left as is and will be updated at the time of reconciliation. 2018 MW was previously allocated between inpatient and outpatient and will therefore need to be updated to total MW costs (simultaneously with the removal of the add-on from the 2018 APG rates).
  - ❖ Upstate region: Based on the Division of the Budget (DOB) issuance of its 2021 Minimum wage report on September 22, 2021, the minimum wage increase for 2022 for the regions outside of New York City, Long Island and/or Westchester counties (Upstate) will increase from \$12.50 to \$13.20. Hospitals that have locations within that region were given the opportunity to complete a 2022 minimum wage survey since the 2022 notice rates were issued and any resultant financial impact is incorporated into these January 1, 2022 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 2022 was included in the calculation of the WCNF rates only. The enacted SFY 2021/2022 State Budget extended the freeze on the Medicaid trend at 0% through March 31, 2023.
- **Budget Neutrality and Transition Factors:**
  - ❖ Budget Neutrality Factor: The budget neutrality factor remained the same as the January 1, 2021 – December 31, 2021 rates.
  - ❖ Transition Factor: As of January 1, 2022, there is no longer a transition factor applied to the statewide base price and operating components.
- **High Cost Charge Convertors (HCCCs): Please note that an update has been made to the calculation of the 2020 HCCCs since the notice rates were released.** This change is being implemented due to recent changes in the 2020 ICR related to CPEP Observation services, as well as provider-specific transfer statistics utilized in the transfer cost calculations, that were not captured by our internal database worksheets when the original HCCCs for 2020 were calculated. More accurate cost and charge data, calculated within the cost report, has been used instead. The impact to the HCCCs, as a result of this necessary change, was minimal and not all providers were affected.

#### **Exempt Unit/Exempt Hospital Rates:**

- **Psychiatric Exempt** – continuation of the increase in the inpatient psychiatric exempt base rate from \$676.21 to \$742.86 effective for services dates on and after August 1, 2021.
- **Chemical Dependency Rehabilitation Exempt** – correction to the calculation of Workers' Compensation/No Fault rates to include the 2016 and 2017 actual capital prospective adjustments.
- **All Exempts:**
  - ❖ Inclusion of the 2022 budgeted capital days and discharges, as described above for the Acute rates.
  - ❖ Continuation of the 10% budgeted capital add-on rate reduction, as described above for the Acute rates.
  - ❖ Inclusion of the 2016 and 2017 actual capital prospective rate adjustments, as described above for the Acute rates. New update since the notice rates were released:
    - **Note:** For hospitals that closed their exempt unit services subsequent to January 1, 2016, or temporarily suspended their services during 2022 due to the Public Health Emergency, the 2016 and 2017 capital reconciliations for Medicaid FFS and WCNF were retroactively processed within each respective rate period since it was not possible to process the adjustments in the January 1, 2022 rates. Since rates were not calculated for Medicaid Managed Care in 2016 (2015 rates were carried forward to 2016), the prospective adjustments for both 2016 and 2017 were included in the January 1, 2017 rates, where possible.

The backup files for the 2016 and 2017 capital reconciliations have been posted to the Healthcare Financial Data Gateway of the HCS. For reconciliations that resulted in retroactive rate adjustments, the revised rate sheets and capital reconciliations were posted in “January 1 2016 Revised Rate” and “January 1, 2017 Revised Rate ” packages within the HCS. All other reconciliations were posted with the January 1, 2022 rates.

- ❖ Continuation of 2% Hospital Investment (Medicaid Only), as described above for the Acute rates.
- ❖ Inclusion of Minimum Wage Adjustments for Critical Access Hospitals and Specialty Hospitals, as described above for the Acute rates. Also, see note regarding minimum wage survey incorporated for the Upstate region.
- ❖ Inclusion of the 2022 initial 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 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, 2022. Claims with discharge dates on and after January 1, 2022 will also continue to be processed using version 34 of the 3M APR-DRG grouping software. Currently, it is not anticipated that the grouper or SIWs will change until January 1, 2024.

### **Electronic Access – Health Commerce System (HCS):**

As previously notified, the Department utilizes the “**Healthcare Financial Data Gateway**” application within the HCS for inpatient rate publications. 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.