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## MEMORANDUM

**TO:** RHCF Members

**FROM:** Darius Kirstein, Senior Policy Analyst

**DATE:** November 13, 2008

**SUBJECT:** 2009 Initial Medicaid Rates

**ROUTE TO:** Administrator, CFO

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ABSTRACT: NYAHS reviews new Medicaid rate sheets with DOH.

### **New Look for Rate Sheets**

NYAHS and the other Joint Association Task Force (JATF) member associations met with the Department of Health (DOH) yesterday, November 12<sup>th</sup>, to review the 2009 initial Medicaid rate sheets. This is the first time that the rate calculations use the new reimbursement methodology and are based on 2002 base year costs for facilities whose current base year is older than 2002. DOH staff has resolved computer difficulties that caused the rates to be delayed by two weeks and is poised to make rate sheet packets available on the Health Provider Network (HPN) on November 17<sup>th</sup>.

The rate sheets will be arranged differently than in past years but will include detailed information and back-up schedules to allow facilities to track how the rate was calculated. They will be accompanied by a detailed Dear Administrator Letter (DAL) explaining what was done. The rates are calculated using an all-payer case mix index (CMI), but members should keep in mind that as of April 1, 2009 DOH intends to switch to a Medicaid-only CMI.

Major differences between the current Medicaid rate calculation and the new calculation include:

- Use of 2002 base year costs for facilities whose current base year is older than 2002;
- Case-mix adjustment using a RUG-III / MDS-based CMI instead of a RUG-II / PRI – based CMI;
- Better recognition of the additional costs incurred for caring for bariatric residents and residents with dementia and/or behavioral issues;
- Update of the wage equalization factor (WEF) to 2002;
- Elimination of existing administrative & fiscal and productivity & efficiency cuts; and
- More appropriate treatment of therapy overhead costs.

Until the data necessary to compute the 2009 CMI are collected, the initial 2009 rates will be based on 2002 MDS data adjusted using a 2006 CMI. The rates will be subsequently reconciled to the actual 2009 CMI retroactive to January 1, 2009. DOH intends to make the data used to calculate the 2002 and 2006 MDS-based CMIs available for facilities to review on the PRI section of the HPN. This information will be available sometime after November 17<sup>th</sup> and will likely coincide with the release of the long anticipated Dear Administrator letter that will detail the transition from PRI to MDS.

### **Rate Sheet Review**

Despite the Governor's most recent state budget proposal to delay implementation of rebasing from January 1 to April 1, 2009, we urge members to review the rates closely when they are posted. DOH has warned that there will be several items that will be yet unfinished when the initial rates are issued:

- Part D offsets will not yet be recalculated and will be the same as published in the 2008 rate sheet leading to an overstated Part D eligible rate; and
- The final base and ceiling percentages are still pending. In the interim, DOH will use 90 percent of the mean for the base and 110 percent for the ceiling.

These and any other known discrepancies will be identified by the DAL that will accompany the rate sheets. The major updates being made to the rate calculation make it especially important that homes bring any other problems that they find to the attention of DOH as well as to the associations. Members should also use this as a final opportunity to identify any facility misreporting that may have occurred for the 2002 cost year.

DOH and the JATF will conduct a Webinar to review the new rate sheets and field provider questions. The tentative date for the session is Monday, November 24<sup>th</sup>, and we will provide registration information as soon as it is finalized. In the meantime, if you have questions regarding the information in this memo, please contact me at [dkirstein@nyahsa.org](mailto:dkirstein@nyahsa.org) or by phone, 518-449-2707, ext 104.