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AUG 09 2013

Jason A. Helgeson  
State Medicaid Director  
Deputy Commissioner  
Office of Health Insurance Programs  
NYS Department of Health  
Corning Tower (OCP - 1211)  
Albany, NY 12237

RE: TN 13-01

Dear Mr. Helgeson:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 13-01. Effective January 1, 2013 this amendment proposes to update the Service Intensity Weights (SIW) and Average Lengths-of-Stay (LOS) used to calculate payments under the state's All Patient Refined Diagnosis Resource Group (APR-DRG) reimbursement system for acute inpatient hospital services beginning January 1, 2013.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR Part 447. We have found that the proposed reimbursement methodology complies with applicable requirements and therefore have approved them with an effective date of January 1, 2013. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please contact Tom Brady at 518-396-3810 or Rob Weaver at 410-786-5914.

Sincerely,

A large black rectangular redaction box covers the signature area of the letter.

Cindy Mann  
Director

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: <b>13-01</b>	2. STATE <b>New York</b>
<b>FOR: HEALTH CARE FINANCING ADMINISTRATION</b>		3. PROGRAM IDENTIFICATION: <b>TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)</b>	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE <b>January 1, 2013</b>	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: Section 1902(a) of the Social Security Act		7. FEDERAL BUDGET IMPACT: a. FFY 01/01/13 – 09/30/13 \$ 0 b. FFY 10/01/13 – 09/30/14 \$ 0	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: <b>Attachment 4.19-A - Pages 103, 108</b>		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): <b>Attachment 4.19-A - Pages 103, 108</b>	
10. SUBJECT OF AMENDMENT: <b>Service Intensity Weights (SIW) and Average Length-of-stay (LOS) (FMAP = 50%)</b>			
11. GOVERNOR'S REVIEW (Check One): <input checked="" type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. AGENCY OFFICIAL:	16. RETURN TO:		
13. [Redacted] <b>Belgerson</b>	<b>New York State Department of Health Bureau of HCRA Oper &amp; Financial Analysis 99 Washington Ave – One Commerce Plaza Suite 810 Albany, NY 12210</b>		
14. TITLE: <b>Medicaid Director Department of Health</b>			
15. DATE SUBMITTED: <b>January 17, 2013</b>			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED:	18. DATE APPROVED: <b>AUG 09 2013</b>		
<b>PLAN APPROVED – ONE COPY ATTACHED</b>			
19. EFFECTIVE DATE OF APPROVED MATERIAL:	20. SIGNATURE OF REGIONAL OFFICIAL:		
<b>JAN 01 2013</b>	[Redacted Signature]		
21. TYPED NAME: <b>Penny Thompson</b>	22. TITLE: <b>Deputy Director, Policy Finance / Mt. Pres</b>		
23. REMARKS:			

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Hospital Inpatient Reimbursement - Effective December 1, 2009

Definitions. As used in this Section, the following definitions shall apply:

- 1. *Diagnosis related groups (DRGs)* shall mean the 3M Corporation All-Patient-Refined (APR) classification system, which utilizes diagnostic related groups with assigned weights that incorporate differing levels of severity of a patient's condition and the associated risk of mortality, and reflects such factors as the patient's medical diagnosis, severity level, sex, age, and procedures performed.
  - a. Effective January 1, [2012] 2013, Version [29] 30 of the APR classification system will be used.
- 2. *DRG case-based payment per discharge* shall mean the payment to be received by a hospital for inpatient services rendered to each patient based on the DRG to which that patient has been assigned, as determined by multiplying the statewide base price by the applicable service intensity weight (SIW) and facility-specific wage equalization factor (WEF) and as further adjusted for teaching hospitals by the inclusion of reimbursement for direct and indirect graduate medical education (GME) costs and for all hospitals, the inclusion of non-comparable costs.
- 3. *Service intensity weights (SIWs)* are the cost weights established such that the SIW for any given DRG indicates the relative cost of the average cost of the patient in the DRG as compared to the average cost of all patients in all DRGs. Weights are developed using cost data from Medicaid fee-for-service, Medicaid managed care and commercial payors as reported to the Statewide Planning and Research Cooperative System (SPARCS).
- 4. *Case mix index (CMI)* shall mean the relative costliness of a hospital's case mix relative to the case mix of all other hospitals as reflected in the weighted aggregate SIW for the hospital.
- 5. *Reimbursable operating costs* shall mean reported operating costs which relate to the cost of providing inpatient hospital services to Medicaid patients, adjusted for inflation between the base period used to determine the statewide base price and the rate period in accordance with trend factors determined pursuant to the applicable provisions of this Attachment, but excluding the following costs:
  - a. ALC costs;
  - b. Exempt unit costs;
  - c. Transfer costs; and
  - d. High-cost outlier costs.

TN #13-01  
Supersedes TN #12-04

Approval Date AUG 09 2013  
Effective Date JAN 01 2013

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**Service Intensity Weights (SIW) and average length-of-stay (LOS).**

1. The table of SIWs and statewide average LOS for each effective period is published on the New York State Department of Health website at:  
<http://www.health.ny.gov/facilities/hospital/reimbursement/apr-drg/weights/>  
 and reflects the cost weights and LOS assigned to each All-Patient Refined (APR) diagnosis related group (DRG) patient classification category. The SIWs assigned to each APR-DRG indicates the relative cost variance of that APR-DRG classification from the average cost of all inpatients in all APR-DRGs. Such SIWs are developed using three years of Medicaid fee-for-service cost data, Medicaid managed care data and commercial third party payor data as reported to the Statewide Planning and Research Cooperative System (SPARCS) for the years set forth in paragraph (2) below. Costs associated with hospitals that do not have an ancillary charge structure or associated with hospitals and services exempt from the case payment methodology, and costs associated with statistical outliers are excluded from the SIW calculations.
2. For periods on and after December 1, 2009 through December 31, 2010, the SIW and statewide average LOS table shall be computed using SPARCS and reported cost data from the 2005, 2006 and 2007 calendar years as submitted to the Department by September 30, 2009.
3. For periods on and after January 1, 2011 through December 31, 2011, the SIW and statewide average LOS table shall be computed using SPARCS and reported cost data from the 2006, 2007 and 2008 calendar years as submitted to the Department by June 30, 2010.
4. For periods on and after January 1, 2012 through December 31, 2012, the SIW and statewide average LOS table shall be computed using SPARCS and reported cost data from the 2007, 2008 and 2009 calendar years as submitted to the Department by September 30, 2011.
5. For periods on and after January 1, 2013 through December 31, 2013, the SIW and statewide average LOS table shall be computed using SPARCS and reported cost data from the 2008, 2009 and 2010 calendar years as submitted to the Department by September 30, 2012.

TN     #13-01    

Supersedes TN     #12-04    

Approval Date     AUG 09 2013    

Effective Date     JAN 01 2013