DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
New York Regional Office
26 Federal Plaza, Room 37-100
New York, NY 10278

DIVISION OF MEDICAID AND CHILDREN'S HEALTH OPERATIONS

February 6, 2013

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

RE: TN 09-65B

Dear Commissioner Helgerson:

This is to notify you that New York State Plan Amendment (SPA) #09-65B has been approved for adoption into the State Medicaid Plan with an effective date of December 1, 2009. The SPA revises hospital outpatient payments to include an additional investment of $92 million, for hospital based outpatient clinics, ambulatory surgery services, and emergency department services, under the Ambulatory Patient Group (APG) methodology.

Enclosed are copies of SPA #09-65B and the CMS-179 form, as approved.

If you have any questions, please contact Peter Marra at 518-396-3810, ext104, or Rob Weaver at 410-786-5914.

Sincerely,

[redacted]

Ricardo Holligan
Acting Associate Regional Administrator
Division of Medicaid and Children's Health

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: **09-65-B**	2. STATE **New York**
	3. PROGRAM IDENTIFICATION: **TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)**	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE **December 1, 2009**	

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ 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, and 42 CFR 447.204**	7. FEDERAL BUDGET IMPACT: **a. FFY 12/1/09 – 09/30/10 $ 47,219,000** **b. FFY 10/1/10 – 09/30/11 $ 52,265,200**
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: **Attachment 4.19-B: Pages 1(j), 1(k), 1(k)(1)** ****SEE REMARKS BELOW**	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*: **Attachment 4.19-B: Pages 1(j), 1(k)**

10. SUBJECT OF AMENDMENT:
S92M APG Investment

11. GOVERNOR'S REVIEW *(Check One)*:

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☐ OTHER, AS SPECIFIED:

12. [redacted] AGENCY OFFICIAL: 13. [redacted] **. Helgerson** 14. TITLE: **Medicaid Director** **Department of Health** 15. DATE SUBMITTED: **January 3, 2013**	16. RETURN TO: **New York State Department of Health** **Bureau of HCRA Oper & Financial Analysis** **99 Washington Ave – One Commerce Plaza** **Suite 810** **Albany, NY 12210**

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: **February 6, 2013**
PLAN APPROVED – ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: **December 1, 2009**	20. SIG[redacted]
21. TYPED NAME: **Ricardo Holligan**	22. TITLE: [redacted] **Division of Medicaid and State Operations**

23. REMARKS:

FORM HCFA-179 (07-92)

IV. The APG base rates shall be updated at least annually. Updates for periods prior to January 1, 2010, will be based on claims data from the December 1, 2008 through April 30, 2009 period. The January 1, 2010, update will be based on claims data for the period December 1, 2008, through September 30, 2009. Subsequent updates will be based on Medicaid claims data from the most recent twelve-month period, and will be based on complete and accurate billing data. APG base rates shall be rebased each time the APG relative weights are reweighted.

a. If it is determined by the Department that an APG base rate is materially incorrect, the Department shall correct that base rate prospectively so as to align aggregate reimbursement with total available funding.

V. APG base rates shall initially be calculated using the total operating reimbursement for services and associated ancillaries and the associated number of visits for services moving to APG reimbursement for the period January 1, 2007 to December 31, 2007. APG payments shall also reflect an investment of $178 million on an annualized basis for periods prior to December 1, 2009, and $270 million on an annualized basis for periods thereafter. A link to the allocation of all APG investments across peer groups for all periods is available in the APG Reimbursement Methodology – Hospital Outpatient section. The case mix index shall initially be calculated using 2005 claims data.

a. The calculation of total operating reimbursement for services and associated ancillaries and the number of visits shall be calculated based on historical claims data. The calculation for periods prior to January 1, 2010 will be based on Medicaid claims data from the December 1, 2008 through April 30, 2009 period. The January 1, 2010, calculation shall be based on Medicaid claims data from the December 1, 2008, through September 30, 2009, period. Subsequent calculations will be based on Medicaid claims data from the most recent twelve-month period and will be based on complete and accurate data.

b. The estimated case mix index shall be calculated using the appropriate version of the 3M APG software based on claims data. The calculation for periods prior to January 1, 2009, will be based on claims data from the December 1, 2008 through April 30, 2009 period. The January 1, 2010, calculation shall be based on Medicaid data for the period December 1, 2008, through September 30, 2009. Subsequent calculations will be based on Medicaid claims data from the most recent twelve-month period and will be based on complete and accurate line level procedure and charge data and ratio of cost to charge data.

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APG Rate Computation – Hospital Outpatient

The following is a description of the methodology to be utilized in calculating rates of payment for hospital outpatient department, ambulatory surgery, and emergency department services under the Ambulatory Patient Group classification and reimbursement system.

I. Claims containing ICD-9-CM diagnostic and CPT-4 procedure codes are submitted to the Department on appropriate forms or in the accepted electronic format.

II. Claims are reviewed electronically to assign each valid procedure code to the appropriate APG using the APG software logic. Invalid codes will be assigned to an error APG and not given further consideration in the payment process.

III. Each valid APG on the claim is assigned a relative weight. At this time the software logic also determines an allowed weight based upon whether each APG on the claim is to be paid in full, packaged, consolidated, or discounted.

IV. The allowed weights for each valid APG on the claim are then summed to arrive at the final weight for this claim. This final weight is multiplied by an operating base rate that is specific to the peer group to which the claim has been assigned resulting in the APG operating cost reimbursement amount for this claim. For hospital outpatient and emergency services, capital will continue to be paid as an add-on using the existing, previously approved methodology. The capital cost component for ambulatory surgery services shall be the result of dividing the total amount of capital cost reimbursement paid to such facilities pursuant to the current Products of Ambulatory Surgery (PAS) system for the 2005 calendar year for the Upstate Region and for the Downstate Region and then dividing each such regional total amount by the total number of claims paid through the PAS system within each such region for the 2005 calendar year.

V. A separate base rate calculation shall be calculated for each peer group established by the Department. All Medicaid reimbursement paid to facilities for services moving to the APG reimbursement system (e.g., outpatient department, ambulatory surgery, and emergency department services) during the 2007 calendar year and associated ancillary payments will be added to an investment of $178 million on an annualized basis for periods through November 30, 2009, and $270 million on an annualized basis for periods thereafter to form the numerator. A link to the base rates can be found in the APG Reimbursement Methodology – Hospital Outpatient section.

TN #09-65-B **Approval Date** FEB 0 6 2013

Supersedes TN #09-62 **Effective Date** DEC 0 1 2009

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The peer group-specific case mix index multiplied by the coding improvement factor and the 2007 base year visits will form the denominator resulting in a base rate for that peer group.