

## New York

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HOSPITAL EXPERIMENTAL PAYMENT PROGRAM – (1988-1990)  
TITLE XIX (MEDICAID) STATE PLAN AMENDMENT

This State Plan amendment is contingent upon an approved contract among the HEP participating hospitals, the Rochester Area Hospitals' Corporation (RAHC), and the contracting payors.

Effective January 1, 1988, Medicaid hospital inpatient reimbursement for all HEP-III participating hospitals will be through a DRG-based case payment methodology similar to the case payment methodology for the rest of the State. However, the Medicaid case payment rates for the HEP-III participating hospitals will be based on their 1987 HEP-E payment bases (which were the original 1978 HEP cost bases trended forward and adjusted). The 1987 total payment base for each hospital is allocated to non-Medicare patients using 1987 utilization data and then trended to 1988 by an inflation factor. The non-Medicare inpatient acute portion of each hospital's 1988 payment base is then converted to an inpatient Medicaid case payment rate for each DRG. There is a blending of the hospital specific case payment rate and a group pricing component, in proportions identical to those followed by hospitals in the rest of the State. Medicaid Alternate Level of Care (ALC) patients will be reimbursed at the regional nursing home per diem rate, according to the same methodology as under the State's overall system.

Whereas, in most respects, the Medicaid inpatient reimbursement methodology in the proposed HEP-III system is the same as that for the rest of the hospitals in the State, there are unique features of the system. The chief of these is the development (in 1988) and implementation (in 1989 and 1990) of a completely new system to provide financial incentives for quality patient care which may be able to be used in the future on a wider scale if its feasibility is demonstrated among the HEP-III hospitals. The quality assurance system will use the MEDISGRPS severity classification system and develop standards against which each hospital's inpatient care will be assessed. The hospital will face financial incentives (within limitations) to assure that these standards are met.

The HEP-III hospitals will also continue to pool capital costs, medical education and physician coverage costs (through the concept of levelling).

TN #88-9Supersedes TN #----Approval Date March 30, 1990Effective Date January 1, 1988