

FY 2010 Approved Update to Hospital Rates (effective July 1, 2009)

At its May 13, 2009 public meeting, the Health Services Cost Review Commission unanimously voted to approve a 1.77% overall update to hospital rates for the fiscal year ending 2010 (effective July 1, 2009 through June 30, 2010).

This update is comprised of various components as shown in the table below and described as follows:

- 1) Market Basket Cost Inflation (as calculated by first quarter book of hospital input cost estimates from HIS-Global Insights, published April 2009 covering the four quarters ending June 2010) of 1.59%;
- 2) A Policy Adjustment to rates reflecting the ability of hospitals to generate productivity improvements of -0.10%;

These two components generate a “Base Update” magnitude, which is used as the basis for scaling. One third of the Base Update, or 0.4967% (.33 x 1.49%), will be scaled based on a hospital’s position on the Reasonableness of Charges (ROC) analysis, in accordance with the ROC methodology approved by the Commission at its March 2009 public meeting.

- 3) An allowance for case mix growth in FY 2010 (lesser of actual or approved limit) of 0.5%;
- 4) Application of the Commission-approved volume adjustment (calculated based on the final change in hospital volumes from FY 2008 to FY 2009 – as described in note 2 on the table below - currently estimated to be -0.22);
- 5) Differential scaling of 0.5% related to hospital performance on the Commission’s Quality-Based Reimbursement methodology (performance in measurement year CY 2008 vs. base year CY 2007) as illustrated in the staff’s FY 2010 Payment Update recommendation;

Table 1

Approved Update Factor
Rate Year Ending June 30, 2010

Global Insight's Estimate of Inflation (first quarter book)	1.59%
HSCRC Policy Adjustment	<u>-0.10%</u>
Base Update	1.49% (Note 1)
Case Mix Change (lesser of actual or)	<u>0.50%</u>
Base Update Plus Case Mix	1.99%
Estimated Rate Year 2009 Volume Adjustment	<u>-0.22%</u> (Note 2)
Estimated System-wide Update	<u>1.77%</u>

Notes:

1) One third of base update, or 0.4967%, will be scaled as outlined on Table 9 Of Staff Recommendation. Also, 0.5% will be used to determine adjustment for Quality Based Reimbursement as outlined on Table 9.

2) Actual adjustment will be based on each hospital's actual volume and governed CMI change. Current estimate of -0.22% based on 0.99% change to EIPA's and 0.5% governed case mix change times 15% fixed cost factor.