



TO: Chief Financial Officers
FROM: Katie Wunderlich - Executive Director
DATE: February 4, 2022
RE: Corridor Expansion Jan-June 2022

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The purpose of this memorandum is to provide an update on unit rate corridors for January to June of 2022.

As a direct result of unpredictable volumes during the COVID-19 pandemic, staff agreed to guarantee a hospital's GBR for any undercharge that may have been accrued in FY21, meaning a hospital would receive their entire undercharge back free of any penalty. In a normal year, a hospital would be penalized for any portion of their GBR that was beyond 0.50 percent. The outcome of this policy decision resulted in a statewide net undercharge of \$213 million dollars (net of CARES funding). As discussed at the January Commission meeting, staff is providing 55 percent of the statewide FY21 undercharge in the January 2022 rate orders and will provide the remaining 45 percent at a later date after netting out any new federal provider relief fund and/or additional COVID surge funding. This is consistent with the settle up of undercharge from FY 2020.

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The impact of the 55 percent in the FY22 rate files adds over \$117 million back into rates effective July 1, 2021. An additional \$100 million is also being added to rates effective July 1, 2021 as an advance to FY23 inflation. The addition of these two adjustments in the January rate files results in difficult charging positions for some hospitals.

In an effort to ensure that the additional money being added into the January rate updates can be charged, **staff is providing limited statewide corridor expansion up to +10% for January - June 2022 for hospitals under a global budget.** The unit rate undercharge corridors will remain at 5% (unless the hospital already received previous corridor expansion from staff). The year end corridors will be weighted to take into account the corridor expansion granted. For example if a hospital had no corridor expansion from July - December and +10% for January - June, their year end corridors would be 5% for unit rate undercharges and 7.5% for unit rate overcharges. Corridor expansion will not be granted beyond 10%. In addition, at this time HSCRC staff are not guaranteeing GBR undercharge protections for FY 22. Penalties beyond the GBR corridors of 0.5 percent, as outlined in hospitals' GBR agreement, will be implemented in the FY23 rate files.

The remaining 45 percent of FY21 undercharge will be provided to hospitals on July 1, 2022, subject to any additional offsets due to additional releases of federal provider relief funding and/or COVID surge funding.

If you have any questions or concerns, please reach out to [Jerry Schmith](#) or [Cait Cooksey](#).