


TO: Chief Financial Officers

FROM: Gerard J. Schmith, Director of Revenue & Compliance 

DATE: March 23, 2023

RE: FY 2023 Compliance for GBR and Unit Rates

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The purpose of this memorandum is to provide specific guidance related to the [Adjustment to the Public Payer Differential](#) effective April 1, 2023. The Commission voted and CMMI subsequently approved an increase of 1% to the public payer differential, from 7.7% to 8.7%, effective April 1, 2023. While the overall impact to hospitals will be revenue neutral, hospital markups, rates, and GBRs will be adjusted to account for a lower public payer payment. The adjustments will be hospital specific, as it is based on the percentage of services attributable to public payers. For clarity purposes, this memo will be broken into two sections.

FY 2023 GBR Compliance

As a result of this change, hospitals will receive an amended rate order effective April 1, 2023. Since the new rate order will not be in effect for the entire fiscal year, FY 2023 hospital GBR compliance will need to be measured using a blended GBR. This blended GBR will be based off the most recently issued GBR effective back to July 1 and the new GBR to be issued effective April 1. Please note the change in the public payer differential does not impact compliance with mid-year GBR targets.

To calculate their FY 2023 GBR compliance, hospitals should take 9/12 of their final issued GBR effective back to July and 3/12 of the GBR effective April. This blended GBR will be compared to actual revenue for the entire fiscal year in order to calculate FY 2023 GBR compliance.

Example

	A	B	$C = A * (9/12) + B * (3/12)$	D	$E = D - C$
	GBR Effective July 1 (issued Feb 5)	GBR Effective April 1	Blended, Final FY23 GBR	FY23 Actual Revenue (Jul - Jun)	FY23 GBR Over Charge
Hospital A	100,000,000	100,050,000	100,012,500	100,015,000	2,500

FY 2023 Price (Unit Rate) Compliance

FY 2023 unit rate compliance will be measured using the unit rates in effect for the applicable period. July through March will be measured using rates from the

most recently issued rate order effective July 1, while April through June will be measured using rates from the rate order effective April 1.

To measure FY 2023 unit rate compliance, hospitals should take their final FY 2023 rates effective back to July and multiply times their actual volume from July – March to get YTD Approved Revenue at Actual Volume through March. Hospitals should then take their FY 2023 rates effective April 1 and multiply times their actual volume April – June to get YTD Approved Revenue at Actual Volume for April – June. Those two YTD Approved Revenue at Actual Volume periods will be combined and compared against Actual FY 2023 Revenue to determine unit rate compliance.

MSS and CDS will continue to be measured on a charge to cost ratio using the same blending logic as described above.

Hospitals can model their compliance using the monthly compliance files sent via their rate analysts. On the Input Rates tab, hospitals can update their rate order information for April, May, and June (Col AG – Col AO) using the rate order effective April 1. The other months will automatically pre-populate based on the information input into Col F – Col H.

Please note the increase in FY 2023 undercharge unit rate corridors per Staff's memo dated February 15, 2023 remain in effect.

If you have any concerns, please reach out to [Jerry Schmith](#) or [Chris Konsowski](#).