How a Hospital in the Middle of NYC Increased Medicare Facility Reimbursement in Upstate NY Over 5% ...After Bids Were Submitted

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IPPS wage index's impact

2.5% reduction to margin for a bid submitted in 2025 due to changes in the Final Rule released in August

Select Wage Index Changes

Rural Wage Index by State Over Time (and a few CBSAs)						
State / CBSA	**2022 FR**	**2023 FR**	**2024 PR**	**2024 FR**	**2025 PR**	**2025 FR**
California	1.2687	1.2534	1.5040	1.5189	1.4615	1.4507
Los Angeles		1.2970		1.5189		
San Diego		1.2737		1.5189		
San Francisco		1.8591		1.8744		

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San Francisco		1.8591		1.8744		
Texas	0.9085	0.8240	0.8689	0.8758	0.9012	0.8955
Florida	0.8027	0.8074	0.8449	0.9436	0.9181	1.0061
New York	0.8593	0.8515	1.2183	1.2181	1.1799	1.3054
Pennsylvania	0.8115	0.8336	0.9243	0.9211	0.9489	0.9366
Illinois	0.8433	0.8458	0.9802	0.9762	0.9606	1.0705
Massachusetts	1.3221	1.2974	1.1168	1.2425	1.1087	1.3124
Washington	1.0986	1.0388	1.0848	1.1175	1.1218	1.1112
Mississippi	0.7209	0.7382	0.7028	0.7032	0.7446	0.7348

The reclass budget neutrality factor is not reflected in the wage index, but the rural floor budget neutrality factor is

Key wage index components

Goal:

Reflect the difference in wages across areas

Each CBSA gets a wage index, plus each state has a rural wage index

Two types of reclassifications:

- 412.103: Reclassify as rural
- MGCRB (Medicare Geographic classification review board): reclass to a different area

Rural floor

Any urban area in a state cannot have a wage index below that state’s rural wage index

Basic wage index calculation

1. Sum wages for all hospitals in area, sum hours for all hospitals, divide wages / hour to get average wages
2. Divide area's average by nationwide average
3. (plus a few other adjustments, e.g. 5% max YOY reduction)
4. Hospital generally gets the WI for its area, with a few adjustments

Provider ID	Wages	Hours	Wages/Hours
330033	$30,725,582	697,763	$44.03
330047	$85,915,930	2,004,970	$42.85
330180	$188,889,855	3,780,643	$49.96
Total	$305,531,367	6,483,376	$47.13
National Average			$54.73
Area's wage index			**0.8610**

Select Wage Indexes in NY

	2023		2024		2025	
CBSA	Proposed Rule	Final Rule	Proposed Rule	Final Rule	Proposed Rule	Final Rule
NYC	1.3296	1.3329	1.3631	1.3562	1.3090	1.3054
Buffalo	1.0282	1.0258	1.2183	1.2181	1.1799	1.3054
Rochester	0.9108	0.9139	1.2183	1.2181	1.1799	1.3054
Rural	0.8536	0.8515	1.2183	1.2181	1.1799	1.3054

What happened in 2024?

- In response to a lawsuit, changed calculation to the rural floor
- Roughly, three calculations of the rural floor, rural floor is the maximum of the three
- Hospitals that reclassify as rural through 412.103 now must be treated fully as if they are rural
- “Dual reclass” affects rural WI

What happened in 2024?

Hospital Data
A=Geographically rural hospitals
A1=Subset of geographically rural hospitals with MGCRB or “Lugar” reclassification
B=Geographically urban hospitals with § 412.103 rural reclassification
B1=Subset of geographically urban hospitals with § 412.103 rural reclassification and MGCRB reclassification (“dual reclass” hospitals)
C=Cross-State MGCRB reclassification to rural area

	Current Calculation: Rural Wage Index is The Highest Of	**Proposed Calculation: Rural Wage Index is The Highest Of**
Calculation 1	A	A + B
Calculation 2	A - A1	(A - A1) + (B - B1)
Calculation 3	A + (B - B1) + C	A + B + C

(A-A1) + (B-B1) in 2025 NY

Two NY Presbyterian hospitals stayed rural

	2025 Proposed Rule			2025 Final Rule		
Hospital	**Wages**	**Hours**	**Wages/Hour**	**Wages**	**Hours**	**Wages/Hour**
New York Presbyterian / Columbia University	n/a - not rural			$3,444,832,180	41,256,178	$83.50
New York Presbyterian - Queens	n/a - not rural			$456,260,849	6,164,808	$74.01
All Others	$770,202,283	17,088,430	$45.07	$806,655,788	16,711,785	$48.27
Total	$770,202,283	17,088,430	$45.07	$4,707,748,817	64,132,771	$73.41
National Wages			$54.73			$54.97
NY (A-A1) + (B-B1) calc			0.8235			1.3355
Rural floor budget neutrality			0.9859			0.9775
Final WI			**0.8118**			**1.3054**

Note: (A-A1) + (B-B1) calc was not max rural calc in proposed rule

NY Presbyterian Columbia University Irving Medical Center

Hospitals reclassify regularly to maximize their wage index

NY Presbyterian Columbia University Irving Medical Center Across Time				
Area	**2023**	**2024**	**2025 PR**	**2025 FR**
Bridgeport-Stamford-Norwalk CT	1.3751	1.3357	1.1799	1.3255
New York City, NY	1.3329	1.3562	1.3090	1.3054
Nassau-Suffolk, NY	1.3099	1.3188	1.3247	1.3054
CBSA NY Presby ended up in after reclassification	Bridgeport	New York City	Nassau	Rural NY

PR = Proposed Rule

FR = Final Rule

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Reclassification Requirements

Reclass

412.103 Rural Reclassifications

Hospitals must meet one of the following:

1. The hospital is in a rural MSA
2. The hospital is in an area designated as rural by ‘any law or regulation of the State’
3. The hospital would qualify as a rural referral center or sole community hospital if it were in a rural area (largely based on distance from other hospitals)
4. The hospital is a remote campus of a rural hospital
5. A few other ways to reclassify

MGCRB Reclassifications

Some ways to qualify are:

1. Proximity (15 mi for urban, 35 mi for rural)
2. More than 50% of employees reside in the area
3. Comparison of hourly wages to geographic area and/or reclassified area
4. Special rules for rural referral centers, sole community hospitals, and dominating hospitals

MGCRB Reclassification Timeline

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Impact on the rest of the country

Budget neutrality

Reclassifications are budget neutral

If one hospital goes up, all other hospitals go down

Recent Neutrality Factors

	Reclassification Budget Neutrality Factor		Rural Floor Budget Neutrality Factor	
Year	Proposed	Final	Proposed	Final
2025	0.977	0.963	0.986	0.977
2024	0.981	0.971	0.981	0.978
2023	0.985	0.984	0.994	0.992
2022	0.987	0.987	0.994	0.993

Notes:

1) Actual factors published to 6 decimals

2) The Reclassification Budget Neutrality Factor (left) affects Table 1 and therefore has a larger impact on rates. The Rural Floor Budget Neutrality Factor is applied to wage indexes directly.

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Medicare Payments Increase → Medicare Advantage Costs Increase

Paid by plans or providers

% of Medicare

Costs borne by MA plan

- Contracting tied to Medicare reimbursement levels
- Increased unit cost trends
- Re-negotiate contracts

Shared Risk Arrangements

- Costs shared with providers
- Targeted Medical Loss Ratios (MLRs)
- Increase is shared based on level of risk
- Mitigates cost increase for plans

Windfall for Facilities?

What About Revenue?

Benchmarking crash course

County Benchmarks

Rates are “rebased” every year

- Based on FFS costs (“specified amount”)
  - Average of 5 years of data
  - Repriced to most recent fee schedules
  - Other adjustments include quartiles, stars, and double bonus adj.
- MA growth rate (“applicable amount”)
  - Pre-ACA rate
  - No county-level variation in growth %, or any repricing adj.
- Rates are capped at the pre-ACA rates (“applicable amount

Surely Plans Will Be Paid for IPPS Changes, Right?

At Least Eventually?

Maybe!

Benchmarks lag IPPS by one year, and payment increases can be capped from year-to-year

Proposed IPPS Rule Released in April

- Too late for CMS to incorporate into benchmark calculations
- Benchmarks are based on prior year's IPPS final rule (e.g., FY 2023 for CY 2024 benchmark rates)

Pre-ACA Caps Also Apply

- Rate increases can be capped by the national MA growth rate
- No variation to account for changes in county experience or Medicare costs (i.e., IPPS)
  - **No repricing adjustment!**
- What is the long-term solution?

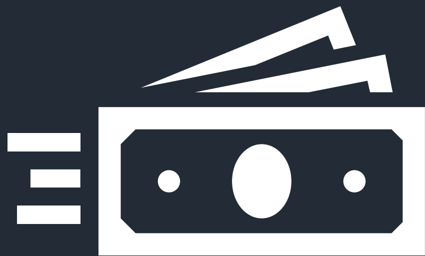
2023-2025 Medicare IPPS and OPPS Trend Summary

CBSA Name	IPPS 2023 / 2024	IPPS 2024 / 2025	IPPS 2023 / 2025	OPPS 2023 / 2024	OPPS 2024 / 2025	OPPS 2023 / 2025
Albany-Schenectady-Troy, NY	21.6%	6.1%	29.0%	18.7%	5.6%	25.3%
Glens Falls, NY	19.4%	5.7%	26.2%	17.9%	5.6%	24.5%
Binghamton, NY	18.8%	6.1%	26.0%	17.6%	5.6%	24.1%
Utica-Rome, NY	17.6%	6.2%	24.8%	16.0%	5.6%	22.4%
Elmira, NY	18.5%	6.5%	26.2%	14.4%	5.6%	20.8%
Rochester, NY	15.6%	6.1%	22.7%	13.6%	5.6%	19.9%
Syracuse, NY	14.6%	5.9%	21.4%	12.9%	5.6%	19.2%
Tuscaloosa, AL	11.2%	12.7%	25.3%	4.2%	9.7%	14.3%
Erie, PA	18.7%	0.2%	18.9%	18.6%	0.3%	18.9%
Fort Smith, AR-OK	14.4%	10.9%	26.9%	3.7%	5.5%	9.4%

State	IPPS 2023 / 2024	IPPS 2024 / 2025	IPPS 2023 / 2025	OPPS 2023 / 2024	OPPS 2024 / 2025	OPPS 2023 / 2025
Washington, DC	4.1%	8.7%	13.2%	3.1%	7.9%	11.2%
Florida	5.9%	4.9%	11.1%	5.4%	4.9%	10.6%
Indiana	2.9%	8.2%	11.4%	1.7%	8.0%	9.9%
Oklahoma	3.8%	4.8%	8.8%	2.8%	4.9%	7.9%
Arizona	3.6%	4.2%	8.0%	3.5%	3.9%	7.5%
Illinois	3.0%	4.5%	7.6%	3.2%	4.4%	7.7%
New York	4.1%	1.9%	6.1%	6.3%	2.4%	8.8%
Nevada	5.6%	0.5%	6.2%	8.3%	0.1%	8.4%
Vermont	6.3%	3.0%	9.4%	2.7%	1.6%	4.3%
Georgia	3.7%	2.9%	6.7%	4.1%	2.3%	6.5%

Source: https://www.milliman.com/en/insight/2025-medicare-ipps-and-opps-trend-summary

Implications for MA Plans – New York



Wage Index Impact in Proposed Rule

Large Trend Increase

- Not known until late April
- Late annual trend increase of 5-10%+
  - IP and OP only!
  - Varies by CBSA

Plan Forced to React Quickly

Late in Bid Process

- Reconsider plan/benefit offerings
  - How will competitors react?
  - Cut benefits/premiums
  - Terminate plans?
  - Offer alternative plans?

Partial Rate Relief in 2025

Rates Capped

Due to Pre-ACA caps, full increase not reflected in next year's rates

- Possibly only about 50% of cost increase
- TBC problems
- Long-term problem!!

Sample Benchmark Changes

County	2024	2025	Increase
Onondaga	$1,175.28	$1,218.37	3.7%
Broome	$1,110.88	$1,227.16	10.5%
Cattaraugus	$1,091.20	$1,116.49	2.3%

Reflects 5% QBP rates

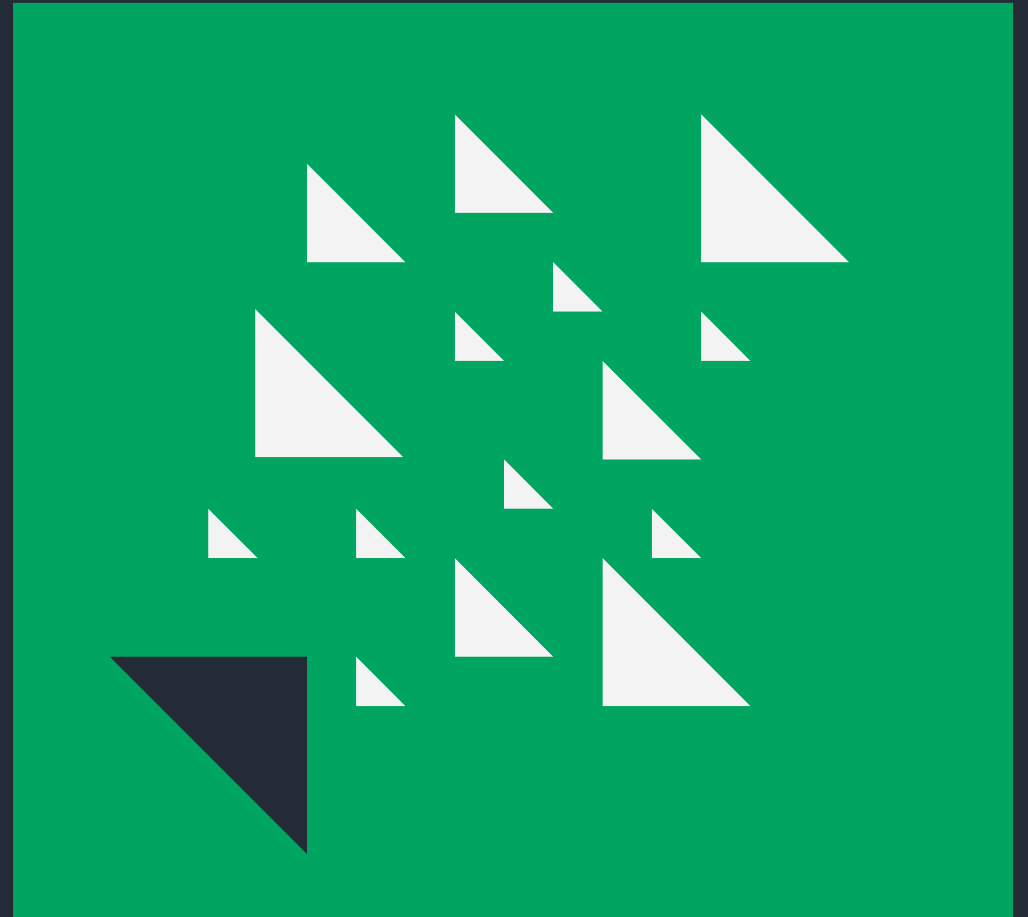
2025: Things Go from Worse to Even Worse

Large Increase in Final 2025 Rule

Not Known For Bids!

- Almost 2% trend increase
- No opportunity to address in bids
  - Benefits/premiums
  - Reconsidered product offerings entirely
- Increase won't get into 2026 rates
  - Pre-ACA caps

Under this methodology, plans will have to adapt to a new, tighter rate environment in 2026 and beyond



Thank You!

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