

**NEW YORK**  
*state department of*  
**HEALTH**

Nirav R. Shah, M.D., M.P.H.  
Commissioner

Sue Kelly  
Executive Deputy Commissioner

November 5, 2013

Mr. Brian Mason  
Acting Assistant Comptroller  
New York State Office of the State Comptroller  
110 State Street, 10<sup>th</sup> Floor  
Albany, New York 12236

Dear Mr. Mason:

Pursuant to the provisions of Section 170 of New York State Executive Law, I hereby transmit to you a copy of the New York State Department of Health's comments related to the Office of the State Comptroller's final audit report 2012-S-5 entitled, "Payments for Death-Related One-Day Inpatient Admissions."

Please feel free to contact James Clancy, Assistant Commissioner, Office of Governmental and External Affairs at (518) 473-1124 with any questions.

Sincerely,



Nirav R. Shah, M.D., M.P.H.  
Commissioner of Health

Enclosure

**Department of Health**  
**Comments on the**  
**Office of the State Comptroller's**  
**Final Audit Report 2012-S-5 Entitled**  
**Payments for Death-Related One-Day Inpatient Admissions**

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The following are the Department of Health's (Department) comments in response to the Office of the State Comptroller's (OSC) Final Audit Report 2012-S-5 entitled, "Payments for Death-Related One-Day Inpatient Admissions."

**Recommendation #1**

Formally assess the Department's implementation and application of the APR DRG-based system, including the inpatient reimbursement methodology, that compensates hospitals for the cost of care when death occurs within one day of admission.

**Recommendation #2**

Use the results of the formal assessment and work with 3M™, as necessary, to revise the APR DRG-based reimbursement methodology, as warranted.

**Response #1 and 2**

Section 2807-c-(35)(c) of the Public Health Law requires the Department of Health (the Department) to update the base period utilized for costs and statistics for rate-setting no less frequently than every four years. This requires the Department to implement an update effective no later than December 1, 2013. Part of this required update will include an overall analysis of the APR DRG system to assess payment accuracy and equity and to propose any necessary refinements that ensure hospitals do not avoid treating expensive cases or are advantaged by treating less costly conditions. A goal of a severity-adjusted DRG system is to reduce the amount of cost variation within DRGs and to more fully capture differences in severity of illness between patients.

Caution must be exercised when drawing conclusions and formulating recommendations for systemic changes based on a review of a very small and targeted sample of cases or comparing payments to a methodology no longer being utilized. To do so may result in unintended consequences to other aspects of the methodology. While acknowledging that there will be cost and payment variation in cases within a DRG and the applicable severity levels, the current payment system has been designed to provide equitable payments for patients expected to have similar resource use and clinical patterns of care.

The Department does not agree that a methodology change is needed but, as stated above, will evaluate all aspects of the current methodology in preparation of the upcoming base year update.