

HEALTH CARE INFORMATION MEMO

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Albany Supreme Court Decision Overturns Health Care Rate Reduction; Requires Rule-Making for Reimbursement Methodology Change

In a case brought by Bond, Schoeneck & King, the Albany County Supreme Court has overturned hundreds of millions of rate cuts implemented at the direction of the New York State Department of Health. The court, fully adopting the arguments made by the Bond attorneys, ruled that the Department of Health had failed to comply with notice and public comment rulemaking in issuing its new fiscal intermediary rate methodology, thereby violating the State Administrative Procedure Act (SAPA).

The decision in *CDPAANYS, et al. v McDonald, et al.* (Index No. 907019-24) examined the Department of Health's change in reimbursement methodology, which it imposed through a change in Medicaid managed care reimbursement, rather than through rule-making. The court held that the change in methodology violated SAPA because the methodology is a fixed, general principle to be applied by an administrative agency without regard to other facts and circumstances. The court rejected the Department of Health's argument that it could unilaterally modify its contracts with Medicaid managed care plans to change provider reimbursement without following SAPA.

This decision has significant implications for Medicaid health care reimbursement. The decision establishes that the Department of Health cannot mandate across-the-board changes in reimbursement methodology without following the rule-making requirements of SAPA. At this time, it is not known whether the department will appeal this decision.

[Hermes Fernandez](#), [Roger Bearden](#), and [Nicole Macris](#) were part of the litigation team that secured this important victory. Please contact them or any attorney in Bond's [health care practice](#) or the Bond attorney with whom you are regularly in contact for more information.

