

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of VIRGINIA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
IN-PATIENT HOSPITAL CARE

Effective on and after July 1, 1988 and until June 30, 1989, for providers subject to the prospective payment system, the allowance for inflation shall be based on the percent of change in the moving average of the Data Resources, Incorporated Health Care Cost HCFA-Type Hospital Market Basket determined in the quarter in which the provider's new fiscal year begins. Such providers shall have their prospective operating cost rate and prospective operating cost ceiling established in accordance with the methodology which became effective July 1, 1986. Rates and ceilings in effect July 1, 1988 for all such hospitals shall be adjusted to reflect this change.

Effective on or after July 1, 1989, for providers subject to the prospective payment system, the allowance for inflation shall be based on the percent of change in the moving average of the Health Care Cost HCFA-Type Hospital Market Basket, adjusted for Virginia, as developed by Data Resources, Incorporated, determined in the quarter in which the provider's new fiscal year begins. Such providers shall have their prospective operating cost rate and prospective operating cost ceiling established in accordance with the methodology which became effective July 1, 1986. Rates and ceilings in effect July 1, 1989 for all such hospitals shall be adjusted to reflect this change.

Effective on and after July 1, 1992, for providers subject to the prospective payment system, the allowance for inflation, as described above, which became effective on July 1, 1989, shall be converted to an escalation factor by adding two percentage points, (200 basis points) to the then current allowance for inflation. The escalation factor shall be applied in accordance with the inpatient hospital reimbursement methodology in effect on June 30, 1992. On July 1, 1992 the conversion to the new escalation factor shall be accomplished by a transition methodology which, for non-June 30 year end hospitals, applies the escalation factor to escalate their payment rates for the months between July 1, 1992 and their next fiscal year ending on or before May 31, 1993.

Effective July 1, 2009, the escalation factor shall be equal to the allowance for inflation.

Effective July 1, 2010 through June 30, 2012, the escalation factor shall be zero. In addition, ceilings shall remain at the same level as the ceilings for long stay hospitals with fiscal year ends of June 30, 2010.

Effective July 1, 2012 through June 30, 2013, the escalation factor for inpatient hospitals, including long stay hospitals, shall be 2.6 percent.

Effective July 1, 2013 through June 30, 2014 the escalation factor for inpatient hospitals, including long stay hospitals, shall be 0.0 percent.

The new method will still require comparison of the prospective operating cost rate to the prospective operating ceiling. The provider is allowed the lower of the two amounts subject to the lower of cost or charges principles.

- (3) Subsequent to June 30, 1992, the group ceilings shall not be recalculated on allowable costs, but shall be updated by the escalator factor.

TN No.	<u>12-11</u>	Approval Date	<u>DEC 13 2012</u>	Effective Date	<u>07-01-12</u>
Supersedes					
TN No.	<u>10-15</u>				

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12 VAC 30-70-350. Repealed.

12 VAC 30-70-351. Updating rates for inflation.

- A. Each July, the Virginia moving average values as compiled and published by Global Insight (or its successor), under contract with the department shall be used to update the base year standardized operating costs per case, as determined in 12VAC30-70-361, and the base year standardized operating costs per day, as determined in 12VAC30-70-371, to the midpoint of the upcoming state fiscal year. The most current table available prior to the effective date of the new rates shall be used to inflate base year amounts to the upcoming rate year. Thus, corrections made by Global Insight (or its successor), in the moving averages that were used to update rates for previous state fiscal years shall be automatically incorporated into the moving averages that are being used to update rates for the upcoming state fiscal year.
- B. The inflation adjustment for hospital operating rates, disproportionate share hospitals (DSH) payments, and graduate medical education payments shall be eliminated for fiscal year (FY) 2010, with the exception of long stay hospitals.
- C. In FY 2011, hospital operating rates shall be rebased; however the 2008 base year costs shall only be increased 2.58% for inflation. For FY 2011 there shall be no inflation adjustment for graduate medical education (GME) or freestanding psychiatric facility rates. The inflation adjustment shall be eliminated for hospital operating rates, GME payments, and freestanding psychiatric facility rates for FY 2012. The inflation adjustment shall be 2.6 percent for inpatient hospitals, including hospital operating rates, GME payments, DSH payments, and freestanding psychiatric facility rates for FY 2013 and 0.0 percent for the same facilities for FY 2014.

12 VAC 30-70-360. Repealed.

12 VAC 30-70-361. Base year standardized operating costs per case.

A. For the purposes of calculating the base year standardized operating costs per case, base year claims data for all DRG cases, including outlier cases, shall be used. Base year claims data for per diem cases shall not be used. Separate base year standardized operating costs per case shall be calculated for Type One and Type Two hospitals. In calculating the base year standardized operating costs per case, a transfer case shall be counted as a fraction of a case based on the ratio of its length of stay to the arithmetic mean length of stay for cases assigned to the same DRG as the transfer case.

TN No. 12-11
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**TABLE 1
R.S. MEANS COMMERCIAL CONSTRUCTION COST
LOCATION FACTORS (2000)**

Zip Code	PRINCIPAL CITY	Location Factor
220-221	Fairfax	0.90
222	Arlington	0.90
223	Alexandria	0.91
224-225	Fredericksburg	0.85
226	Winchester	0.80
227	Culpeper	0.80
228	Harrisonburg	0.77
229	Charlottesville	0.82
230-232	Richmond	0.85
233-235	Norfolk	0.82
236	Newport News	0.82
237	Portsmouth	0.81
238	Petersburg	0.84
239	Farmville	0.74
240-241	Roanoke	0.77
242	Bristol	0.75
243	Pulaski	0.70
244	Staunton	0.76
245	Lynchburg	0.77
246	Grundy	0.70

“Rental rate” means for a prospective year a rate equal to two percentage points plus the yield on US Treasury Bonds with maturity over 10 years, averaged over the most recent three calendar years for which data are available, as published by the Federal Reserve (Federal Reserve Statistical Release H.15 Selected Interest Rates (www.Federalreserve.gov/releases/)). The rate shall be published and distributed to providers annually. Changes in the rental rate shall be effective for the providers' fiscal year beginning on or after July 1st. Rental rates may not fall below 9% or exceed 11% and will be updated annually on or about July 1st each year. Effective July 1, 2010, through September 30, 2010, the floor for the nursing facility rental rates may not fall below 8.75%. Effective October 1, 2010, through June 30, 2011, the floor for the nursing facility rental rates may not fall below 9.0%. Effective July 1, 2011, through June 30, 2012, the floor for the nursing facility rental rates may not fall below 8.0%. Effective July 1, 2012 through June 30, 2014, the floor for the nursing facility rental rates may not fall below 8.5%.

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TN No. 11-07

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR LONG-TERM CARE

- I. **Public notice.** To comply with the requirements of § 1902(a)(28)(c) of the Social Security Act, DMAS shall make available to the public the data and methodology used in establishing Medicaid payment rates for nursing facilities. Copies may be obtained by request under the existing procedures of the Virginia Freedom of Information Act.
- J. Effective July 1, 2005, the total per diem payment to each nursing home shall be increased by \$3 per day. This increase in the total per diem payment shall cease, effective July 1, 2006. Effective July 1, 2006, when cost data that include time period before July 1, 2005, are used to set facility specific rates, a portion of the \$3.00 per day amount identified above, based on the percentage of patient days in the provider's cost reporting period that fall before July 1, 2005, adjusted for appropriate inflation and multiplied times the providers' Medicaid utilization rate, shall be allocated to the facility specific direct and indirect cost per day prior to comparison to the peer group ceilings. For purposes of this subsection, \$1.68 of the \$3.00 shall be considered direct costs and \$1.32 of the \$3.00 shall be considered indirect costs.
- K. Effective July 1, 2008, and ending after June 30, 2010, the operating rate for nursing facilities shall be reduced by 1.329 percent.
- L. Effective July 1, 2009, through June 30, 2010, there will be no inflation adjustment for nursing facility operating rates and ceilings and specialized care operating rates and ceilings. Exempt from this are government-owned nursing facilities with Medicaid utilization of 85% or greater in provider fiscal year 2007.
- M. Effective July 1, 2010, through June 30, 2012, there shall be no inflation adjustment for nursing facility and specialized care operating rates. Nursing facility and specialized care ceilings shall be frozen at the same level as the ceilings for nursing facilities with provider fiscal year ends of June 30, 2010.
- N. Effective July 1, 2010, through September 30, 2010, the operating nursing facilities shall be reduced 3.0% below the rates otherwise calculated.
- O. Effective July 1, 2012 through June 30, 2014, the inflation adjustment for nursing facility and specialized care operating rates shall be 2.2 percent. Nursing facility and specialized care ceilings in effect in SFY 2012 shall be increased 3.2 percent in SFY 2013 and 2.2 percent in SFY 2014.

12VAC 30-90-41.1 Modifications to Nursing Facility Reimbursement Formula. Repealed.

TN No.	12-11	Approval Date	DEC 13 2012	Effective Date	07-01-12
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TN No.	11-07				

OS Notification

State/Title/Plan Number: Virginia 12-11
Type of Action: SPA Approval
Required Date for State Notification: December 18, 2012
Fiscal Impact in Millions:

FY 2013	\$25,548,009
FY 2014	\$25,552,879

Number of Potential Newly Eligible People: 0
Eligibility Simplification: No
Provider Payment Increase: Yes
Delivery System Innovation: No
Number of People Losing Medicaid Eligibility: 0
Reduces Benefits: No

Detail:

Effective July 1, 2012, VA SPA 12-11 institutes a limit on the inflation adjustment applied to operating rates, DSH payments, and GME payments made to long stay hospitals and inpatient hospitals (including freestanding psych hospitals) to 2.6% for FY 2013 and 0.0% for FY 2014. It also limits the escalation factor applied to the rate ceiling to the same percentages.

Additionally, 12-11 increases the rental floor ½% percent over the prior period rental floor rate to 8.5%. However, absent this SPA action the floor would have reverted back to 9.0%.

Finally, 12-11 increases operating rates for regular and specialized nursing facilities by applying and inflation of 2.2% in state FY 2013 and 2014. It also raises the inflation adjustment ceilings to 3.2% effective for state FY 2013.

Non-federal share is from general revenue. Public notice was timely and acceptable.

Other Considerations:

This plan amendment has not generated significant outside interest and we do not recommend the Secretary contact the governor.

Virginia does not have any federally recognized Indian tribes or UIOs, therefore the Tribal Consultation requirements do not apply.

This SPA has been reviewed in the context of the ACA and its approval is not in violation of the ACA provisions.

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National Institutional Reimbursement Team