



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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Agency Response to Economic Impact Analysis

TRANSITION TO NEW CAPITAL PAYMENT METHOD (Fair Rental Value (FRV))

The Cost Settlement and Audit Division of the Department of Medical Assistance Services (DMAS) generally agrees with the assessment of the Department of Planning and Budget (DPB). But DMAS does not agree with the recommendation to eliminate the related and in question exemption from the transition to the Fair Rental Value capital payment methodology. The agency's reasoning is set out below.

The exception was included in the original enacted regulations effective July 1, 2001, and DMAS is now proposing to amend those regulations to add a definitive period of time of non-chain ownership or operation.

This exception was included in the original 2001 regulation at the request of the nursing home industry representatives with whom DMAS worked to develop a mutually acceptable, FRV reimbursement methodology. This was an agreement between DMAS and the industry representatives. DMAS recently inquired of the nursing home associations as to whether they have a concern with the elimination of this exception and they have expressed their desire that this exception continue to be a part of the regulations.

DMAS believes that this exemption should be retained, as modified by the proposed change, in the regulations to honor the original agreement with the industry.