



COMMONWEALTH of VIRGINIA
Office of the Attorney General
Richmond 23219

Jerry W. Kilgore
Attorney General

900 East Main Street
Richmond, Virginia 23219
804-786-2071
804-371-8947 TDD

MEMORANDUM

TO: VICTORIA P. SIMMONS
Regulatory Coordinator
Department of Medical Assistance Services

FROM: PAIGE S. FITZGERALD
Assistant Attorney General

DATE: October 20, 2003

SUBJECT: Exempt Final Regulations concerning Methods and Standards for Establishing Payment Rates—Inpatient Hospital Services: Adjustment of Payment Methodology Reduction

I have reviewed the attached final exempt regulation concerning an adjustment to the payment methodology for inpatient hospital services.

Based on that review, it is my view that the Director, acting on behalf of the Board, pursuant to Va. Code § 32.1-324, has the authority to promulgate this change to the State plan, without complying with the requirements of Article 2 of the Administrative Process Act and has not exceeded that authority.

The amendment to the regulation adjusts the percentage reductions to hospitals for fiscal year 2004. If the amendment is not made, the regulation could result in reductions to hospital payments greater than that called for by the 2002 Appropriation Act. The 2002 Appropriation Act, Item 325 KK, required DMAS to “amend the State Plan for Medical Assistance Services governing Medicaid reimbursement to hospitals and managed care organizations to generate a total of \$8,000,000 in general fund savings the first year and \$8,300,000 in general fund savings the second year. Of this total amount, \$4,400,000 in general fund savings the first year and \$4,565,000 in general fund savings the second year shall be achieved through reduced payments

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to hospitals, and \$3,600,000 in general fund savings the first year and \$3,735,000 in general fund savings the second year shall be achieved through reduced payments to managed care organizations.” Based on the foregoing, it is my view that the promulgation of this amendment is exempt from the procedures of Article 2 of the Administrative Process Act pursuant to Va. Code §2.2-4006(A)(4)(a).

If you have any questions, please feel free to call me at 786-3450.

Attachment

cc: Siran S. Faulders