



Virginia
Regulatory
Town Hall

Emergency Regulation Agency Background Document

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| Agency Name: | Dept. of Medical Assistance Services |
| VAC Chapter Number: | 12 VAC 30 Chapter 70 |
| Regulation Title: | Methods and Standards for Establishing Payment Rates- Inpatient Hospital Services |
| Action Title: | Limit Reimbursement of Inpatient Capital Cost to 80% of Cost; Freestanding Psychiatric Hospital Rates Unchanged for 2004 |
| Date: | GOV ACTION NEEDED BY 06/27/2003 |

Section 9-6.14:4.1(C)(5) of the Administrative Process Act allows for the adoption of emergency regulations. Please refer to the APA, Executive Order Twenty-Four (98), and the *Virginia Register Form, Style and Procedure Manual* for more information and other materials required to be submitted in the emergency regulation submission package.

Emergency Preamble

This regulatory action qualifies as an emergency, pursuant to the authority of the *Code of Virginia*, 1950 as amended, § 2.2-4011, because it is responding to a change in the Virginia Appropriations Act that must be effective within 280 days from the date of enactment of the Appropriations Act (the 2003 Appropriation Act, Item 325 OOO and Item 325 #18c (conferees report), respectively). This regulatory action is not otherwise exempt under the provisions of the *Code* § 2.2-4006. Since DMAS intends to continue regulating the issue contained in this emergency regulation past the effective period permitted by this emergency action, it is also requesting approval of its Notice of Intended Regulatory Action in conformance to § 2.2-4007.

The regulatory action proposes to amend the reimbursement methodology for inpatient hospitals, effective July 1, 2003, with two separate changes: (i) inpatient capital costs are to be paid at 80% of allowable cost; (ii) reimbursement rates for freestanding psychiatric hospitals are to remain unchanged for FY 2004.

Basis

The Code of Virginia (1950) as amended, § 32.1-325, grants to the Board of Medical Assistance Services the authority to administer and amend the Plan for Medical Assistance. The Code of Virginia (1950) as amended, § 32.1-324, authorizes the Director of the Department of Medical Assistance Services (DMAS) to administer and amend the Plan for Medical Assistance according to the Board's requirements.

The Medicaid authority as established by § 1902 (a) of the *Social Security Act* [42 U.S.C. 1396a] provides governing authority for payments for services.

Substance

Limit Inpatient Hospital Capital Costs to 80% of Costs

Provisions for reimbursement of hospital inpatient capital costs are contained in 12 VAC 30-70-271. Currently hospitals are paid the actual allowable cost of capital. The proposed amendment would add language providing that starting July 1, 2003, hospitals, excluding State teaching hospitals, would be paid 80% of allowable capital costs. Provisions in 12 VAC 30-70-271.C. and 12 VAC 30-70-70.E. provide for the recapture of previously paid depreciation upon sale of a hospital. The proposed amendment would eliminate this language.

Freestanding Psychiatric Hospital Rates Unchanged

Provisions in 12 VAC 30-70-391 provide for re-basing of hospital rates at least every three years. In compliance with this, DMAS has calculated re-based hospital rates to be effective July 1, 2003. The proposed amendment would add language providing that freestanding psychiatric hospitals' rates would not be re-based for SFY2004, but would continue to be based on the previous base year.

Alternatives

No alternatives were considered to this proposed change. The requirements of the Appropriations Act were relatively simple and straightforward, and multiple options for implementation do not exist.

Family Impact Statement

This regulation has no impact on recipients or their families. These changes do not strengthen or erode the authority and rights of parents in the education, nurturing, and supervision of their children; encourage or discourage economic self-sufficiency, self-pride, and the assumption of

responsibility for oneself, one's spouse, and one's children and/or elderly parents; strengthen or erode the marital commitment; or increase or decrease disposable family income.

This regulation affects the reimbursement rates paid to hospitals serving Medicaid recipients. This change alone would not be expected to affect recipients or their families in any appreciable way.