Virginia Regulatory Town Hall

Emergency Regulation
Agency Background Document

Agency Name:	Dept. of Medical Assistance Services
VAC Chapter Number:	12 VAC 30 Chapter 80
Regulation Title:	Methods and Standards for Establishing Payment Rates-Other Types of Care: Hospital Outpatient Reimbursement and Rehab Agencies Reimbursement
Action Title:	Limit Outpatient Hospital Payment to 80% of Allowable Cost; Establish Prospective Reimbursement for Rehab Agencies
Date:	GOV ACTION NEEDED BY 6/27/2003

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.KKK and Item 325 NNN) and 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.

This regulatory action proposes to amend the reimbursement of hospitals for outpatient services providing that, effective July 1, 2003, allowable costs shall be limited to 80 percent of costs. State teaching hospitals are excluded from this action. It also proposes to establish a prospective reimbursement methodology for private rehab agencies. Public rehab agencies, those affiliated with Community Services Boards, will continue to be reimbursed retrospectively.

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

The sections of the State Plan for Medical Assistance that is affected by this action are Methods and Standards for Establishing Payment Rates-Other Types of Care Hospital Outpatient Services (12 VAC 30-80-20 and 12 VAC 30-80-200 (new)).

Outpatient Hospital Allowable Cost Limit

Regulations at 12 VAC 30-80-20 identify services that are reimbursed on the basis of allowable cost and describe any special provisions related to specific services or provider categories. Outpatient hospital services are currently listed in this section, and are subject only to the limits related to Medicare principles of reimbursement. These limits provide that outpatient operating costs are reimbursed at 94.2% of cost, and capital costs at 90% of cost. The proposed amendment would provide for reimbursement of all outpatient costs at 80% of allowable cost.

Prospective Reimbursement for Rehab Agencies

Regulations at 12 VAC 30-80-20 also currently list rehabilitation agency services which are reimbursed their actual allowable costs, subject only to the limits related to Medicare principles of reimbursement. The proposed amendment would provide that rehab agencies operated by Community Services Boards (CSBs) would continue to be paid based on allowable costs, and this amendment also includes a new subsection (12 VAC 30-80-200) describing a prospective reimbursement methodology applicable to other rehabilitation agencies. Each provider's prospective rate would be the lesser of its own historical cost per visit, or 112% of the median cost per visit of all providers.

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 and rehab agencies serving Medicaid recipients. This change alone would not be expected to affect recipients or their families in any appreciable way.