



Exempt Action Final Regulation Agency Background Document

Agency name	DEPT OF MEDICAL ASSISTANCE SERVICES
Virginia Administrative Code (VAC) citation	12 VAC-30-70, 12VAC 30-80, 12 VAC 30-90
Regulation title	Methods and Standards For Establishing Payment Rates – Inpatient Hospital Services; Methods And Standards For Establishing Payment Rates: Other Types Of Care; Methods and Standards For Establishing Payment Rates For Long-Term Care
Action title	2012 Reimbursement Methodology Changes
Final agency action date	
Document preparation date	

When a regulatory action is exempt from executive branch review pursuant to § 2.2-4002 or § 2.2-4006 of the Virginia Administrative Process Act (APA), the agency is encouraged to provide information to the public on the Regulatory Town Hall using this form.

Note: While posting this form on the Town Hall is optional, the agency must comply with requirements of the Virginia Register Act, Executive Orders 14 (2010) and 58 (1999), and the *Virginia Register Form, Style, and Procedure Manual*.

Summary

Please provide a brief summary of all regulatory changes, including the rationale behind such changes. Alert the reader to all substantive matters or changes. If applicable, generally describe the existing regulation.

This regulatory action is intended to implement a number of changes in reimbursement methodology affecting many providers as mandated by Chapter 3, Item 307 of the *2012 Acts of Assembly* effective July 1, 2012.

The state regulations that are affected by this action are:

12VAC30-70-50 (Hospital Reimbursement System), 12VAC30-70-351 (Updating rates for inflation), 12VAC 30-80-180 (Establishment of rate per visit), 12VAC 30-80-200 (Prospective reimbursement for rehabilitation agencies), 12VAC30-90-36 (Nursing Facility Capital Payment Methodology), and 12VAC30-90-41 (Nursing facility reimbursement formula).

Reimbursement Changes Affecting Inpatient Hospital Services (12VAC 30-70)

12 VAC 30-70-50 is being amended to limit the inflation adjustment for long stay hospitals to 2.6 percent effective for state fiscal year (SFY) 2013 and 0.0 percent for SFY 2014. This regulatory section addresses inpatient hospital reimbursement. The actual text of the changes, found in 12 VAC 30-70-50(B), refers to changes in the "escalation factor" because in 2009 the Agency changed 30-70-50(B) to set the escalation factor to be equal to the allowance for inflation. This change is mandated to comply with Chapter 3, Item 307.LLL of the 2012 *Acts of Assembly*, which states:

The Department of Medical Assistance Services shall amend the State Plan for Medical Assistance to limit hospital inflation to 2.6 percent in fiscal year 2013 and 0 percent in fiscal year 2014. This shall apply to inpatient hospital (including long-stay and freestanding psychiatric) operating, graduate medical education (GME) and disproportionate share hospital (DSH) rates. The department shall have authority to implement these reimbursement changes effective July 1, 2012, and prior to completion of any regulatory process undertaken in order to effect such changes.

12 VAC 30-70-351 is also being amended in conformity to Item 307 LLL to limit the inflation adjustment for inpatient hospital, including freestanding psychiatric hospital, operating rates, disproportionate share hospital (DSH), and graduate medical education payments to 2.6 percent effective for SFY 2013 and 0.0 percent for SFY 2014.

Reimbursement Changes Affecting Other Types of Care

12VAC30-80-180 and 12VAC30-80-200 are being amended to eliminate the inflation adjustment for home health and outpatient rehabilitation agencies effective for SFY 2013 and 2014. These changes are mandated by Chapter 3, Item 307.GGG of the 2012 *Acts of Assembly*, which states:

1. The Department of Medical Assistance Services shall amend the State Plan for Medical Assistance to eliminate inflation adjustments in FY 2013 and FY 2014 for: (i) Outpatient rehabilitation agency rates; and (ii) home health agency rates.
2. The department shall have authority to implement these reimbursement changes effective July 1, 2012, and prior to completion of any regulatory process undertaken in order to effect such changes.

Reimbursement Changes Affecting Nursing Facilities (12 VAC 30-90)

12VAC30-90-36 is being amended to change the nursing facility capital rental rate floor from 9.0 percent to 8.5 percent effective for dates of service on or after July 1, 2012. Effective July 1, 2011 through June 30, 2012, the nursing facility capital rental rate floor was 8.0 percent. Absent any action, the rental rate floor would have been restored to 9.0 effective July 1, 2012. This

change is mandated to comply with Chapter 3, Item 307.UUU of the 2012 *Acts of Assembly*, which states:

Effective July 1, 2012, the Department of Medical Assistance Services shall amend the State Plan for Medical Assistance to provide that the reimbursement floor for the nursing facility FRV "rental rate" shall be 8.5 percent in fiscal year 2013 and fiscal year 2014. The department shall have authority to implement these reimbursement changes effective July 1, 2012, and prior to completion of any regulatory process undertaken in order to effect such change.

The language of Item 307 MMM is somewhat cumbersome, but the net effect of this mandate is that DMAS is required to amend **12 VAC 30-90-41** to increase operating rates for regular and specialized care nursing facilities by 2.2 percent in state fiscal years 2013 and 2014, and to increase the inflation adjustment ceilings by 3.2 percent effective for SFY 2013. In addition, DMAS is to increase by 2.2 percent the ceiling for SFY 2014. These changes are mandated by Chapter 3, Item 307.MMM of the 2012 *Acts of Assembly*, which states:

The Department of Medical Assistance Services shall amend the State Plan for Medical Assistance to eliminate ceiling rebasing in fiscal year 2013, to increase rates and current ceilings for regular and specialized care nursing facilities by 2.2 percent in fiscal year 2013 and 2.2 percent in fiscal year 2014, and to increase ceilings an additional one percent in fiscal year 2013. The department shall have authority to implement these reimbursement changes effective July 1, 2012, and prior to completion of any regulatory process undertaken in order to effect such changes.

This action meets the exemption provided by the Code of Virginia §2.2-4006 (A) (4) (a) because it conforms these attached regulations to the requirements mandated by the 2012 *Acts of Assembly* and does not materially differ. Additionally, the Agency has no discretion concerning the implementation of this action.

Statement of final agency action

Please provide a statement of the final action taken by the agency including (1) the date the action was taken, (2) the name of the agency taking the action, and (3) the title of the regulation.

I hereby approve the foregoing Agency Background document with the attached regulations (12VAC 30-70-50, 12 VAC 30-70-351; 12 VAC 30-80-180, 12 VAC 30-80-200 and 12VAC 30-90-36, and 12 VAC 30-90-41, 2012 Reimbursement Methodology Changes) and adopt the action stated therein. I certify that this final regulatory action has completed all the requirements of the Code of Virginia § 2.2-4012, of the Administrative Process Act. I hereby certify that these regulations are full, true, and correctly dated.

Date

Cynthia B. Jones, Director

Dept. of Medical Assistance Services

Family impact

Assess the impact of this regulatory action on the institution of the family and family stability.

These changes do not strengthen or erode the authority or rights of parents in the education, nurturing, and supervision of their children; or 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. It does not strengthen or erode the marital commitment, but may decrease disposable family income depending upon which provider the recipient chooses for the item or service prescribed.