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Final Regulation Agency Background Document

Agency name	DEPT OF MEDICAL ASSISTANCE SERVICES
Virginia Administrative Code (VAC) citation	12VAC 30-70
Regulation title	Methods and Standards for Establishing Payment Rates—Inpatient Hospital Care
Action title	Reduce Inpatient Hospital Reimbursement to 80% of Allowable Capital Costs
Document preparation date	4/7/2004; NEED GOV APPROVAL BY 5/11/2004

This information is required for executive review (www.townhall.state.va.us/dpbpages/apaintro.htm#execreview) and the Virginia Registrar of Regulations (legis.state.va.us/codecomm/register/regindex.htm), pursuant to the Virginia Administrative Process Act (www.townhall.state.va.us/dpbpages/dpb_apa.htm), Executive Orders 21 (2002) and 58 (1999) (www.governor.state.va.us/Press_Policy/Executive_Orders/EOHome.html), and the *Virginia Register Form, Style, and Procedure Manual* (http://legis.state.va.us/codecomm/register/download/styl8_95.rtf).

Brief summary

In a short paragraph, please summarize all substantive changes that are being proposed in this regulatory action.

This suggested regulation change reduces capital cost reimbursement levels for inpatient hospitals from 100% to 80% of allowable costs as found in 12 VAC 30-70-271.

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 Regulatory Review Summary with the attached amended State Plan pages Reduce Inpatient Hospital Reimbursement to 80% of Allowable Capital Costs (12 VAC 30-70-271) 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.

4/7/2004

Date

/s/ P. W. Finnerty/cbj

Patrick W. Finnerty, Director

Dept. of Medical Assistance Services

Legal basis

Please identify the state and/or federal source of legal authority to promulgate this proposed regulation, including (1) the most relevant law and/or regulation, including Code of Virginia citation and General Assembly bill and chapter numbers, if applicable, and (2) promulgating entity, i.e., the agency, board, or person. Describe the legal authority and the extent to which the authority is mandatory or discretionary.

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 DMAS to administer and amend the Plan for Medical Assistance according to the Board's requirements. Specific authority for this action is found in the 2003 Appropriations Act, Item 325 OOO. The Medicaid authority as established by § 1902 (a) of the *Social Security Act* [42 U.S.C. 1396a] provides governing authority for reimbursement to providers.

Purpose

Please explain the need for the new or amended regulation by (1) detailing the specific reasons why this regulatory action is essential to protect the health, safety, or welfare of citizens, and (2) discussing the goals of the proposal and the problems the proposal is intended to solve.

The regulation governing reimbursement of inpatient hospital capital costs is 12 VAC 30-70-271. This suggested action is not expected to have any direct impact on the health, safety, or welfare of citizens. The goal of this action is to conform DMAS regulations to the specified legislatively mandated change to the inpatient hospital reimbursement methodology.

Substance

Please identify and explain the new substantive provisions, the substantive changes to existing sections, or both where appropriate. A more detailed discussion is required under the "All changes made in this regulatory action" section.

The section of the State Plan for Medical Assistance that is affected by this action is Methods and Standards for Establishing Payment Rates—Inpatient Hospital Services (Attachment 4.19-A, Payment for capital costs -- 12 VAC 30-70-271).

Prior to the July 1, 2003, effective date of the Emergency Regulation preceding this Proposed Regulation, inpatient hospitals were paid 100% of the actual allowable capital costs. The proposed amendment adds language providing that as of July 1, 2003, Type Two hospitals will be paid 80% of allowable capital costs.

Issues

Please identify the issues associated with the proposed regulatory action, including:

- 1) the primary advantages and disadvantages to the public, such as individual private citizens or businesses, of implementing the new or amended provisions;*
- 2) the primary advantages and disadvantages to the agency or the Commonwealth; and*
- 3) other pertinent matters of interest to the regulated community, government officials, and the public.*

If the regulatory action poses no disadvantages to the public or the Commonwealth, please so indicate.

The effect of reducing the percentage of allowable inpatient hospital capital costs that will be reimbursed will be lower reimbursement expenditures for DMAS. The advantage is a significant savings to the Commonwealth. The disadvantage to the hospital community is that there will be a reduction in allowable capital cost reimbursement from DMAS for inpatient hospitals.

Changes made since the proposed stage

Please describe all changes made to the text of the proposed regulation since the publication of the proposed stage. For the Registrar's office, please put an asterisk next to any substantive changes.

There are no changes in this final, adopted regulation over those which were proposed for public comment.

Public comment

Please summarize all comment received during the public comment period following the publication of the proposed stage, and provide the agency response. If no public comment was received, please so indicate.

DMAS' proposed regulations were published in the January 26, 2004, *Virginia Register* (VR 20:10) for their public comment period from January 26 through March 26, 2004. No comments were received.

All changes made in this regulatory action

Please detail all changes that are being proposed and the consequences of the proposed changes. Detail new provisions and/or all changes to existing sections.

Current section number	Proposed new section number, if applicable	Current requirement	Proposed change and rationale
12VAC30-70-271	N/A	Refers to 12 VAC 30-70-10 through -70-130 for methodology to determine capital cost reimbursement at 100% of allowable capital costs	Inserts a clause stating that capital costs will be settled at 80% for Type Two hospitals and 100% for Type One hospitals

Family impact

Please assess the impact of the proposed regulatory action on the institution of the family and family stability.

This regulatory action will not have any negative effects on the institution of the family or family stability. It will not increase or decrease disposable family income or erode the marital commitment. It will not discourage economic self-sufficiency, self-pride, or the assumption of family responsibilities.