



Exempt Action Final Regulation Agency Background Document

Agency name	DEPT. OF MEDICAL ASSISTANCE SERVICES
Virginia Administrative Code (VAC) citation	12 VAC 30-80-190; 12 VAC 30-70-311; 12 VAC 30-70-321; 12 VAC 30-70-341; 12 VAC 30-70-391; 12 VAC 30-90-31
Regulation title	Methods and Standards for Establishing Payment Rates—Inpatient Hospital Services, Other Types of Care, and Long-Term Care Services
Action title	2007 Reimbursement Changes
Document preparation date	May 1, 2007

When a regulatory action is exempt from executive branch review pursuant to § 2.2-4002 or § 2.2-4006(A) of the of the Administrative Process Act (APA) (townhall.state.va.us/dpbpages/dpb_apa.htm), 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 (leg1.state.va.us/cgi-bin/legp504.exe?000+cod+2.2-4100), the *Virginia Register Form, Style, and Procedure Manual* (legis.state.va.us/codecomm/register/download/styl8_95.rtf), and Executive Orders 21 (02) and 58 (99) (governor.state.va.us/Press_Policy/Executive_Orders/EOHome.html)

Summary

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

This regulatory action is intended to implement reimbursement changes mandated by the Virginia General Assembly through the 2007 Appropriations Act to be effective July 1, 2007. These changes include raising the adjustment factor for hospitals that perform acute psychiatric services, removing freestanding psychiatric hospitals from hospital rebasing, eliminating the rural wage index for rural hospitals, physician rate increases, and redefining capital reimbursement for children's ICF/MR facilities.

Statement of agency final 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 amended State Plan pages *Methods and Standards for Establishing Payment Rates—Inpatient Hospital Services and Methods* (12 VAC 30-70-311,-321,-341,-391, *Standards for Establishing Payment Rates—Other Types of Care* (12 VAC 30-80-190), and *Methods and Standards for Establishing Payment Rates—Long Term Care* (12 VAC 30-90-31) 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.

Date

Patrick W. Finnerty, Director
Dept. of Medical Assistance Services

Substance

Please detail any changes that are proposed. Please outline new substantive provisions, all substantive changes to existing sections, or both where appropriate.

The sections of the State Plan for Medical Assistance that are affected by this change are the *Methods and Standards for Establishing Payment Rates-Inpatient Hospital Services* [12VAC30-70-311 (Hospital Specific Operating Rate Per Case), 12VAC30-70-321 (Hospital Specific Operating Rate Per Day), 12 VAC 30-70-341 (Statewide operating rate per day), 12VAC30-70-391 (Recalibration and Rebasing Policy)], *Methods and Standards for Establishing Payment Rates-Other Types of Care* (12VAC30-80-190), and *Methods and Standards for Establishing Payment Rates for Long-Term Care* (12 VAC30-90-31).

12 VAC 30-70-311 and 12VAC30-70-321 will be amended to eliminate the rural wage index category used to adjust the labor portion of the statewide operating rates for hospitals. Rural hospitals will have the labor share of costs adjusted using the Medicare wage index of the nearest metropolitan wage area or their effective Medicare wage index, whichever is higher. This change is being promulgated in response to the 2007 Appropriation Act, Item 302 RRR.

12 VAC 30-70-341 is being amended to set the adjustment factor for inpatient psychiatric services performed by acute care Type 2 hospitals to 0.8400 with an equivalent change to the Type 1 hospital adjustment factor. This change is being promulgated in response to the 2007 Appropriation Act, Item 302 JJJ.1.

12 VAC 30-70-391 is being amended to permanently remove freestanding psychiatric hospitals from hospital rebasing. The Department will continue to use the 1998 base year rate inflated forward. This change is being promulgated in response to the 2007 Appropriation Act, Item 302 JJJ.2.

12 VAC 30-80-190 is being amended to provide a 10 percent increase to pediatric physician services and a 5 percent increase to all other physician services including anesthesia services but excluding obstetrics/gynecology (OB/GYN) services effective July 1, 2007. The annual RBRVS update to physician services will be applied separately to preventive and non-preventive pediatric services. This change is being promulgated in response to the 2007 Appropriation Act, Item 302 KK.

12 VAC 30-90-31 is being amended to provide a cost limit that is currently not in place. At present, the construction cost limit for ICFsMR is included the limit is set, at up to 385 square feet, for nursing facilities. DMAS is amending this regulation to provide a separate capital construction cost limit for children’s ICF/MR facilities of 50 beds or more, based on an average per bed of up to 750 square feet. All of these actions shall be effective July 1, 2007. This change is being promulgated in response to the 2007 Appropriation Act, Item 302 MMM.

Current section number	Proposed new section number, if applicable	Current requirement	Proposed change and rationale
12VAC30-70-311,-321		Defines the hospital specific operating rate per case and rate per day.	Eliminates rural wage index used to adjust labor portion of the statewide operating rates for rural hospitals.
12VAC30-70-341		Sets the statewide operating rate per day factor for acute inpatient hospital services.	Sets the adjustment factor for acute inpatient psychiatric services to 0.8400.
12VAC30-70-391		Defines the inpatient hospital recalibration and rebasing policy.	Permanently removes freestanding psychiatric hospitals from rebasing.
12VAC30-80-190		Defines the RBRVS rate setting methodology for professional fees.	The language is modified to increase pediatric fees by 10 percent, all other fees excluding OB/GYN by 5 percent and to modify the RBRVS methodology to establish separate categories for preventive and non-preventive pediatric services.
12VAC30-90-31		Defines the construction cost limits for nursing facilities including ICF/MR facilities.	Adds language to separately identify and specify that effective July 1, 2007, an average square feet per bed of up to 750 square feet will be used for children’s ICF/MR facilities of 50 beds or more. The limit for Nursing Facilities remains unchanged

Family impact

Assess the impact of this 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.