



# HOSPITAL RATE UPDATES EFFECTIVE JULY 1, 2023

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# Agenda

- ❑ Introductions
- ❑ Regulations
- ❑ Data Sources
- ❑ Assumptions
- ❑ Rate Calculation Process
- ❑ Summary

# Annual hospital inflation and capital cost

- Annually hospitals receive:
  - Inflation: increased hospital costs over time
  - Capital cost: physical plant/asset costs
  
- Type 1 vs. Type 2 vs. Critical Access Hospitals:
  - Type 1: teaching hospitals limited to UVA and VCU
  - Type 2: all other hospitals
  - Critical Access: limited to 25 beds, more than 35 mi. from another hospital, 24/7 ER

# Hospital Inflation

## 12VAC30-70-351- Updating hospital rates for inflation

- Annually specific hospital rates are inflated
- How is inflation applied?
  1. Operating rates for Acute Hospital Inpatient
  2. Per diem for Outpatient Hospital
  3. Per diem for Freestanding Psychiatric
  4. Operating rates for Non-Freestanding Psychiatric
  5. Operating rates for Rehabilitation Hospitals
  6. Lump Sum Payments for Hospitals:
    1. IME: Inpatient Operating Rates
    2. GME: Individual Resident Cost
    3. DSH: Medicaid Allowable Cost

# Hospital Capital Costs

## 12VAC30-70-271. Payment for Capital Costs

- Type 1 Hospitals (UVA, VCU):
  - 96% of capital costs
- Type 2 Hospitals with < 50% Medicaid utilization:
  - 71% of capital costs
- Type 2 Hospitals with > 50% Medicaid utilization:
  - 76% of capital costs
- Critical Access Hospitals:
  - 100% of capital costs

# Data Sources:

- Existing SFY 23 Operating Rates
- Corrected Inflation
- Fee-For-Service Cost Report Data with provider fiscal years ending in 2022

# Data Sources: inflation

- Hospital Inflation is **11.65%** for SFY 24

FY	Inflation
FY19	2.90%
FY20	2.90%
FY21	2.40%
FY22	1.20%
FY23	5.20%
FY24	11.65%

# Assumptions

- All allowable costs are included in the final cost report data and providers have submitted their cost report correctly.
- Providers that did not submit cost data will get the statewide average capital percentage.



# Inflation Calculation

- Hospital Operating rate inflation

- Calculation Example

- FY23 Operating case rate = **\$5,000**

- FY24 Operating case rate is  $\$5,000 * 1.1165 =$  **\$5,582.50**

# Hospital Capital Calculation

- Calculation Example: Chippenham Johnston-Willis
  - CJW is Type 2 hospital with 25% Medicaid utilization, 71% allowable capital cost  
Medicaid capital from cost report: \$1,388,707
  - Allowable capital cost:  $\$1,388,707 * 0.71 = \$985,981$
  - Capital Percentage:
    - Allowable capital costs / Allowable Medicaid Operating Costs
    - Allowable capital cost: \$985,981
    - Allowable Medicaid Operating cost: \$12,354,849
    - Capital Percent:  $\$985,981 / \$12,354,840 = 7.98\%$

# Summary of Hospital Payments

- FY24 hospital inflation applied at 11.65% to operating rate and/or per-diem as appropriate
- FY24 hospital inflation applied to hospital cost report data from FY22
- FY24 capital cost applied to hospital cost report data from FY22
- Please send questions to Sara Benoit at [Sara.Benoit@dmas.virginia.gov](mailto:Sara.Benoit@dmas.virginia.gov) by June 30, 2023