STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of VIRGINIA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES--INPATIENT HOSPITAL CARE

12 VAC 30-70-500. Outlier Payment Methodology Illustration.

(Dollar amounts and other values are for illustration purposes only.)

Assume the following:
Outlier Operating Fixed Loss Threshold $15,483.00
Outlier Adjustment Factor 0.8000
Hospital X Operating Cost-to-Charge Ratio 0.7200
Hospital X Medicare Wage Index 0.9413
Statewide Average Labor Portion of Operating Costs 0.5977
Hospital X Billed Charges for Case Y $100,000.00
Hospital X Operating Payment for Case Y (Hospital Operating Rate per Case ($2,309.98) X Relative Weight (3.1790) for Case Y) $7,343.43
Adjustment Factor 0.6247

Step 1 Calculate Hospital X Adjusted Operating Cost for Case Y:
Hospital X Billed Charges for Case Y $100,000.00
Hospital X Operating Cost-to-Charge Ratio × 0.7200
Hospital X Operating Costs for Case Y $72,000.00
Adjustment Factor × 0.6247
Hospital X Adjusted Operating Cost for Case Y $44,978.40

Step 2 Calculate Wage Adjusted Outlier Operating Fixed Loss Threshold:
Outlier Operating Fixed Loss Threshold $15,483.00
Statewide Average Labor Portion of Operating Costs × 0.5977
Labor Portion of Outlier Operating Fixed Loss Threshold $9,254.19
Hospital X Medicare Wage Index × 0.9413
Wage Adjusted Labor Portion of Hospital X Outlier Operating Fixed Loss Threshold $8,710.97
Non-Labor Portion of Outlier Operating Fixed Loss Threshold + $6,228.81
Wage Adjusted Outlier Operating Fixed Loss Threshold $14,939.78

Step 3 Calculate Hospital X Outlier Operating Threshold for Case Y:
Wage Adjusted Outlier Operating Fixed Loss Threshold $14,939.78
Adjustment Factor × 0.6247
Adjusted Outlier Operating Fixed Loss Threshold $9,332.88
Hospital X Operating Payment for Case Y + $7,343.43
Hospital X Outlier Operating Threshold for Case Y $16,676.31
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Step 4 Calculate Hospital X Operating Outlier Payment for Case Y:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital X Adjusted Operating Cost for Case Y</td>
<td>$44,978.40</td>
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<tr>
<td>Hospital X Outlier Operating Threshold for Case Y</td>
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<td>Hospital X Outlier Operating Costs for Case Y</td>
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<td>Outlier Adjustment Factor</td>
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<td>Hospital X Outlier Operating Payment for Case Y</td>
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