STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of VIRGINIA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR SPECIALIZED CARE

12 VAC 30-90-310. Normalized Case Mix Index (NCMI).

The following is an illustration of how a specialized care provider’s Normalized Case Mix Index (NCMI) is used to adjust the prospective routine operating cost base rate and prospective operating ceiling.

A. Assumptions.
   1. The NF’s fiscal years are December 31, 1996 and December 31, 1997.
   2. The average allowable routine nursing labor and non-labor base rate for December 31, 1996 is $205.
   3. The average allowable indirect patient care operating base rate for December 31, 1996 is $90.
   4. The allowance for inflation is 3% for the fiscal year end beginning January 1, 1997.
   5. The NF’s statewide ceiling for the fiscal year end beginning January 1, 1997 is $300.
   6. The NF’s normalized HCFA nursing wage index is 1.0941 for the fiscal year end beginning January 1, 1997.
   7. The NF’s semi-annual normalized NCMI’s are as follows:
      - 1996 Second Semi-Annual NCMI: 1.2400
      - 1997 First Semi-Annual NCMI: 1.2600

B. Calculation of NF’s Operating Ceiling.
      - FYE 1997 Statewide ceiling: $300
      - Nursing Labor Component Percentage x 67.22% = $201.66
      - Normalized Wage Index x 1.0941 = $220.64
      - Adjusted Nursing Labor Ceiling Component
      - Nursing Non-Labor Ceiling Component + $ 11.49
      - Adjusted Nursing Labor and Non-Labor Ceiling $232.13
      - FYE 1996 Second Semi-Annual NCMI x 1.2400 = $287.84
      - Indirect Patient Care Ceiling Component ($300.00 - 201.66 - 11.49) = $86.85
      - Total Facility Operating Ceiling $287.84 + $86.85 = $374.69
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B. Calculation of NF’s Operating Ceiling.


   FYE 1997 Statewide ceiling $300
   Nursing Labor Component Percentage x 67.22% = $201.66
   Normalized Wage Index x 1.0941
   Adjusted Nursing Labor Ceiling Component = $220.64
   Nursing Non-Labor Ceiling Component + $ 11.49
   Adjusted Nursing Labor and Non-Labor Ceiling = $232.13
   FYE 1996 Second Semi-Annual NCMI x 1.2400 = $287.84
   Indirect Patient Care Ceiling Component ($300.00 - 201.66 - 11.49)
   Adjusted Nursing Labor and Non-Labor Ceiling per FYE 1997 x 1.2600 = $292.48
   B.1. above
   Indirect Patient Care Ceiling Component + 86.85
   Total Facility Operating Ceiling = $379.33
   Total Facility Operating Ceiling $287.84
   + $86.85 = $374.69


   Adjusted Nursing Labor and Non-Labor Ceiling per
   FYE 1997 First Semi-Annual NCMI x 1.2600 = $292.48
   Indirect Patient Care Ceiling Component + 86.85
   Total Facility Operating Ceiling = $379.33

C. Calculation of NF’s Prospective Operating Cost Rate.

1. Prospective Operating Cost Base Rate.

   FYE 1996 Nursing Labor and Non-Labor Operating Base Rate $205
   Allowance for Inflation - FYE 1997 x 1.03 = $211.15
   Prospective Nursing Labor and Non-Labor Cost Rate
   FYE 1996 Indirect Patient Care Operating Base Rate $ 90.00
   Allowance for Inflation - FYE 1997 x 1.03 = $92.70
   Prospective Indirect Patient Care Operating Cost Rate
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2. Calculation of FYE 1996 Average NCMI.
   First Semi-Annual Period NCMI 1.2000
   Second Semi-Annual Period NCMI 1.2400
   Average FYE 1996 NCMI 1.2200

3. Calculation of FYE 1997 NCMI Rate Adjustments.
      1996 Second Semi-Annual NCMI 1.2400
      1996 Average NCMI (from C.2.) 1.2200
      Calculation: 1.2400/1.2200 = 1.0164
      Prospective Nursing Labor and Non-Labor Operating Cost Base Rate (from C.1.) $211.15
      x 1.0164 = $214.61
      Prospective Indirect Patient Care Operating Cost Rate (from C.1.) + $92.70
      Total Prospective Operating Cost Rate = $307.31
   b. Rate Adjustment for the Period July 1, 1997 through December 31, 1997.
      1997 First Semi-Annual NCMI 1.2600
      1996 Average NCMI (From C.2.) 1.2200
      Calculation: 1.2600/1.2200 = 1.0328
      Prospective Nursing Labor and Non-Labor Operating Cost Rate (From C.1.) $211.15
      Rate Adjustment Factor x 1.0328
      Prospective Indirect Patient Care Operating Cost Rate (from C.1.) + $92.70
      Total Prospective Operating Cost Rate = $310.78
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D. In this illustration the NF’s Operating Reimbursement Rate for FYE 1997 would be as follows:

1. For the period January 1, 1997, through June 30, 1997, the operating reimbursement rate would be $307.31 since the prospective operating cost rate is lower than the NF’s NCMI adjusted ceiling of $374.69 (from B.1.)

2. For the period July 1, 1997, through December 31, 1997, the operating reimbursement rate would be $310.78 since the prospective operating cost rate is lower than the NF’s NCMI adjusted ceiling of $379.33 (from B.2.).