

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

State of VIRGINIA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR SPECIALIZED CARE

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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 First Semi-Annual NCMI	1.2000
1996 Second Semi-Annual NCMI	1.2400
1997 First Semi-Annual NCMI	1.2600

B. Calculation of NF's Operating Ceiling.

1. Period January 1, 1997 through June 30, 1997.

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		= \$86.85
	- 11.49)		
Total Facility Operating Ceiling	\$287.84		
	+ \$86.85		= \$374.69

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B. Calculation of NF's Operating Ceiling.

1. Period January 1, 1997 through June 30, 1997.

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Normalized Wage Index	x 1.0941		
Adjusted Nursing Labor Ceiling Component			= \$220.64
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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		= \$86.85
	- 11.49)		
Total Facility Operating Ceiling	\$287.84		
	+ \$86.85		= \$374.69

2. Period July 1, 1997 through December 31, 1997.

Adjusted Nursing Labor and Non-Labor Ceiling per B.1. above			\$232.13
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		
Prospective Nursing Labor and Non-Labor Cost Rate			= \$211.15
FYE 1996 Indirect Patient Care Operating Base Rate			\$ 90.00
Allowance for Inflation - FYE 1997	x 1.03		
Prospective Indirect Patient Care Operating Cost Rate			= \$92.70

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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.		
	a. Rate adjustment for the period January 1, 1997 through June 30, 1997.		
	1996 Second Semi-Annual NCMI		1.2400
	1996 Average NCMI (from C.2.)		1.2200
	Calculation:	1.2400/1.2200	
	Rate Adjustment Factor		= 1.0164
	Prospective Nursing Labor and Non-Labor		\$ 211.15
	Operating Cost Base Rate (from C.1.)		
		x 1.0164	= \$214.61
	Prospective Indirect Patient Care Operating	+ \$92.70	
	Cost Rate (from C.1.)		
	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	
	Rate Adjustment Factor		= 1.0328
	Prospective Nursing Labor and Non-Labor		\$211.15
	Operating Cost Rate (From C.1.)		
	Rate Adjustment Factor	x 1.0328	
	Prospective Indirect Patient Care Operating	+ \$ 92.70	
	Cost Rate (from C.1.)		
	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.).

