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

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.

Step 4   Calculate Hospital X Operating Outlier Payment for Case Y:

Hospital X Adjusted Operating Cost for Case Y		$44,978.40
Hospital X Outlier Operating Threshold for Case Y	-	$16,676.31
Hospital X Outlier Operating Costs for Case Y		$28,302.09
Outlier Adjustment Factor	×	0.8000
Hospital X Outlier Operating Payment for Case Y		$22,641.67

TN No. _____98-15_____	Approval Date ___12/24/98___	Effective Date ___07-01-98___
Supersedes		
TN No. _____97-18_____		