# REPORT OF THE

# VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION

# TO

# THE GOVERNOR

# AND

# THE GENERAL ASSEMBLY OF VIRGINIA

**SENATE DOCUMENT NO. 24**

**COMMONWEALTH OF VIRGINIA**
**Richmond, Virginia**
**1980**

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# MEMBERS

## VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION

Mr. Robert Carter, (Chairman) 804/353/2701
Chairman of the Board
Virginia Tractor Company
P.O. Box 27306
Richmond, Virginia 23261

Mr. William H. Flannagan, (Vice Chairman) 703/981/7000
President
Roanoke Memorial Hospitals
P.O. Box 13367
Roanoke, Virginia 27033

Mr. M. Roy Battista, President 703/989/4231
Blue Cross of Southwestern Virginia
2929 Crystal Spring Avenue
Roanoke, Virginia 24014

Mrs. Maxwell D. Davidson 703/586/1611
617 Westview Avenue - Thorn Hill
Bedford, Virginia 24523

Mrs. Margaret B. Inman 703/548/9157
1611 Ruffner Road
Alexandria, Virginia 22203

James B. Kenley, M.D. 804/786/3561
State Health Commissioner
109 Governor Street
Richmond, Virginia 23219

Mr. Lester L. Lamb, Exec. Dir. 703/639/3911
Radford Community Hospital
8th and Randolph Streets
Radford, Virginia 24141

Howard M. McCue, Jr., M.D. 804/281/6000
Senior Vice President
Life of Virginia
610 West Broad Street
Richmond, Virginia 23230

Mr. Clair A. Schwob, Adm. 703/836/6900
Circle Terrace Hospital
904 Circle Terrace Drive
Alexandria, Virginia 22302

## TERMS OF THE COMMISSION MEMBERS

| Member | Term |
| --- | --- |
| Robert Carter, Chairman | 1-year term ended June 30, 1979<br>3-year reappointment ending June 30, 1982 |
| William H. Flannagan<br>Vice-Chairman | 2-year term ending June 30, 1980 |
| M. Roy Battista | 3-year term ending June 30, 1981 |
| Mrs. Maxwell D. Davidson | 2-year term ending June 30, 1980 |
| Mrs. Margaret B. Inman | 1-year term ended June 30, 1979<br>3-year reappointment ending June 30, 1982 |
| James B. Kenley, M.D. | Ex officio |
| Lester L. Lamb | 3-year term ending June 30, 1981 |
| Howard M. McCue, Jr., M.D. | 3-year term ending June 30, 1981 |
| Clair A. Schwob | 2-year term ending June 30, 1980 |

STAFF


Commission
Staff Director

Martha U. Pritchard
2015 Staples Mill Road - Rm. 126
Richmond, Virginia 23230

Telephone 804/257/6966

Contract Technical
Staff Director

Hans J. Pechner
Virginia Hospital Rate
Review Program
1904 Byrd Avenue
Richmond, Virginia 23230

Telephone 804/285/8263

REPORT OF THE

VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION

TO

THE GOVERNOR AND THE GENERAL ASSEMBLY OF VIRGINIA

RICHMOND, VIRGINIA

JANUARY, 1980

TO: The Honorable John N. Dalton, Governor of Virginia

and

The General Assembly of Virginia

In nineteen hundred seventy-eight, the General Assembly passed Senate Bill No. 259 establishing the Virginia Health Services Cost Review Commission to aid in cost containment of health services to consumers in the Commonwealth.

By this legislation, health care institutions are required to file certain data with the Commission for analysis to determine if the charges and costs of each institution are reasonable.

The Commission may comment publicly on its findings, but has no regulatory authority over the institutions.

In 1979, The General Assembly passed S.B. 773, an amendment to S.B. 259, to include Virginia Commonwealth University and University of Virginia Hospitals in the institutions subject to this bill.

The enabling legislation, Title 9, Chapter 26, Code of Virginia, and the amendment are attached at the conclusion of this report, (Appendix 1 ).

The Commission established a plan of action and a budget for the calendar year 1979.

The first step was to bring the approximately 65 hospitals in the existing voluntary program into the "mandated" Cost Review as set forth in this legislation. This was done with a minimum of inconvenience to these institutions. Thus, the flow of data was not interrupted, and the prior large accumulation of data was available for the future work of this Commission. It was for this reason that strenuous efforts were made by the Commission to get a program "on line" in the short period between November 6, 1978 and January 1, 1979.

Beginning in January, 1979, the Commission attempted to bring into the system the approximately 55 hospitals that had not participated previously in the voluntary rate review program. The commission recognized that there would be an adjustment process -- difficult for some of these hospitals -- as they had to comply with standardized reporting forms. They have to file with the Commission historical data (audits for year ending December, 1978), information on anticipated changes in charges, and prospective data (budgets) for their forthcoming fiscal year. The Program Contractor held workshops around the State for the Commission to help these 55 or so institutions to learn the system as quickly as possible.

The Virginia Health Services Cost Review Commission met as a body twelve times since its inception in July 1978. (See Appendix II)

The first several meetings dealt primarily with getting the Commission organized and functioning, election of Chairman, contracting for technical assistance, requirements for Commission staff and offices, administrative budget and fee collections, hospital reporting requirements establishing communications with hospitals, adoption of Rules and Regulations, financial reports, and record keeping.

Subsequent meetings provided training for Commission members including technical process of screening, review of hospital charge schedules staff demonstrations of procedures for analysis calculations, and joint meeting with the Virginia Hospital Rate Review Board to observe their review process.

In addition to the training for Commission members, six training sessions were held across the state for 273 hospital Administrators, Controllers and Budget Directors on the process of reporting their historical and budgetary data. (See Appendix VI)

Matters addressed at later commission meetings included changes to the Rate Review Manual (See Appendix IV and V), updating screens, con-identiality and dissemination of information, and establishing goals and objectives for the Commission. (See Appendix VII)

Two public hearings have been held regarding the Commission's Rules and Regulations. In January 1980 a third public hearing will be held on another addition to the Rules and Regulations dealing with confidentiali of information. (See Appendix III)

In April the Commission started receiving and reviewing historical data and rate change requests and other budgetary data. From this time through December 31, 1979, the Commission reviewed 196 filings from the 114 health care institutions mandated to particpate in the program. The staff findings and recommendations and related Commission decisions on these filings are kept in the Commission's office for public inspection. Of the 196 filings, 144 were approved or accepted as filed, 4 required additional financial data, 18 were conditionally approved pending year end financial report, 1 was disapproved as filed, changes recommended, 2 were rescinded and 27 are pending review.

Samples of hospital reviews and a complete Production Report follow.

Historical Data Review Summary for the FYE 12/31/78:

1. Departmental expenditures did not exceed departmental standards and allowances.

2. Capital needs were applied at $815,000;* working capital needs at $66,000.**

3. Summary Income and Expense Statement:

| | | |
|---|---|---|
| Total gross patient revenue | | $15,544,712 |
| Less: Revenue deductions | | 2,953,499 |
| Net patient revenue | | $12,591,213 |
| Operating expenses: | | |
| Salaries and employee benefits | $6,834,882 | |
| Non-salary, depreciation & interest | 4,122,485 | |
| Professional fees | 476,482 | |
| Total operating expenses | | 11,433,849 |
| Net operating income | | $ 1,157,364 |
| Other income | | 199,955 |
| Total net income | | $ 1,357,319 |
| Capital needs* | | $ 815,000 |
| Working capital needs** | | 66,000 |
| Income in excess of financial needs[1] | | $ 416,319 |

[1]represents 2.8% of total financial requirements of $15,068,393 or $265,635 above the 1% program limit.

4. Departmental cost to charge comparisons were generally in balance.

5. Statistical data:

| | Beds/ Bassinets | Patient/ Newborn Days | % of Occupancy |
|---|---|---|---|
| a. Nursing Services: | | | |
| Medical/Surgical | 214 | 60,450 | 77.4 |
| ICU/CCU | 28 | 7,146 | 69.9 |
| Pediatric | 36 | 6,262 | 47.7 |
| OB/GYN | 27 | 5,625 | 57.0 |
| Psychiatric | 25 | 7,819 | 85.7 |
| Nursery | 28 | 5,319 | 52.0 |
| Total | 358 | 92,621 | 70.9 |

b. Other services:
Emergency, operating and delivery rooms, school of nursing, dialysis.

6. Staff recommendations:
Disposition of revenues in excess of total financial needs should be discussed with institutional representatives who should be requested to attend the review of this historical data review.

FYE 6/30/80 - Evaluation of Proposed Interim Rate Increases effective August 1 and September 1, 1979

| | | | |
|---|---|---|---|
| Radiology | 5.4% increase (avg.) effective Aug. 1, 1979 | $32,630E | gross |
| Anesthesia | 6.7% increase effective Sept. 1, 1979 | 18,542E | gross |
| EKG | 9.5% increase " " " | 8,917E | gross |
| Stress Tests | 7.4% increase " " " | 1,458E | gross |
| Total | | $61,550E | gross |
| | | $54,000E | net |

No rate increases were implemented at the beginning of the FY on July 1, 1979.

Net income after taxes at June 30, 1978 amounted to $76,257; Capital needs exceeded this amount, leaving no balance available for return on investment computation.

Staff recommendation:
Based on data furnished and 6/30/78 financial statement, the requested increases appear justified.

1. Departmental expenditures did not exceed departmental standards and allowances.*

2. Capital or working capital needs were not applied due to lack of income.*

3. Summary Income and Expense Statement*

| | | |
|---|---|---|
| Total gross patient revenue | | $6,963,708 |
| Less: Revenue deductions | | 856,683 |
| Net Patient Revenue | | $6,107,025 |
| Operating Expenses: | | |
| Salaries and employee benefits | $3,350,371 | |
| Non-salary, depreciation & interest | 2,238,504 | |
| Professional fees | 654,598 | |
| Total Operating Expenses | | 6,243,473 |
| Net Operating Loss | | $ (136,448) |
| Other income | | 86,420 |
| Total net loss* | | $ (50,028) |

*This hospital also operates a nursing home; it appears that cost allocations for certain services furnished in both the hospital and the nursing home were not properly allocated between the two entities. For example, laundry, medical records, administration, and some fiscal costs were not allocated to the nursing home and are all included in the hospital cost. Future budget and historical financial data submissions should use third party cost report allocation procedures for reporting to this Commission. Proper allocation probably would have resulted in a break-even point.

4. Departmental cost to charge comparisons appear to indicate some cross-subsidizing of ancillary charges to cover room and board costs.

5. Statistical data:

| a. Nursing care services: | Beds/ Bassinets | Patient/ Newborn Days | % of Occupancy |
|---|---|---|---|
| Medical/Surgical | 130 | 28,613 | 61.8 |
| ICU/CCU | 9 | 1,187 | 36.1 |
| OB/GYN | 11 | 2,688 | 66.9 |
| Nursery | 16 | 1,956 | 33.4 |
| Total | 166 | 34,444 | 56.8 |

(Info only: 124 nursing home beds with 45,082 patient days, 99.6% occupancy.)

b. Other services:
Emergency, operating and delivery rooms.

6. Staff recommendations:
Accept this initial submission as filed. Future submissions should have more accurate cost allocations between the acute care and long-term care facility; ancillary income from long-term care patients should be reported as hospital outpatient revenue.

Rev'w of proposed rate increases effective October 1, 1979, the beginning of the hospi'al's Fiscal Year:

Summary of projected increases (decrease) over last year:

| | |
|---|---|
| Gross revenue[1] | $139,419 |
| Revenue Deductions | (86,458) |
| Net revenue | $225,877 |
| Operating expenses | 175,904 |
| Net operating income | $ 49,973 |
| Other income | (82,650) |
| Net income | $(32,677) |
| | |
| Total et ncome | $ 31,441 |
| Capital Needs | 20,000 |
| Income in excess of total financial requirements[2] | $ 1 , 41 |

[1]Rate increases $55,825; volume increases $83,594.

[2]Represents 6/10% of $1,859,000 total financial requirements.

Departmental cost to charge comparisons indicate some imbalances, althoug total rate requests appear justified. See staff recommen ations be ow.

Pro'ected sta istical information:

| a. Nursing services: | Beds | Patient Days | % of ccupancy |
|---|---|---|---|
| edical/Surgical | 54 | 9,855 | 50.0 |

b. Other services:
Emergency and operating rooms, ambulance services and contract out-patient clinic.

Staff recommendations:
Rate increases scheduled for EKG and respiratory functions shoul not be implemented; increases to generate comparable amounts totaling 6,700 gross should be made in physical therapy and additional increase to surgery rates. Future rate increases should be made to room and board charges.

PRODUCTION REPORT
Twelve Months
January 1 through December 31, 1979

| Hospitals | Hist | Commission Recommendations | Budget | Commission Recommendations | Rate Change | Commission Recommendations |
|---|---|---|---|---|---|---|
| The Alexandria | | | | | X | Approved<br>Charge realignments<br>Approved |
| Allegheny | | | | | X | Approved |
| The Arlington | X | Approved | X | Pending | | |
| Bath County | | | | | X | Approved |
| Bayside | X | Pending | | | X | Tentative approval subject to detailed review in 1980 |
| Bedford | | | | | X | Approved<br>Approved |
| Chesapeake General | X | Pending | | | X | Approved |
| Children's Hosp. Kings Daughters | X | Pending | | | X | Approved |
| Chippenham | X | Approved | X | Approved | | |
| Circle Terrace | X | Approved | X | Approved | X | Approved<br>Approved new service |
| Clinch Valley | X | Pending | | | X | Approved. Subject to detailed analysis of Historical data. |
| Commonwealth Drs. | X | Approved | X | Approved | | |
| Community Hosp. of Roanoke Valley | X | Approved | X | Approved | X | Approved |

PRODUCTION REPORT
Twelve Months
January 1 through December 31 1979

| Hospitals | Hist. | Commission Recommendations | Budget | Commission Recommendations | Rate Change | Commission Recommendations |
|---|---|---|---|---|---|---|
| Community Memorial | X | Approved | | | X | Approved<br>Pending |
| Crippled Children's | X | Pending | | | | |
| Culpeper Memorial | | | | | X | Approved |
| DePaul | X | Approved | X | Approved | | |
| The Fairfax Hospital | X | Approved | X | Approved | | |
| The Fauquier | | | | | | |
| Franklin Memorial | X | Approved | X | Approved | X | Approved<br>Approved |
| Gen. Hosp. of Va. Beach | | | | | X | Approved |
| Giles Memorial | X | Approved | X | Approved | | |
| Gill Memorial | | | | | | |
| Gordonsville Comm. | X | Approved | | | X | Approved |
| Greensville Memorial | | | | | X | Approved |
| Grundy | X | Pending | | | | |
| Halifax Community | | | | | X | Approved |
| Hampton General | X | Approved | X | Approved | | |
| Henrico Doctors' | X | Approved | X | Pending | | |
| Jefferson Memorial | X | Pending | | | X | Approved. Conditionally approved subject to receipt of Historical data.<br>Approved |
| | | | | | X | Approved |

PRODUCTION REPORT
Twelve Months
January 1 through December 31, 1979

| Hospitals | Hist. | Commission Recommendations | Budget | Commission Recommendations | Rate Change | Commission Recommendations |
|---|---|---|---|---|---|---|
| John Randolph | X | Approved. Future submission should have more accurate cost allocations. | X | Approved | | |
| Johnston Memorial | X | Approved | | | X | Approved |
| Johnston Willis | X | Approved | X | Approved | | |
| King's Daughters | X | Approved | X | Approved | | |
| Lee County Community | | | | | X | Approved |
| Leigh Memorial | X | Approved | | | X | Approved Rescinded |
| Lewis-Gale | X | Approved | X | Approved | X | Interim approval subject to budget review. |
| Lonesome Pine | X | Approved | | | X | Approved |
| Loudoun Memorial | X | Pending | | | X | Approved |
| Louise Obici | | | | | X | Approved |
| Lynchburg General | X | Approved | X | Approved | | |
| Martha Jefferson | | | | | X | Approved |
| Mary Immaculate | X | Approved | X | Approved | | |
| Mary Washington | X | Approved | | | X | Approved |
| Maryview | X | Approved | X | Approved. Note departmental expenditures exceeding standards and variance allowances. | | |

PROD'CTIO. REPORT
Twelve Months
January 1 through December 31, 1979

| Hospitals | Hist. | Commission Recommendations | Budget | Commission Recommendations | Rate Chang | Commission Recommendations |
|---|---|---|---|---|---|---|
| Mattie Williams | | | | | X | Approved, subject to detailed hospital review. |
| The Memorial Hospital | X | Approved | X | Approved | | |
| Mem. Hosp. of Martins-burg & Henry | X | Approved | X | Approved | | |
| Montgomery County | X | Approved | X | Approved | | |
| The Mount Vernon | X | Approved | X | Approved | | |
| at'l. Orthopaedic & Rehab. | X | Approved | X | Approved | X | Approved<br>Approved |
| Norfolk Community | | | | | X | Approved |
| Norfolk General | X | Approved | | | X | Approved<br>Rescinded |
| Northampton-Accomack Memorial | X | Approved | X | Pending | X | Approved |
| Northern Va. Doctors | X | Approved | | | X | Approved |
| Norton Community | | | | | X | Approved |
| Page Memorial | | | | | X | Approved |
| Park Avenue | | | | | X | Hold until receive more detailed financial data. Subsequent annroval subject to detailed review analysis. |

PRODUCTION REPORT
Twelve Months
January 1 through December 31, 1979

| Hospitals | Hist. | Commission Recommendations | Budget | Commission Recommendations | Rate Change | Commission Recommendations |
|---|---|---|---|---|---|---|
| Petersburg General | X | Approved | X | Approved | | |
| Portsmouth General | X | Approved | X | Approved | X | Approved |
| Potomac | | | | | X<br>X | Approved. Consider cost to charge imbalances.<br>Approved |
| Prince William | | | | | X | Approved<br>Approved |
| Pulaski | X | Approved | X | Approved | X | Conditional approval subject to detailed budget review. |
| R. J. Reynolds/ Patrick County | | | | | X | Approved |
| Radford Community | X | Approved | | | X | Approved<br>Approved |
| Rappahannock General | X | Pending | | | | |
| The Retreat | X | Approved | X | Approved | | |
| Richmond Community | X | Pending | | | X | Approved |
| Richmond Eye | | | | | X | Approved |
| Richmond Memorial | | | | | X | Tentative approval subject to detailed budget review. Subseq. 90day approval given |
| Richmond Metropolitan | | | X | Pending | X | Approved |
| Riverside & Walter Reed | X | Approved | X | Approved | X | Pending |

PRODUCTION REPORT
Twelve Mon hs
January 1 through December 31, 1979

| Hospitals | Hist. | Commission Recommenda ions | Budget | Commission Recommendations | Rate Change | Commission Recommendations |
|---|---|---|---|---|---|---|
| Roanoke Memorial | | | | | X | pproved |
| Rockingham Memorial | X | Appro ed. Carry over above capi al needs should be watched | X | Approved | | |
| Russell County Medical | X | Pending | X | Approved | | |
| S . Lukes | | | | | X | Approved |
| St. Mary's (Norton) | | | | | | |
| St. lary's (Richmond | X | Appro ed | X | Approved | | |
| Sheltering Arms | | | | | | |
| Shenandoah County | | | | | X | Approved |
| Smyth County | | | | | X | Approved |
| Southampton Memorial | X | Approved | X | Approved | | |
| Southside Community | X | Pending | | | | |
| Stonewall Jackson | X | Approved | X | Pending | | |
| Stuart Circle | | | | | X<br>X | Approved<br>Approved |
| Tazewell Community | | | | | X | Approved |
| Thomas K. lcKee | | | | | X | Approved |
| Tidewater Memorial | | | | | | |
| Twin County Comm. | | | | | X | Approved |

PRODUCTION REPORT
Twelve Months
January 1 through December 31, 1979

| Hospitals | Hist. | Commission Recommendations | Budget | Commission Recommendations | Rate Change | Commission Recommendations |
|---|---|---|---|---|---|---|
| Un. of Virginia | | | | | | |
| VCU-Medical College of Virginia | | | | | | |
| Virginia Baptist | | | | | X | Approved |
| Warren Memorial | X | Approved | | | X | Approved |
| Waynesboro Community | X | Approved | X | Pending | | |
| Whittaker Memorial | | | | | X | Pending |
| Williamsburg Comm. | X | Approved | X | Approved | | |
| Winchester Memorial | X | Approved | X | Approved | | |
| Wise Appalachian | X | Approved | | | X | Hold until receive more detailed financial data Subsequent approval.given |
| Wythe County | X | Approved | | | X | Approved |
| Wytheville | | | | | X | Disapproved as filed Suggested replacement of rate increases. |
| | | | | | X | Approved |
| Peninsula Psychiatric | | | | | X | Approved |
| Commonwealth Psychia ric | | | | | X | Approved. Subject to detailed review of Historical data. |
| Dominion Psychiatric | | | | | | |
| Human Resources Inst | X | Approved | X | Pending | | |
| Nat'l. Children's Rehab. | X | Pending | | | X | Tentative approval subject to detailed review of Historical data |

PRODUCTION REPORT
Twelve Months
January 1 through December 31, 1979

| Hospitals | Hist. | Commission Recommendations | Budget | Commission Recommendations | Rate Change | Commission Recommendations |
|---|---|---|---|---|---|---|
| Petersburg Psychiatric | | | | | X | Approved. Subject to detailed review of historical data. |
| Portsmouth Psychiatric | X | Pending | | | X | Interim approval subject to further information on ETC fee. |
| Roanoke Vally Psych. | X | Approved | | | X | Approved. Subject to detailed review of Historical data. |
| Springwood at Leesburg | | | | | X<br>X<br>X | Approved-conditionally<br>Pending<br>Hold until receive more detailed financial data. Subsequent approval until detailed data can be reviewed. |
| St. Albans Psychiatric | X | Approved | X | Pending | X | Approved. Subject to review of Historical data |
| Tidewater Psychiatric | | | | | X | Approved |
| Westbrook Psychiatric | | | | | X<br>X | Hold until receive additional financial data Subsequent tentative approval given.<br>Tentative approval until receive Historical financial data. |
| David C. Wilson | X | Pending | | | X | Approved |

## FINANCIAL REPORT

The Commission's 12 month operating budget for the year beginning January 1979 projected revenues at $223,500.00 and expenses at $210,220.00.

Actual revenues for the period January 1, 1979 through November 30, 1979 were $201,769.42 and actual expenses were $156,856.96.

In July 1979 the Commission's budget was established on a fiscal year basis to conform to state procedures. The revised 12 months budget ending June 30, 1980 projected revenues at $240,000.00 and expenses at $188,188.00. In addition, a cumulative balance was projected on a monthly basis. As of June 1980 the expected ending balance is projected at $95,487.00.

Monthly financial statements were distributed to Commission members giving year-to-date totals for both fiscal and calendar years. (The calendar year totals will be discontinued as of December 30, 1979). These monthly statements are reconciled with the monthly CARS reports issued by the Department of Accounts. (See attached).

On November 9, 1978, a general fund loan in the amount of $137,650.00 was granted the Commission. This loan was repaid in total in two installments - June 30, 1979 and November 30, 1979.

The Commission does not anticipate borrowing any additional funds for 1980, under the present directive.

VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION

Statement of Budget Revenue & Expenditur s

November 1979

| CODE | ITEM | BUDGETED | | THIS MONTH | YEAR TO DATE | |
|---|---|---|---|---|---|---|
| | | | | | Fiscal | Calendar |
| | Revenue (5.5 PPD) | | $2,215.30 | $19,781.30 | $74,109.35 | $201.769.42 |
| | Expenditures | | | | | |
| 1100 | Personnel Serv. | 340.00 | 142.99 | 53.55 | 1,123.47 | 1,865.96 |
| | clerk/typist | | 561.27 | | | |
| | steno meeting | | | | | |
| 1200 | Contractual | 13,500.00 | 13,500.00 | 13,500.00 | | |
| | Staff Director | 650.00 | | 6,750.00 | | |
| | Add'l Consultant | 200.00 | | 1,300.00 | 63,350.00 | 147,925.00 |
| | Travel | | | | | |
| | Commission mem. | 500.00 | 292.43 | 283.63 | 1,125.68 | 3,669.53 |
| | Staff | 50.00 | | | | |
| | Communications | | | | | |
| | mail/tele | 150.00 | 134.88 | 307.90 | 485.78 | 886.98 |
| | reprod/typing | 200.00 | | | | |
| | advertising | 50.00 | | | | |
| 1300 | Supplies | 200.00 | 6.70 | 218.02 | 224.72 | 394.90 |
| 1500 | Furn. & Equip. | 300.00 | | 225.00 | 455.00 | 1,456.03 |
| 1700 | Rent | 165.00 | | * 658.56 | 658.56 | 658.56 |
| TOTAL EXPENSES | | 16,305.00 | 14,638.27 | 23.600.06 | 67,423.21 | 156.856.96 |
| | | | | ** 13,803.40 | *** 43.44 | $ 44,912.46 |
| | | | | $ 37,100.06 | $67,466.65 | |

* 4 months
** Correction of error
*** Credit

VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION
Proposed Operating Budget 1979

January 18, 1979

| Code | ITEM | Jan | Feb. | Mar. | April | May | June | July | August | Sept. | Oct. | Nov. | Dec. | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue (@ 5.5¢ PPD) | 0 | 0 | 0 | 82,000 | 27,500 | 8,000 | 8,000 | 8,000 | 13,500 | 55,000 | 8,000 | 13,500 | 223,500 |
| | Expenditures | | | | | | | | | | | | | |
| 1100 | Personnel Service | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 6,000 |
| | clerk/typist | | | | | | | | | | | | | |
| | steno (meeting) | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1,200 |
| 1200 | Contractual Serv. | | | | | | | | | | | | | |
| | Technical (@4¢ ppd) | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 162,000 |
| | Staff Director | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 7,800 |
| | Add'l Consultants (accounting etc) | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1,200 |
| | Travel | | | | | | | | | | | | | |
| | Commission mem. | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 9,000 |
| | Staff | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1,200 |
| | Communications | | | | | | | | | | | | | |
| | mail/telephone | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 6,000 |
| | Reprod/printing | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 3,600 |
| | Advertising | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 720 |
| 1300 | Supplies | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 7,500 |
| 1500 | Furn & Equip. | | | | | | 4,000 | | | | | | | 4,000 |
| | Rent (?) | | | | | | | | | | | | | |
| TOTAL EXPENSES | | 17,185 | 17,185 | 17,185 | 17,185 | 17,185 | 21,185 | 17,185 | 17,185 | 17,185 | 17,185 | 17,185 | 17,185 | 210,220 |
| Over/Short | | (17,185) | (17,185) | (17,185) | 64,815 | 10,315 | (13,185) | (9,185) | (9,185) | (3,685) | 37,815 | (9,185) | (3,685) | 13,280 |

# VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION

## Budget-Revenue & Expenses

### 1979 - 1980

| Code | ITEM | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | April | May | June | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue (@ 5.5¢ PPD) | 25,000. | 5,000. | 5,000. | 20,000. | 20,000. | 5,000. | 30,000. | 20,000. | 5,000. | 50,000. | 50,000. | 5,000. | 240,000. |
| Code ITEM | Expenditures | | | | | | | | | | | | | |
| | Personnel Service | | | | | | | | | | | | | 4,020. Tot |
| | clerk/typist (20 hrs./week) | 325. | 325. | 325. | 325. | 340 | 340. | 340. | 340. | 340. | 340. | 340. | 340. | 4,020. |
| 1200 | CONTRACTUAL SERVICE | | | | | | | | | | | | | 166,500. To |
| | Technical | 13,500. | 13,500. | 13,500. | 13,500. | 13,500. | 0 | 14,800. | 14,800. | 14,800. | 14,800. | 14,800. | 14,800. | 156,30 . |
| | Staff Director | 650. | 650. | 650. | 650. | 650. | 650. | 650. | 650. | 650. | 650. | 650. | 650. | 7,800. |
| | Add'l Consult. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 2,400. |
| | Travel | | | | | | | | | | | | | 6,600. Tot |
| | Commission mem. | 500. | 500. | 500. | 500. | 500. | 500. | 500. | 500. | 500. | 500. | 500. | 500. | 6,000. |
| | Staff | 50. | 50. | 50. | 50. | 50. | 50. | 50. | 50. | 50. | 50. | 50. | 50. | 600. |
| | Communications | | | | | | | | | | | | | 4,800. Tot |
| | Mail/tele. | 150. | 150. | 150. | 150. | 150. | 150. | 150. | 150. | 150. | 150. | 150. | 150. | 1,800. |
| | Repro/Print. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 2,400. |
| | Advertising | 50. | 50. | 50. | 50. | 50. | 50. | 50. | 50. | 50. | 50. | 50. | 50. | 600. |
| 300 | SUPPLIES | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 200. | 2,400. Tot. |
| 500 | FURN. & EQUIP. | 550. | 300. | 300. | 300. | 300. | 300. | | | | | | | 2,050. Tot. |
| 700 | RENT | | 165. | 165. | 165. | 165. | 165. | 165. | 165. | 166. | 165. | 165. | 165. | 1,815. Tot. |
| | TOTAL EXPENSE | 16,575. | 16,290. | 16,290. | 16,290. | 16,305. | 2,805. | 17,305. | 17,305. | 17,305. | 17,305. | 17,305. | 17,305. | 188,188. |
| | OVER/SHORT | 8,625. | ⟨11,290.⟩ | ⟨11,290⟩ | 3,710. | 3,695. | 2,195. | 12,695 | 2,695. | ⟨12,305.⟩ | 32,695. | 32,695. | ⟨12,305⟩ | 51,812. |

## GRAPHS CITING COMPARATIVE STATISTICS

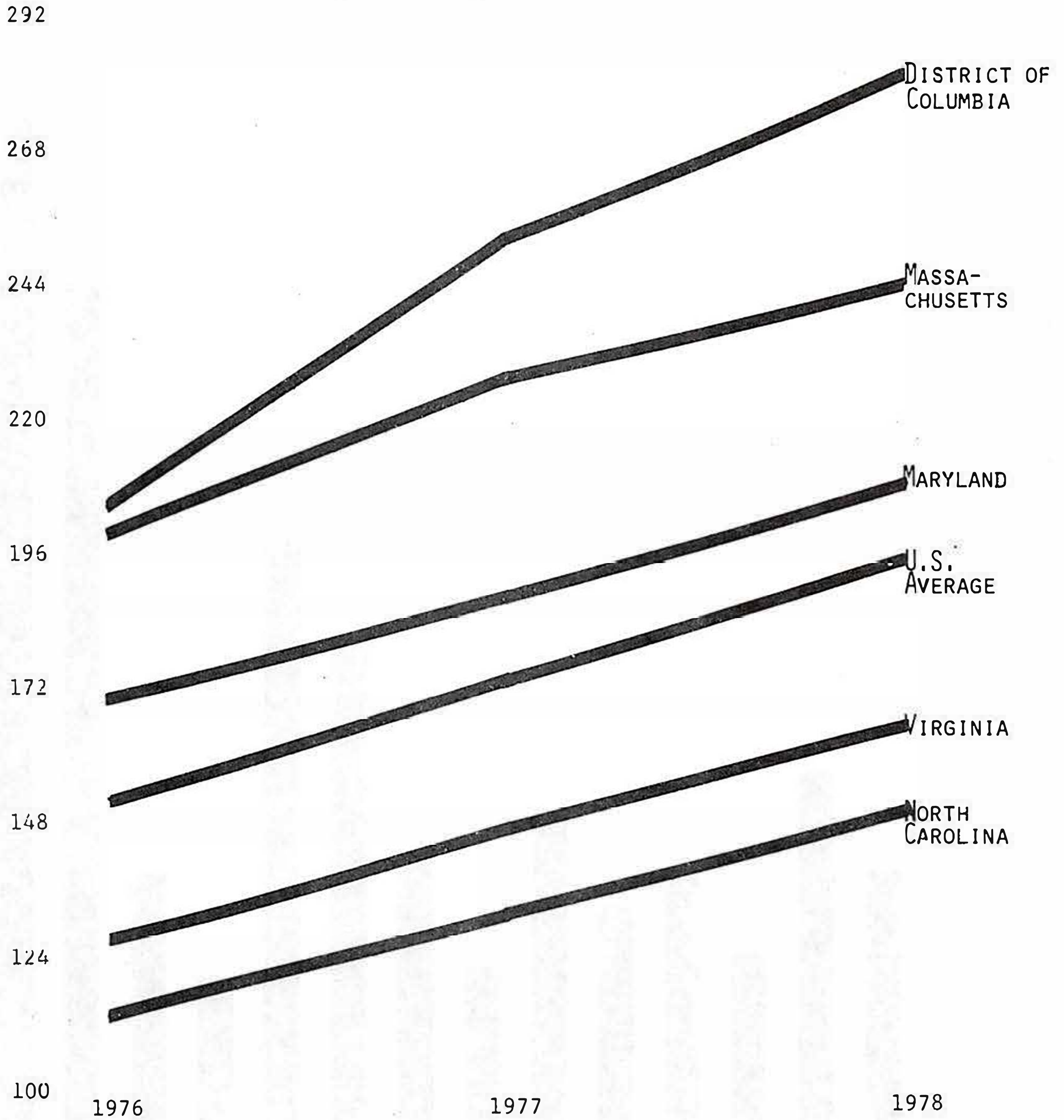
How are we doing in Virginia in containing health care costs and how do we measure against other states and the national average? This is the ultimate question and the ultimate measurement.

The following graphs compare Virginia against the national average and other selected states as reported by the American Hospital Association.

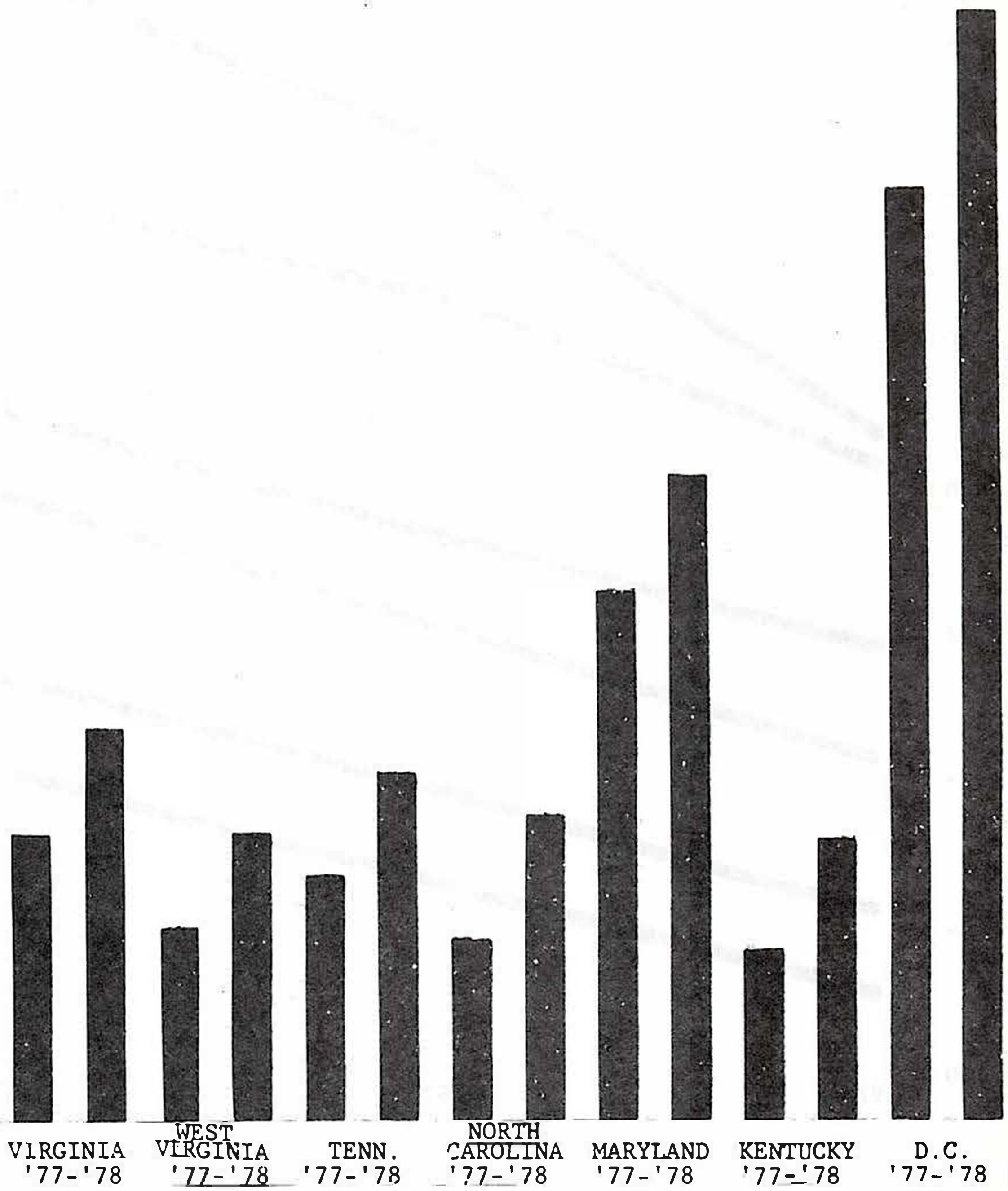
TRENDS IN COSTS 1976-77-78

Virginia in comparison with
the National Average and
other selected states.

Adjusted Expenses per
Inpatient Day charted in Dollars



Comparison of
1977 and 1978
Virginia Adjusted Expense per Inpatient Day to those of Neighboring States, charted in Dollars



## SUMMARY

What has been accomplished by the Virginia Health Services Cost Review Commission in its first year?

The Commonwealth of Virginia now has an in-place operating hospital cost and rate review program. Flowing into the Virginia Health Services Cost Review Commission are reports that will constitute an invaluable data base for cost containment. In the analysis of the 196 filings made in 1979, in every case where the indicated costs were found in excess of guidelines or charges not substantiated by costs, the hospitals have agreed to corrective action. It will, however, require another calendar year, 1980, when all the hospitals have completed a full cycle of reporting historical and budgetary data, before the accomplishments of the commission's first year can be fully assessed.

Almost everyone now agrees that the predecessor plan, the Virginia Hospital Rate Review Program, was effective in directing the attention of about half of the hospitals in Virginia toward budgetary and cost control methods. The Virginia Health Services Cost Review Commission now has brought all hospitals into this discipline. All hospitals now must submit audits and budgets, must justify rate increases, and are measured against standards of productivity and costs. The Virginia Health Services Cost Review Commission is authorized to make public its findings of "unreasonable" costs and charges by a particular hospital.

During 1979 calendar year, it was obvious that almost all hospitals wished to avoid such publicity of adverse comment by the Virginia Health Services Cost Review Commission. It can be reasonably assumed that the work of the Commission has made all hospitals in Virginia anxious to avoid any publicity about failure to bring costs within guidelines and accounting screens of the Virginia Health Services Cost Review Commission analysis.

During 1979, the Virginia Health Services Cost Review Commission has attempted to avoid an adversary position with the health care institutions. There do, however, exist areas of strong controversy and unresolved guidelines. It has been apparent that the Commission, as it is now constituted, finds it difficult to resolve such issues.

It should be noted that the Commission, as set forth by the Legislature, must consider each 12 months, approximately 115 audits of historical data, 115 budgets for the following year, and numerous rate increase requests. The commission must also review the screening process to ensure effectiveness. This latter responsibility calls for solutions to some very difficult financial and cost accounting problems. The Commission must also keep in mind that each of the hospitals reviewed is unique in its mix of services environment and history. Everyone who has an interest in rate review in the Commonwealth must understand that a rate review commission must have a very effective cost analyst staff and must depend very much on their analysis recommendations. We believe we have an effective staff which enables our Commission to do an effective job.

It is hoped that in 1980 guidelines will be established in those areas where they are now lacking. The guidelines of productivity, costs and charges will be tightened. The function of reviewing the screening process mentioned above is currently being considered. To this end the Commission intends to use outside consultants to help evaluate this function. If these are reasonably effective, an analysis by computer methods should be considered.

The Commission recognizes that factors beyond its control are continuing to push the cost of health services up above the rise of inflation. Health services are labor intensive. Virginia hospitals are now experiencing a rise in labor costs because of the increase of minimum wage, unionization of health employees, proximity of federal hospitals and the spread of higher wage rates to the rural hospitals. There is also a growing practice of separate billing of certain services such as anesthesia, radiology, pathology, etc., that heretofore have been controlled by the hospitals. The technology of health services continues to become more complex, and therefore costly. The Virginia Health Services Cost Review Commission cannot deny these actual increases of costs, but can only measure that increases in charges are reasonably related to such increases in costs.

Rate review is an evolving, art and the Virginia Health Services Cost Review Commission has established procedures for adopting changes and improvements that may be indicated as advisable by both its own and national experience. The techniques of analysis of the Virginia rate review program compare favorably in sophistication with those of other states.

The staffs, administrators, and boards of all hospitals in this Commonwealth are aware they are operating under the light of public scrutiny and concern.

# APPENDIX INDEX


I Chapter 26, Section 9 Code of Virginia, as amended

II Meetings

III Rules and Regulations

IV Rate Review System Manual Revisions

V Policy and Procedure No. 1. Changes to Manual

VI Rate Review Training Seminars

VII Commission Goals and Objectives

APPENDIX I

## CHAPTER 26.

### VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION.

Sec.
9-156. Definitions.
9-157. Commission created; members; terms; reimbursement; etc.
9-158. Uniform reporting regulations.
9-159. Filing requirements.
9-160. Continuing analysis, publication, etc.
9-161. Investigative report.
9-162. Voluntary review of health care costs and charges.
9-163. Administration.
9-164. Additional powers and duties of Commission.
9-165. Annual report.
9-166. Violations.

**§ 9-156. Definitions.** — As used in this chapter:

1. *"Commission"* means the Virginia Health Services Cost Review Commission;

2. *"Consumer"* means and person (i) whose occupation is other than the administration of health activities or the provision of health services, (ii) who has no fiduciary obligation to a health care institution or other health agency or to any organization, public or private, whose principal activity is an adjunct to the provision of health services, or (iii) who has no material financial interest in the rendering of health services;

3. *"Health care institution"* means a general hospital, ordinary hospital, or out-patient surgical hospital licensed pursuant to chapter 16 of Title 32 (§ 32-297 et seq.) and mental or psychiatric hospital licensed pursuant to chapter 8 of Title 37.1 (§ 37.1-179 et seq.), but in no event shall such term be construed to include

any physician's office, nursing home, intermediate care facility, extended nursing care facility, nursing care facility of a religious body which depends upon prayer alone for healing, independent laboratory or out-patient clinic;

4. *"Voluntary cost review organization"* means a nonprofit association or other nonprofit entity which has as its function the review of health care institution costs and charges but which does not provide reimbursement to any health care institution or participate in the administration of any review process under chapter 12.1 (§ 32-211.3 et seq.) of Title 32;

5. *"Aggregate cost"* means the total financial requirements of an institution which shall be equal to the sum of:

a. The institution's reasonable current operating costs, including reasonable expenses for operation and maintenance of approved services and facilities, reasonable direct and indirect expenses for patient care services, working capital needs and taxes, if any;

b. Financial requirements for allowable capital purposes, including price-level depreciation for depreciable assets and reasonable accumulation of funds for approved capital projects;

c. For investor-owned institutions, after tax return on equity at the percentage equal to two times the average of the rates of interest on special issues of public debt obligations issued to the Federal Hospital Insurance Trust Fund for the months in a provider's reporting period, but not less, after taxes, than the rate, or weighted average of rates, of interest borne by the individual institution's outstanding capital indebtedness. The base to which the rate of return determined shall be applied is the total net assets, adjusted by paragraph 5 b of this section, without deduction of outstanding capital indebtedness of the individual institution for assets required in providing institutional health care services. (1978, c. 757.)

The numbers of §§ 9-156 to 9-166 were assigned by the Virginia Code Commission, the numbers in the 1978 act having been 9-149 to 9-159.

**§ 9-157. Commission created; members; terms; reimbursement; etc.** — A. There is hereby created the Virginia Health Services Cost Review Commission. The Commission shall be composed of nine members as follows: Eight members shall be appointed by the Governor, three of whom shall be consumers, three of whom shall be persons responsible for the administration of nongovernmental health care institutions, one of whom shall be an employee of a prepaid hospital service plan conducted under chapter 11 (§ 32-168 et seq.) of Title 32 and one of whom shall be an employee of a commercial insurer which underwrites accident and sickness insurance; and one member shall be the Commissioner of Health or his designated representative. Each member of the Commission appointed by the Governor shall be appointed for a term of three years except that of those members appointed as the initial members of the Commission, two shall be appointed for a term of one year each, three for a term of two years each and three for a term of three years each.

B. Appointive members of the Commission shall not be eligible to serve as such for more than two consecutive full terms. Two or more years shall be deemed a full term.

C. Members of the Commission shall receive no compensation for their service on the Commission but shall be reimbursed for necessary and proper expenses that are incurred in the performance of their duties on behalf of the Commission.

D. A consumer member shall be elected by the Commission to serve as chairman. The Commission may elect from among its members a vice-chairman. Meetings of the Commission shall be held as frequently as its duties require.

E. Five members shall constitute a quorum. (1978, c. 757.)

**§ 9-158. Uniform reporting regulations.** — A. The Commission shall establish by regulation a uniform system of financial reporting by which health care institutions shall report their revenues, expenses, other income, other outlays, assets and liabilities, units of service and related statistics. In determining the effective date for reporting requirements, the Commission shall be mindful both of the immediate need for uniform health care institutions' reporting information to effectuate the purposes of this chapter and the administrative and economic difficulties which health care institutions may encounter in complying, but in no event shall such effective date be later than two and one-half years from the date of the formation of the Commission.

B. In establishing such uniform reporting procedures the Commission shall take into consideration:

1. Existing systems of accounting and reporting presently utilized by health care institutions;

2. Differences among health care institutions according to size, age, financial structure, methods of payment for services, and scope, type and method of providing services; and

3. Other pertinent distinguishing factors.

C. The Commission, where appropriate, shall provide for modification consistent with the purposes of this chapter, of reporting requirements to reflect correctly these differences among health care institutions and to avoid otherwise unduly burdensome costs in meeting the requirements of the uniform system of financial reporting. (1978, c. 757.)

**§ 9-159. Filing requirements.** — A. Each health care institution shall file annually with the Commission after the close of the health care institution's fiscal year:

1. A certified audited balance sheet detailing its assets, liabilities and net worth, unless the institution is part of a publicly held company, in which case the equivalent extracted data for the institution shall be submitted in lieu of certified audited data;

2. A certified audited statement of income and expenses, unless the institution is part of a publicly held company, in which case the equivalent extracted data for the institution shall be submitted in lieu of certified audited data;

3. All reports referenced in § 9-158 and such other reports of the costs incurred in rendering services as the Commission may prescribe.

B. The findings, recommendations and justification for such recommendations of the Commission shall be open to public inspection, but individual health care institution filings made pursuant to this chapter shall not be subject to the provisions of § 2.1-342. Individual patient and personnel information shall not be disclosed.

C. The Commission shall have the right to inspect any health care institution's audits and records as reasonably necessary to verify reports. (1978, c. 757.)

**§ 9-160. Continuing analysis, publication, etc.** — A. The Commission shall:

1. Undertake financial analysis and studies relating to health care institutions, and

2. Publish and disseminate information relating to health care institutions' costs and charges including the publication of changes in charges other than those having a minimal impact prior to any changes taking effect.

B. The Commission shall prepare and may make public summaries and compilations or other supplementary reports based on the information filed with or made available to the Commission.

C. The Commission, in carrying out its responsibilities under this section and § 9-161, shall be cognizant of other programs which bear upon the operation of

health care institutions including programs relating to health planning, licensing and utilization review. (1978, c. 757.)

**§ 9-161. Investigative report.** — A. The Commission may initiate reviews or investigations as necessary to assure all purchasers of health care services that the aggregate charges are reasonably related to reasonable aggregate costs, and that charges are equitable.

B. In order to discharge properly these obligations, the Commission may require the furnishing and review of projected annual revenues and expenses of health care institutions and comment on them.

C. In the interest of promoting the most efficient and effective use of health care institutions, the Commission may promote experimental alternative methods of budgeting, cost control, charge determination and payment.

D. The Commission shall obtain annually from each health care institution a current charge schedule. Any subsequent amendments or modifications of that schedule shall be filed with the Commission at least sixty days in advance of their effective date. The Commission may, by regulation, exempt from this requirement charge changes which have a minimal impact on revenues. The Commission may publicly comment on any increase or decrease which it determines to be excessive or inadequate.

E. Each report or other document which is required to be submitted to the Commission pursuant to subsection D hereof or § 9-159 shall be accompanied by a reasonable filing fee in an amount prescribed by the Commission. Filing fees shall be set at a level sufficient to cover costs of the reasonable expenses of the Commission and any reviews undertaken pursuant to this section taking into consideration the length and complexity of the report being filed; provided that such fees assessed shall not exceed six cents per patient day annually for any health care institution. (1978, c. 757.)

**§ 9-162. Voluntary review of health care costs and charges.** — A. A health care institution may, in lieu of filing with the Commissioner under §§ 9-159 and 9-161, submit its financial reports to and be subject to a review of its costs and charges by a voluntary cost review organization approved by the Commission whose reporting and review procedures have been approved by the Commission in accordance with this section. Any filing made pursuant to this section shall eliminate the requirement for filings to be made with the Commission under § 9-159 or § 9-161.

B. The Commission may approve voluntary reporting and cost review procedures which are substantially equivalent to reporting requirements and review procedures adopted by the Commission for its own use for reporting and reviews conducted pursuant to this chapter. The Commission shall, by regulation, prescribe standards for approval of voluntary costs and charge review procedures, which standards shall provide for:

1. The filing of appropriate financial information with a cost review organization;

2. Adequate analysis and verification of that financial information; and

3. Timely notification of the Commission by the voluntary cost review organization for the purpose of publication by the Commission of the organization's findings prior to the effective date of any proposed change in charges.

C. Any voluntary cost review organization which receives the financial information required in § 9-159 or § 9-161 shall make all such information available to the Commission in accordance with procedures prescribed by the Commission.

D. Any voluntary cost review organization which conducts a review of costs and charges of a health care institution located in this Commonwealth shall file

a copy of its findings and analysis with the Commission within thirty days of completion of the review process, together with a summary of the financial information acquired by the organization during the course of its review. (1978, c. 757.)

§ 9-163. **Administration.** — A. The Commission (i) shall maintain records of its activities; (ii) shall collect and account for all fees prescribed to be paid into the Commission and account for and deposit the moneys so collected into a special fund from which the expenses of the Commission including the salary of any personnel as may be employed by the Commission shall be paid; (iii) may employ such personnel and assistance as may be required for the operation of the Commission; (iv) shall enforce all regulations promulgated by it; and (v) shall contract with any voluntary cost review organization for services necessary to carry out the Commission's activities where this will promote economy, efficiency, avoid duplication of effort and make best use of available expertise. (1978, c. 757.)

§ 9-164. **Additional powers and duties of Commission.** — The Commission shall exercise the following powers and duties, and such others as may be provided by law:

1. Advise the Governor and the appropriate Cabinet Secretaries on matters relating to the review and analysis of health care costs and charges;
2. From time to time make such rules and regulations as may be necessary to carry out its responsibilities;
3. Do all acts necessary or convenient to carry out the purposes of this chapter. (1978, c. 757.)

§ 9-165. **Annual report.** — The Commission shall prepare and, prior to each regular session of the General Assembly, transmit to the Governor and to members of the General Assembly an annual report of the Commission's operations, costs and activities for the preceding fiscal year. This report shall include a compilation of all summaries required by this chapter together with such findings and recommendations as the Commission deems necessary. (1978, c. 757.)

§ 9-166. **Violations.** — Any person violating the provisions of this chapter may be enjoined from continuing such violation by application by the Commission for relief to a circuit court having jurisdiction over the offending party. (1978, c. 757.)

# CHAPTER 123

*An Act to amend and reenact § 9-156 of the Code of Virginia, relating to the Virginia Health Services Cost Review Commission.*

[S 773]

Approved MAR 2 1979

Be it enacted by the General Assembly of Virginia:

1. That § 9-156 of the Code of Virginia is amended and reenacted as follows:

§ 9-156. Definitions.—As used in this chapter:

1. "Commission" means the Virginia Health Services Cost Review Commission;

2. "Consumer" means any person (i) whose occupation is other than the administration of health activities or the provision of health services, (ii) who has no fiduciary obligation to a health care institution or other health agency or to any organization, public or private, whose principal activity is an adjunct to the provision of health services, or (iii) who has no material financial interest in the rendering of health services;

3. "Health care institution" means *(i)* a general hospital, ordinary hospital, or out-patient surgical hospital licensed pursuant to Chapter 16 of Title 32 (§ 32-297 et seq.) and *(ii) a* mental or psychiatric hospital licensed pursuant to Chapter 8 of Title 37.1 (§ 37.1-179 et seq.) ; but *and (iii) a hospital operated by the University of Virginia or Virginia Commonwealth University.* In no event shall such term be construed to include any physician's office, nursing home, intermediate care facility, extended nursing care facility, nursing care facility of a religious body which depends upon prayer alone for healing, independent laboratory or out-patient clinic;

4. "Voluntary cost review organization" means a nonprofit association or other nonprofit entity which has as its function the review of health care institution costs and charges but which does not provide reimbursement to any health care institution or participate in the administration of any review process under Chapter 12.1 (§ 32-211.3 et seq.) of Title 32;

5. "Aggregate cost" means the total financial requirements of an institution which shall be equal to the sum of:

a. the institution's reasonable current operating costs, including reasonable expenses for operation and maintenance of approved services and facilities, reasonable direct and indirect expenses for patient care services, working capital needs and taxes, if any;

b. financial requirements for allowable capital purposes, including price-level depreciation for depreciable assets and reasonable accumulation of fund. for approved capital projects;

c. for investor-owned institutions, after tax return on equity at the percentage equal to two times the average of the rates of interest on special issues of public debt obligations issued to the Federal Hospital Insurance Trust Fund for the months in a provider's reporting period, but not less, after taxes, than the rate, or weighted average of rates, of interest borne by the individual institution's outstanding capital indebtedness. The base to which the rate of return determined shall be applied is the total net assets, adjusted by paragraph 5.b. of this section, without deduction of outstanding capital indebtedness of the individual institution for assets required in providing institutional health care services.

President of the Senate

Speaker of the House of Delegates

Approved:

Governor

APPENDIX II

# VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION

## MEETINGS

| Date | Attendance |
|---|---|
| November 6, 1978 | 9 |
| December 12, 1978 | 8 |
| January 18, 1979 | 9 |
| March 7, 1979 | 8 |
| April 25, 1979 | 9 |
| June 5, 1979 | 9 |
| July 2, 979 | 8 |
| August 1, 1979 | 7 |
| September 5, 1979 | 9 |
| 'ovember 8, 1979 | 9 |
| November 29, 1979 | 9 |
| December 20, 1979 | 6 |

## PUBLIC HEARINGS

| Date | Subject |
|---|---|
| December 12, 1978 | Rules and Regulations |
| January 18, 1979 | Definition of Patient Day |

## APPENDIX III

## RULES AND REGULATIONS

On January 26, 1979, Rules and Regulations for the Virginia Health Services Cost Review Commission were adopted, promulgated and filed with the Virginia Register Committee, Division of Legislative Services.

A subsequent change was made to the Rules and Regulations involving the definition of Patient Day.

After further study and deliberation - another section, (Section 8:00) was added dealing with confidentiality and dissemination of information.

# RULES AND REGULATIONS
# FOR THE
# VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION

## RESUME OF NEW REGULATIONS

PURSUANT: Chapter 1.1.1, Title 9, Code of Virginia (1950) as amended.

AUTHORIZATION: Chapter 26, Title 9, Code of Virginia (1950) as amended

### BASIS AND PURPOSE

Chapter 26, Title 9, Code of Virginia (1950) as amended, created the Virginia Health Services Cost Review Commission of nine members appointed by the Governor. The Commission established by regulation a uniform system of financial reporting by which health care institutions shall report their revenues, expenses, other income, other outlays, assets and liabilities, units of service and related statistics. The Commission shall undertake financial analysis and studies relating to health care institutions, publish and disseminate information relating to health care institutions' costs and charges, and prepare and make public summaries and compilations or other supplementary reports based on the information filed with or made available to the Commission.
The purpose of the Commission is to aid in cost containment of health services to the consumers in the Commonwealth by determining the reasonableness of costs and charges.

Rules and Regulations are being sent to health care institutions to facilitate orderly collection of information.

### SUMMARY DESCRIPTION

Rules and Regulations as promulgated set forth an orderly administrative process by which the Commission may govern its own affairs and require compliance with provisions of Chapter 26, Title 9, Code of Virginia (1950) as amended.

Section 1.00 gives general information; Section 2.00 defines terms used; Section 3.00 states the Commission's purpose and organization; Section 4.00 covers voluntary cost review organizations; Section 5.00 deals with the contract with voluntary cost review organization; Section 6.00 covers filing requirements and fee structure and Section 7.00 covers the work flow and analysis.

### ESTIMATED IMPACT

The Virginia Health Services Cost Review Commission will be funded through fees from health institutions. There will be no net cost to the state.

## RESULTS OF PUBLIC HEARINGS

Two presentations were made at the first public hearing on December 12, 1978; one from the Bureau of Insurance and the other by a representative of a third party payor. The comments dealt with increasing the flexibility of the Commission in choosing and contracting with the voluntary rate review organization and in making public its findings, and the lack in the regulations of input from third party payors.

One presentation was made at the second public hearing on January 18, 1979, on the definition of "patient day"..

Each relevent suggestion was considered by the Commission. Over twenty changes to the rules and regulations were adopted.

The definition of "patient day" was changed to the more uniformly accepted one.

EVENTS IN ADOPTION

| | |
|---|---|
| November 28, 1978 | Legal notice of public hearing published |
| December 12, 1978 | Public hearing held |
| January 4, 1979 | Legal notice of public hearing published |
| January 18, 1979 | Public hearing held |
| January 18, 1979 | Commission adopts Rules and Regulations |
| January 26, 1979 | Registration of Rules and Regulations with Virginia Register Committee |
| February 26, 1979 | Effective date of Rules and Regulations |

# COMMONWEALTH OF VIRGINIA

# RULES AND REGULATIONS

of the

VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION

1979

Code of Virginia, 1950, as amended
Chapter 26, Title 9

As authorized by Section 9-156 et seq., Chapter 26, Title 9, Code of Virginia, 1950, as amended, the Virginia Health Services Cost Review Commission has, in conformity with provisions of Chapter 1.1:1, Title 9, of the Code, adopted these Rules and Regulations.

These are new regulations.

Preliminary approval by the Commission granted November 6, 1978.

Public Hearings were held December 12, 1978, and January 18, 1979 in Richmond, Virginia.

Adopted by the Commission January 18, 1979.

Effective date: February 26, 1979.

Copies may be obtained from: Virginia Health Services Cost Review Commission, Room 1019A Madison Building 109 Governor Street, Richmond, Virginia 23219

SECTION 1.00

## GENERAL INFORMATION

1.01 Authority for Regulations -- The Virginia Health Services Cost Review Commission, which is created by Chapter 26 of Title 9, Sections 9-156 through 9-166, Code of Virginia (1950), as amended is required to collect, analyze, and make public certain financial data and findings relating to hospitals which operate within the Commonwealth of Virginia. Section 9-164 of the Code of Virginia (1950), as amended, directs the Commission from time to time to make such rules and regulations as may be necessary to carry out its responsibilities as prescribed in the above referenced Chapter.

1.02 Purpose of Rules and Regulations -- The Commission has promulgated these rules and regulations to set forth an orderly administrative process by which the Commission may govern its own affairs and require compliance with the provisions of Chapter 26 of Title 9, Code of Virginia (1950), as amended.

1.03 Administration of Rules and Regulations -- These rules and regulations are administered by the Virginia Health Services Cost Review Commission.

1.04 Application of Rules and Regulations -- These rules and regulations have general applicability throughout the Commonwealth. The requirements of the Virginia Administrative Process Act, codified as Chapter 1.1:1 of Title 9, Section 9-6.14:1, et seq., Code of Virginia (1950), as amended, applied to their promulgation.

1.05 Effective Date of Rules and Regulations -- These rules and regulations or any subsequent amendement, modification, or deletion in connection with these rules and regulations shall become effective thirty (30) days after the Commission has filed them in accordance with the Virginia Register Act.

1.06 Powers and Procedures of Regulations Not Exclusive The Commission reserves the right to authorize any procedure for the enforcement of these regulations that is not inconsistent with the provisions set forth herein and the provisions of Chapter 26 of Title 9, Section 9-156 et seq, Code of Virginia (1950), as amended.

## SECTION 7.00

## Work Flow and Analysis

7.01 Annual Report

7.02 Schedule of Charges and Projections

2.01.04 "Health care institution" means a general hospital, ordinary hospital, or out-patient surgical hospital licensed pursuant to Chapter 15 of Title 32 (§ 32-297 et seq.) Code of Virginia (1950), as amended, and mental or psychiatric hospital licensed pursuant to Chapter 8 of Title 37.1 (§ 37.1-179 et seq.) Code of Virginia (1950), as amended, but in no event shall such term be construed to include any physician's office, nursing home, intermediate care facility, extended nursing care facility, nursing care facility or a religious body which depends upon prayer alone for healing, independent laboratory or out-patient clinic;

2.01.05 "Voluntary cost review organization" means a nonprofit association or other nonprofit entity with a federally exempt tax status which has as its function the review of health care institution costs and charges but which does not provide reimbursement to any health care institution or participate in the administration of any review process under Chapter 12.1 of Title 32, Code of Virginia, P.L. 93-641, or P.L. 92-603 including the Statewide Health Coordinating Council, Department of Health and any Health Systems Agency.

2.01.06 "Patient day" means a unit of measure denoting lodging facilities provided and services rendered to one inpatient, between census taking hour on two successive days. The day of admission but not the day of discharge or death is counted as a patient day. If both admission and discharge or death occur on the same day, the day is considered a day of admission and counts as one patient day. For purposes of filing fees to the Commission, newborn patient days would be added. For a medical facility, such as an ambulatory surgery center, which does not provide inpatient services each patient undergoing surgery during any one twenty-four (24) hour period will be the equivalent to one (1) patient day.

SECTION 3.00

COMMISSION PURPOSE AND ORGANIZATION

3.01 Statement of Mission -- The Commission is charged with the the responsibility to promote the economic delivery of high quality and effective institutional health care services to the people of the Commonwealth and to create

SECTION 2.00

## DEFINITIONS

2.01.01 "Aggregate cost" means the total financial requirements of an institution which shall be equal to the sum of;

a. the institution's reasonable current operating costs, including reasonable expenses for operating and maintenance of approved services and facilities, reasonable direct and indirect expenses for patient care services, working capital needs and taxes, if any;

b. financial requirements for allowable capital purposes, including price level depreciation for deprecible assets and reasonable accumulation of funds for approved capital projects;

c. for investor-owned institutions, after tax return on equity at the percentage equal to two times the average of the rates of interest on special issues of public debt obligations issued to the Federal Hospital Insurance Trust Fund for the months in a provider's reporting period, but not less, after taxes, than the rate, or weighted average of rates, of interest borne by the individual institution's outstanding capital indebtedness. The base to which the rate of return determined shall be applied is the total net assets, adjusted by paragraph 5.b. of this section, without deduction of outstanding capital indebtedness of the individual institution for assets required in providing institutional health care services.

2.01.02 "Commission" means the Virginia Health Services Cost Review Commission;

2.01.03 "Consumer" means any person (i) whose occupation is other than the administration of health activities or the provision of health services (ii) who has no fiduciary obligation to a health care institution or other health agency or to any organization, public or private, whose principal activity is an adjunct to the provision of health services, or (iii) who has no material financial interest in the rendering of health services;

a. Documentation sufficient to show that the applicant complies with the requirements to be a voluntary cost review organization: including copies of its Commonwealth of Virginia Charter, by-laws, and evidence of its non-profit status. Full financial reports for the one year preceding its application must also be forwarded. If no financial reports are available, a statement of the projected cost of the applicant's operation with supporting data must be forwarded.

b. If any of the organization's directors or officers have or would have a potential conflict of interest affecting the development of an effective cost monitoring program for the Commission, statements must be submitted with the application to fully detail the extent of the other (conflicting) interest.

c. A detailed statement of the type of reports and administrative procedures proposed for use by the applicant.

d. A statement of the number of employees of the applicant inlcuding details of their classifications.

e. Any additional statements or information which is necessary to ensure that the proposed reporting and review procedures of the applicant are satisfactory to the Commission.

4.02 Review of Application.

4.02.01 Designation. Within forty-five calendar days of the receipt of an application for designation as a voluntary cost review organization, the Commission shall issue its decision of approval or disapproval. Approval by the Commission shall take effect immediately.

4.02.02 Disapproval. The Commission may disapprove any application for the reason that the applicant has failed to comply with application requirements, or that the applicant fails to meet the definition of a cost review organization, or fails to meet the specifications cited in paragraph 4.01 above concerning application contents or that the cost and/or quality of the institutional reporting system proposed by the applicant are unsatisfactory.

an assurance that the charges are reasonably related to costs. The Commission recognizes that health care institutional costs are of vital concern to the people of the Commonwealth and that it is essential for an effective cost monitoring program to be established which will assist health care institutions in controlling their costs while assuring their financial viability. In pursuance of this policy, it is the Commission's purpose to provide for uniform measures on a statewide basis to assist in monitoring the costs of health care institutions without sacrifice of quality of health care services and to analyze the same to determine if charges and costs are reasonable.

3.02 Commission Chairman -- The Commission shall annually elect one of its consumer members to serve as chairman. The chairman shall preside at all meetings of the Commission and shall be responsible for convening the Commission.

3.03 Vice-Chairman -- The Commission shall annually elect from its membership a vice-chairman who shall assume the duties of the chairman in this latter's absence or temporary inability to serve.

3.04 Expense Reimbursement -- Members of the Commission shall be entitled to be reimbursed in accorance with State regulations for necessary and proper expenses incurred in the performance of their duties on behalf of the Commission.

3.05 Additional Powers and Duties -- The Commission shall exercise such additional powers and duties as may be specified in Chapter 26, Title 9, Code of Virginia (1950), as amended.

## SECTION 4.00

### VOLUNTARY COST REVIEW ORGANIZATIONS

4.01 Application -- Any organization desiring approval as a voluntary rate review organization may apply for approval by using the following procedure:

4.01.01 Open Application Period. A voluntary cost review organization may apply for designation as an approved voluntary cost review organization to be granted such duties as are prescribed in Section 9-162.

4.01.02 Contents of Application. An application for approval shall include:

4.02.03. Reapplication. An organization whose application has been disapproved by the Commission may submit a new or amended application to the Commission within fifteen calendar days after disapproval of the initial application. An organization may only reapply for approval on one occasion during any consecutive twelve-(12) month period.

4.03 Annual Review of Applicant

4.03.01 By March 31 of each year, any approved voluntary cost review organization for the calendar year then in progress which desires to continue its designation shall submit an annual review statement of its reporting and review procedures.

4.03.02 The annual review statement shall include:

a. Attestation by the applicant that no amendments or modifications of practice contrary to the initially approved application have occurred; or,

b. Details of any amendments or modifications to the initially approved application, which shall include justifications for these amendments or modifications.

4.03.03 The Commission may require additional information from the applicant supporting that the applicant's reports and procedures are satisfactory to the Commission.

4.04 Revocation of Approval. The Commission may revoke its approval of any cost review organization's approval when the review procedures of that organization are no longer satisfactory to the Commission or for the reason that the voluntary cost review organization could be disapproved under § 4.02.02.

4.05 Confidentiality. A voluntary cost review organization approved as such by the Commission shall maintain the total confidentiality of all filings made with it required by these regulations or law. The contents of filings or reports summaries and recommendations generated in consequence of the Commission's regulations may be disseminated only to members of the Commission, the Commission's staff and the individual health care institution which has made the filings or which is the subject of a particular report.

## SECTION 5.00 CONTRACT WITH VOLUNTARY COST REVIEW ORGANIZATION

5.01 Purpose. It is the intention of the Commission to exercise the authority and directive of Section 9-163, Code of Virginia (1950), as amended, whereby the Commission is required to contract with any voluntary cost review organization for services necessary to carry out the Commission's activities where this will promote economy, efficiency, avoid duplication of effort, and make best use of available expertise.

5.02 Eligibility. In order for a voluntary cost review organization to be eligible to contract with the Commission it shall have met all other requirements of Section 4.00 relating to voluntary cost review organization and have been approved as such an organization.

5.03 Contents of Contract. The written agreement between the Commission and any voluntary cost review organization shall contain such provisions which are not inconsistent with these regulations or law as may be agreed to by the parties. Any such contract shall be for a period not to exceed five years.

## SECTION 6.00 FILING REQUIREMENTS AND FEE STRUCTURE

6.01 Filing Requirements for Health Care Institutions

6.01.01 Each Health Care Institution shall file an annual report of revenues, expenses, other income, other outlays, assets and liabilities, units of service, and related statistics as prescribed in § 9-158, Code of Virginia (1950) and as described and illustrated in the attached forms of the Commission, together with the certified audited financial statements (or equivalents) as prescribed in § 9-159, Code of Virginia (1950), no later than 120 days after the end of the respective applicable Health Care Institution's fiscal year. Extensions of filing times may be granted for extenuating circumstances upon a Health Care Institution's written application for a 30- to 60-day extension. Such request for extension shall be filed no later than 90 days after the end of a Health Care Institution's fiscal year.

6.01.02 Health Care Institutions shall file annually between 90 and 60 days before the beginning of their respective applicable fiscal year, a schedule of charges to be in effect on the first day of such fiscal year, as prescribed in § 9-161D, Code of Virginia (1950), together with a projection (budget) of annual revenues and expenditures as prescribed in § 9-161B,

Code of Virginia (1950), and as described and illustrated in the attached forms of the Commission. Any subsequent amendment or modification to the annually filed schedule of charges shall be filed at least 60 days in advance of its effective date, together with supporting data justifying the need for the amendment. (Changes in charges which will have a minimal impact on revenues are exempt from this requirement.)

6.01.03. All filings prescribed in § 6.01.01 and 6.01.02 above will be made to the Commission for its transmittal to any approved Voluntary Cost Review Organization described in Section 4.00.

6.01.04 A filing fee on a per patient day rate to be set annually by the Commission, based on needs to meet annual Commission expenses, shall be paid to the Commission at the same time that the Health Care institution files its annual report under the provisions of 6.01.01. All fees should be paid directly to the Commission.

## SECTION 7.00 WORK FLOW AND ANALYSIS

7.01 The annual report data filed by Health Care Institutions as prescribed in § 6.01.01 shall be analyzed as directed by the Commission. Summarized analyses and comments shall be reviewed by the Commission at a scheduled Commission meeting within approximately 75 days after receipt of properly filed data, after which these summaries and comments, including Commission recommendations, may be published and disseminated as determined by the Commission. The Health Care Institution which is the subject of any summary, report, recommendation or comment shall receive a copy of same at least 10 days prior to the meeting at which the same is to be considered by the Commission.

7.02 The annual schedule of charges and projections (budget) of revenues and expenditures filed by Health Care Institutions as prescribed in § 6.01.02 of these regulations shall be analyzed as directed by the Commission. Summarized analyses and comments shall be reviewed by the Commission at a scheduled Commission meeting within approximately 75 days after receipt of properly filed data, after which these summaries and comments, including Commission recommendations, will be published and disseminated by the Commission. Amendments or modifications to the annually filed schedule of charges shall be processed in a like manner and reviewed by the Commission no later than 50 days after receipt of properly filed amendments or modifications. Any Health Care Institution which is the subject of

summaries and findings of the Commission shall be given upon request an opportunity to be heard before the Commission.

SECTION 8.00 PUBLICATION AND DISSEMINATION OF INFORMATION RELATED TO HEALTH CARE INSTITUTIONS

8.01 The staff findings and recommendations and related Commission decisions on individual health care institutions' annual historical data filings will be kept on file at the Commission office for public inspection. However, the detailed annual historical data filed by the individual health care institutions will be excluded from public inspection in accordance with the provisions of §9-159-B, Chapter 26, Title 9, Code of Virginia.

8.02 Periodically, but at least annually, the Commission will publish a selected number of the most common hospital rates and charges in effect as of a certain date in Virginia's health care institutions by type and size of institution and geographic area in Virginia. This rate and charge data will be kept on file at the Commission office for public inspection and made available to the news media. In addition, annual charge schedules and subsequent amendments to these schedules filed under the provisions of §6.01.02 of these rules and regulations will be kept on file at the Commission office for public inspection. Staff findings and recommendations and related Commission decisions on changes to health care institutions' rates and charges will also be kept on file at the Commission office for public inspection and available to the news media.

8.03 Periodically, but at least annually, the Commission will publish selected comparative historical summary cost and revenue data by type and size of institution and geographic area in Virginia, as well as in total, without specific individual hospital identification. Said summaries will be distributed to the health care institutions and be on file at the Commission office for public inspection.

8.04 The staff findings and recommendations and related Commission decisions on individual health care institutions' annual budget and related rate filings will be kept on file at the Commission office for public inspection. However, the detailed annual budget data filed by the individual health care institutions will be excluded from public inspection.

8.05 The Commission <u>may</u> release <u>historical</u> financial and/or statistical data reported by Health Care Institutions to State or Federal Commissions or Agencies based on individual, specific requests, and the merit of such requests. Requests must list the purpose for which the requested data is to be used to permit the Commission to reach a valid decision on whether or not the data requested will fit the need and should, therefore, be made available. Under no circumstances will data be released which contains "personal information" as defined in §2.1-379(2), Code of Virginia.

8.06 The Commission shall <u>not</u> release <u>prospective</u> (budgeted) financial and/or statistical data reported by Health Care Institutions to anyone, except for the staff findings and recommendations as provided for in paragraph 8.04 above.

8.07 The provisions of paragraph 8.05 above will also apply to recognized and designated Health Systems Agencies (HSAs) and Professional Standards Review Organizations (PSROs) in the Commonwealth of Virginia, providing that the data requested have a definite bearing on the functions of these organizations.

8.08 No data, beyond that specified in paragraphs 8.01 through 8.04 above will be released to other non-governmental organizations and entities, except that data deemed pertinent by the Commission in negotiations with Third-Party Payors such as Blue Cross/Blue Shield, Commercial Insurors, etc. Such pertinent data may be released and used on an exception, as needed, basis.

8.09 Except for data specified in paragraphs 8.01 through 8.04 available to anyone, the Commission shall have a right to furnish data (or refuse to furnish data) based on merit of the request and ability to furnish data based on data and staff time availability. The Commission may levy a reasonable charge to cover costs incurred in furnishing any of the data described in this section of the Rules and Regulations.

APPENDIX IV

## Rate Review System Manual Revisions

1. Quarterly cost and productivity screen updates:

   January 1, 1979
   April 1, 1979
   July 1, 1979
   October 1, 1979

2. Manual revisions implemented effective October 1, 1979:

   a. Definition of "other operating" and "non-operating" resources, including donations, grants, endowments and trust funds.

   b. Establishment of an operating reserve.

   c. Defining excess (deficiency) over financial needs and operating reserve and application of such excess or deficiency.

   d. Established rules for application of departmental costs in excess of screen standards and allowable variances.

3. Manual revisions in process:

   a. Prospective accumulation of funds for approved capital projects.

   b. Rules for use of current and previously accumulated funded depreciation for capital expenditures.

## APPENDIX V

## VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION

## POLICY AND PROCEDURE

NUMBER: 1

TITLE: Changes and/or Additions to Program Manual

PURPOSE: To ensure thoughtful and adequate control over manual changes.

APPROVED BY: Commission

DATE: 1 - March 7, 1979
2 - Revised June 5, 1979

VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION

POLICY/PROCEDURE NO.
(Revised)

## POLICY

A change and or addition to the manual may be proposed only by a Commission member. Suggestions for changes may be made by the Cost Analysis Service contract Staff, or the Rate Review Board to the Commission Chairman.

A total of 5 affirmative votes (in person or by proxy) are required for final approval.

## PROCEDURE

Step I:

1. The proposed change/addition shall be presented in writing and in sufficient copies for all Commission members at a Commission meeting.
2. The change/addition shall clearly indicate the part of the manual to which it applies and any language to be deleted and/or added.
3. The Chairman will allow discussion of the proposed change/addition.
4. Staff will mail to all members of the Commission and to the Cost Analysis Service contract staff copies of proposed change/addition after the meeting at which it was presented.
5. Commission members will study the proposal in preparation for further review and discussion at the next Commission meeting.

Step II:

1. At the next Commission meeting, the proposal will be reviewed and discussed further by the Commission.
2. Testimony pertaining to the proposed change may be presented by representatives of interested parties.
3. Suggested changes and amendments to the proposal will be reviewed and may be voted upon for incorporation.
4. Staff will mail amended/finalized version of the proposed change/addition to all members of the Commission and to the Cost Analysis Service contract Staff after the meeting. Commission members will study the proposal in preparation for final action at the next Commission meeting.

Step III:

1. After a final review and discussion, a final vote will be taken.

2. If proxy votes are required (see Policy), there may be no changes to the proposal as mailed in Step II.

3. Proxy votes are submitted by indicating affirmative or negative, signing and dating the copies mailed at Step II.

4. Upon approval of a change/addition, it will be published as a change/addition to the Rate Review Manual.

## APPENDIX VI

### Rate Review 1979 Training Seminars

| Date | Location | Participants |
| --- | --- | --- |
| March 28, 1979 | Charlottesville | 67 |
| April 3, 1979 | Hampton | 62 |
| April 5, 1979 | Roanoke | 72 |
| April 10, 1979 | Manassas | 36 |
| May 24, 1979 | Psychiatric Hospitals (Richmond) | 15 |
| June 13, 1979 | Make-up Seminar (Richmond) | 21 |
| | Total participants | 273 |

APPENDIX VII
PROPOSED
GOALS AND OBJECTIVES OF THE

VIRGINIA HEALTH SERVICES COST REVIEW COMMISSION

The goals of the Virginia Health Services Cost Review Commission are to:

1. "Promote the economic delivery of high quality and effective institutional health care services to the people of the Commonwealth," and

2. "Assure all purchasers of health care services that the aggregate charges are reasonably related to aggregate costs and that charges are equitable."

The objectives of the Virginia Health Services Cost Review Commission are to:

1. Promote effective budgeting by health care institutions.

2. Contain the rate of increases in health care costs in the Commonwealth to the approximate increase being experienced by other segments of the economy.

3. Assure that quality patient care is reasonably available in the Commonwealth and that quality of care is not compromised by cost containment activities.

4. Develope review mechanisms which provide for effective budget review on an exception basis.

5. Promote voluntary compliance of the Commission's recommendations and actions by the health care institutions of the Commonwealth.

6. Develope a public information program which provides information to the citizens of the Commonwealth regarding cost containment activities.

7. Employ appropriate staff to effectively and efficiently review budget submissions.

8. Coordinate Commission activities with both health planning and regulatory requirements to minimize compliance costs for health care institutions.

9. Continually review legislative mandate and objectives of Commission to determine their continued appropriateness.