



# COMMONWEALTH of VIRGINIA

## *Department of Medical Assistance Services*

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January 15, 2023

### MEMORANDUM

**TO:** The Honorable Janet D. Howell  
Chair, Senate Finance Committee

The Honorable Barry D. Knight  
Chair, House Appropriations Committee

**FROM:** Cheryl Roberts  
Director, Virginia Department of Medical Assistance Services

**SUBJECT:** Supplemental Payments to Private Hospitals and Related Health Systems

This report is submitted in compliance with the Virginia Acts of the Assembly – Item 304.DD.10.a., which states:

*“(a)The Department of Medical Assistance Services shall develop a State Plan for Medical Assistance amendment to make supplemental payments to private hospitals and related health systems who intend to execute affiliation agreements with public entities that are capable of transferring funds to the department for purposes of covering the non-federal share of the authorized payments. Such public entities would enter into an Interagency Agreement with the department for this purpose. The department shall develop a plan, that could take effect July 1, 2023, for making managed care directed payments or supplemental payments as follows: Physician fee-for-service (FFS) supplemental payments through a state plan amendment and physician managed care directed payments through managed care contracts up to the Average Commercial Rate for practice plans that are a component of the participating hospitals or health system. The plan shall identify the public entity who will transfer funds to the department, the amount and duration of such transfers, the purpose and amount of any supplemental payment or managed care direct payments made to private hospitals and related health systems, and the impact, if any, on other supplemental payment programs currently in effect. The plan shall also include the appropriate references that provide authority for such payments.*

*(b) The Department of Medical Assistance Services shall report the plan to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by October 15, 2022.”*

Should you have any questions or need additional information, please feel free to contact me at (804) 664-2660.

CR  
Enclosure

Pc: The Honorable John Littel, Secretary of Health and Human Resources

# Supplemental Payments to Private Hospitals and Related Health Systems

A Report to the Virginia General Assembly

January 25, 2023

## Report Mandate:

*2022 Appropriation Act Item 304(DD)(10)(a). “The Department of Medical Assistance Services shall develop a State Plan for Medical Assistance amendment to make supplemental payments to private hospitals and related health systems who intend to execute affiliation agreements with public entities that are capable of transferring funds to the department for purposes of covering the non-federal share of the authorized payments. Such public entities would enter into an Interagency Agreement with the department for this purpose. The department shall develop a plan, that could take effect July 1, 2023, for making managed care directed payments or supplemental payments as follows: Physician fee-for-service (FFS) supplemental payments through a state plan amendment and physician managed care directed payments through managed care contracts up to the Average Commercial Rate for practice plans that are a component of the participating hospitals or health system. The plan shall identify the public entity who will transfer funds to the department, the amount and duration of such transfers, the purpose and amount of any supplemental payment or managed care direct payments made to private hospitals and related health systems, and the impact, if any, on other supplemental payment programs currently in effect. The plan shall also include the appropriate references that provide authority for such payments.*

*(b) The Department of Medical Assistance Services shall report the plan to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by October 15, 2022.”*

## Executive Summary

The Department of Medical Assistance Services (DMAS) was mandated to “develop a plan that would make supplemental payments to private hospitals and related health systems who intend to execute affiliation agreements with public entities that are capable of transferring funds to the department for purposes of covering the non-federal share of the authorized payments.” Item 304(DD)(10)(a). Such an approach may run afoul of federal law and was not able to be pursued. See 42 C.F.R. § 433.54.

***The mission of the Virginia Medicaid agency is to improve the health and well-being of Virginians through access to high-quality health care coverage.***

The Department of Medical Assistance Services (DMAS) administers Virginia’s Medicaid and CHIP programs for over 2 million Virginians. Members have access to primary and specialty health services, inpatient care, dental, behavioral health as well as addiction and recovery treatment services. In addition, Medicaid long-term services and supports enable thousands of Virginians to remain in their homes or to access residential and nursing home care.

Medicaid members historically have included children, pregnant women, parents and caretakers, older adults, and individuals with disabilities. In 2019, Virginia expanded the Medicaid eligibility rules to make health care coverage available to more than 600,000 newly eligible, low-income adults.

Medicaid and CHIP (known in Virginia as Family Access to Medical Insurance Security, or FAMIS) are jointly funded by Virginia and the federal government under Title XIX and Title XXI of the Social Security Act. Virginia generally receives a dollar-for-dollar federal spending match in the Medicaid program. Medicaid expansion qualifies the Commonwealth for a federal funding match of no less than 90% for newly eligible adults, generating cost savings that benefit the overall state budget.