
Program

Policy

Notice No. 12-01

January 26, 2012

- ◆ U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
- ◆ Health Resources and Services Administration
- ◆ Healthcare Systems Bureau

To: Facilities Obligated Under the Standard Hill-Burton Uncompensated Services Assurance (HILL-BURTON)

Subject: Consumer Price Index (CPI) for Medical Care - 2011

THIS CPI BECOMES EFFECTIVE FOR HILL-BURTON FACILITIES ON MARCH 20, 2012.

This notice contains guidance for facilities obligated to provide uncompensated services in accordance with the requirements of the Hill-Burton program. The information in this notice is used for calculating adjusted annual compliance levels for facilities using the 10 percent method and for adjusting compliance deficits or excesses from past years to the current year for all facilities.

The latest adjustments are based on the yearly average CPI for medical care in 2011 recently issued by the U.S. Department of Labor, Bureau of Labor Statistics, and on the CPI in prior years. Examples of the calculations for the adjusted excesses and deficits follow. Tables from which to obtain the appropriate adjustments are also included.

CPI APPLICATION TO 10 PERCENT COMPLIANCE LEVEL

The change in the CPI for medical care between the base year of 1979 and 2011 is 493.1 percent (CPI Adjustment Table 1).

The annual compliance level will be calculated on a Facility Status Report (FSR) which will be provided to each facility prior to the end of its fiscal year. The FSR will include, among other things, Federal grant and loan assistance under obligation for the next fiscal year as well as a computation of the facility's annual compliance level, adjusted by the CPI for inflation.

CPI APPLICATION TO EXCESS OR DEFICIT AMOUNTS

The change in the CPI for medical care between 2010 and 2011 is 3.0 percent (CPI Adjustment Table 2).

Excess Adjustment

Adjustment of excess amounts earned in a fiscal year beginning between March 12, 2011 and March 11, 2012, to be applied to the following fiscal year, is illustrated on page 2.

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Excess Example

Annual Compliance Level for FY 2013, Beginning July 1, 2012 = \$593,100
Excess Uncompensated Services Provided in FY 2012 = \$1,000
Excess + (Excess x Percent Change in CPI) = Adjusted Excess
 $\$1,000 + (\$1,000 \times 3.0 \text{ percent}) = \$1,030$ (Adjusted Excess)
Annual Compliance Level - Adjusted Excess = Adjusted Annual Compliance Level
 $\$593,100 - \$1,030 = \$592,070$ (Adjusted Annual Compliance Level)

Deficit Adjustment

Adjustment of deficits incurred in a fiscal year beginning between March 12, 2011 and March 11, 2012, to be made up in the following fiscal year, is illustrated below:

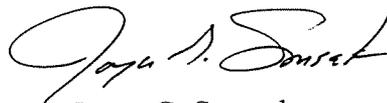
Deficit Example

Annual Compliance Level for FY 2013, Beginning July 1, 2012 = \$593,100
Deficit Amount from FY 2012 to be made up in FY 2013 = \$1,000
Deficit + (Deficit x Percent Change in CPI) = Adjusted Deficit
 $\$1,000 + (\$1,000 \times 3.0 \text{ percent}) = \$1,030$ (Adjusted Deficit)
Annual Compliance Level + Adjusted Deficit = Adjusted Compliance Level
 $\$593,100 + \$1,030 = \$594,130$ (Adjusted Annual Compliance Level)

Computation for Adjusting Deficits Resulting from an Audit

As a result of an audit, a facility may be required to make up a deficit prorated over the number of years remaining in its period of obligation. You should use CPI Adjustment Table 2 to determine the CPI adjustment for a deficit incurred in a fiscal year beginning prior to March 12, 2011, for which a portion is required to be made up in a subsequent fiscal year. For example, if a facility had a deficit at the end of fiscal year 2011, a portion of which is required to be made up in its fiscal year beginning July 1, 2012, the CPI adjustment will be 6.5 percent applied to that portion of the deficit required to be made up in that year.

If you have any questions, please contact the Division of Health Facilities, Healthcare Systems Bureau, Health Resources and Services Administration, Parklawn Building, 5600 Fishers Lane, Room 10-105, Rockville, Maryland 20857; telephone (301) 443-5656.



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Associate Administrator

Attachment

