



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-120 – Waivered Services
Department of Medical Assistance Services
March 5, 2013

Summary of the Proposed Amendments to Regulation

Pursuant to Chapter 3, Item 307 DDD of the 2012 Acts of the Assembly, the proposed changes will allow foster care children enrolled in Medicaid to receive services under the managed care service delivery system. In addition, the proposed changes will allow adoption assistance children to enroll in managed care.

Result of Analysis

The benefits likely exceed the costs for one or more proposed changes. There is insufficient data to accurately compare the magnitude of the benefits versus the costs on providers.

Estimated Economic Impact

Pursuant to Chapter 3, Item 307 DDD of the 2012 Acts of the Assembly, the proposed changes will allow foster care children enrolled in Medicaid to receive services under the managed care service delivery system. In addition, the Department of Medical Assistance Services (DMAS) is proposing to allow adoption assistance children to enroll in managed care. Children enrolled in foster care or adoption assistance have previously been exempted from enrollment into managed care, due primarily to the lack of managed care delivery systems statewide.

However, at the request of the City of Richmond Department of Social Services, beginning December 1, 2011, DMAS implemented a pilot program adding foster care children in Richmond City into managed care. According to DMAS, this program has shown great success and expansion of this program until all foster care/adoption assistance children statewide are enrolled in managed care is desirable.

Currently, there are 5,700 children in the foster care and 6,600 children in adoption assistance categories. In fiscal year 2012, the total Medicaid spending for these children was about \$120 million. The healthcare costs under the managed care delivery system are usually lower than the costs under the fee-for-service delivery system. Thus, the main fiscal benefit of the proposed regulations is the avoided cost difference between fee-for-service and the managed care delivery systems. The proposed changes are anticipated to provide \$5.75 million savings in fiscal year 2013 and \$5.5 million savings in fiscal year 2014. One half of the savings would accrue to the Commonwealth and the remaining half would accrue to the federal government since Virginia Medicaid is funded 50% by the state and 50% by the federal government.

In addition to the fiscal savings, requiring children in the foster care and adoption assistance categories to enroll in managed care is expected to enhance the coordination of services and the care received through case management, affording easier access to needed specialized care services by children who often have special medical care needs. This is particularly important for these populations as they can have histories of neglect and abuse which increases their physical, mental, and emotional vulnerabilities and medical care needs.

Furthermore, the managed care delivery system offers other value added services that the fee-for-service system does not. These value added services include 24-hour nurse line, toll-free member services helpline, free translation services, outreach and health education materials, special programs to help control conditions like asthma and diabetes, well-adult checkups, and no co-payments for any covered service.

Since the proposed regulations make it possible to provide services through the managed care system, these changes have an impact on both the networks of the managed care system and the fee-for-service system. The managed care providers and providers in the network of managed care organizations will now be able to offer their services to foster care and adoption assistance children. The fee-for-service providers, on the other hand, will no longer be the only providers offering services to these children. However, it is possible that some providers belong to both networks.

Businesses and Entities Affected

The proposed regulations will allow approximately 12,300 foster care and adoption assistance children to enroll in six managed care organizations operating in the Commonwealth.

The number of unique providers that may be either in fee-for-service or managed care networks is 52,818.

Localities Particularly Affected

The proposed regulations apply to all localities.

Projected Impact on Employment

The proposed regulations are anticipated to shift up to 12,300 children from the fee-for-service provider network to the managed care provider network. Thus, while the managed care network and their providers may see an increase in their demand for labor, providers in the fee-for-service network are expected to see a corresponding decrease. However, a provider may belong to both networks.

Effects on the Use and Value of Private Property

Increased demand for services for the managed care network and their providers is expected to have a positive effect on their asset values while reduced demand is expected to hurt asset values of fee-for-service network providers.

Small Businesses: Costs and Other Effects

None of the six managed care organizations are small businesses. However, most of the providers in their networks and providers in fee-for-service networks are believed to be small businesses. The costs and other effects on these small businesses would be the same as discussed above.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There is no known alternative method that minimizes adverse impact while achieving the same goals.

Real Estate Development Costs

The proposed regulations are not expected to have any effect of real estate development costs.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.04 of the Administrative Process Act

and Executive Order Number 14 (10). Section 2.2-4007.04 requires that such economic impact analyses include, but need not be limited to, a determination of the public benefit, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has an adverse effect on small businesses, Section 2.2-4007.04 requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.