



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-50 – Amount, Duration, and Scope of medical and Remedial Care and Services
Department of Medical Assistance Services
November 27, 2012

Summary of the Proposed Amendments to Regulation

The proposed regulations will eliminate Medicaid coverage for some drugs for some recipients that will be covered under Medicare Part D drug benefit effective January 1, 2013.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

The proposed regulations will eliminate Medicaid coverage for benzodiazepines for all conditions and barbiturates, for patients with diagnoses of epilepsy, cancer or a chronic mental health disorder for full benefits dual eligibles (Medicaid recipients who are also eligible for Medicare benefits). Effective January 1, 2013, these drugs will be covered for full benefit dual eligibles under their Medicare Part D drug benefit. This additional Medicare Part D coverage is being provided as a result of the passage of Section 175 of the Medicare Improvement for Patients and Providers Act of 2008, which amended section 1860D-2(e)(2)(A) of the Act to include barbiturates “used in the treatment of epilepsy, cancer, or a chronic mental health disorder” and benzodiazepines for all conditions in their existing Medicare Part D coverage. Because of this additional Part D drug coverage, Virginia Medicaid will no longer provide these classes of drugs to full benefit dual eligibles.

According to Department of Medical Assistance Services (DMAS), there were 25,607 dual eligible recipients who received one of these drugs from Medicaid at a cost of approximately \$2.2 million in total funds in fiscal year 2012. Since Medicare Part D, a 100% federally funded program, will start paying for these drugs at the beginning of 2013, Virginia Medicaid expenditures are anticipated to decrease by \$2.2 million per year. Of this amount, \$1.1

million will be savings in state funds and the rest will be savings in federal funds. As a result, the proposed change will save the Commonwealth approximately \$1.1 million annually and increase the influx of federal funds coming to Virginia by the same amount. An increased influx of federal funds is likely to have an expansionary economic effect on the Commonwealth's economy.

DMAS plans to notify approximately 1,000 Medicaid enrolled pharmacies of this coverage change. In addition, DMAS reports that the Part D plans have informed patients of their expanded coverage. Moreover, Medicaid enrolled pharmacies that provide coverage to full benefit dual eligibles also participate in the Medicare Part D plans that will be providing this additional coverage. Thus, DMAS anticipates no disruption in coverage while recipients transition to a different payor for these drugs. In short, no significant economic effect is expected on affected recipients and pharmacies.

Businesses and Entities Affected

There are approximately 25,607 dual eligible recipients who received one of these drugs from Medicaid in fiscal year 2012 and there are approximately 1,000 enrolled pharmacies in the Medicaid program.

Localities Particularly Affected

The proposed changes apply throughout the Commonwealth.

Projected Impact on Employment

The expected \$1.1 million increase in the influx of federal funds coming into Virginia should have an expansionary economic impact on the state's economy and help increase employment.

Effects on the Use and Value of Private Property

No significant economic effect is expected on the use and value of private property.

Small Businesses: Costs and Other Effects

No significant costs and other effects are expected on small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed regulations are not anticipated to have a significant adverse impact on small businesses.

Real Estate Development Costs

No effect on real estate development costs is expected.

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.H of the Administrative Process Act and Executive Order Number 14 (10). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, 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 adverse effect on small businesses, Section 2.2-4007.H 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.