



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-40 – Eligibility Conditions and Requirements
Department of Medical Assistance Services
January 9, 2009

Summary of the Proposed Amendments to Regulation

The proposed regulations will eliminate several loopholes and lack of clarity that exist in eligibility rules that allow individuals to shelter resources in excess of the Medicaid limits.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

The Department of Medical Assistance Services (DMAS) proposes to eliminate several loopholes and lack of clarity that exist in Medicaid eligibility conditions and requirements that allow individuals to shelter resources in excess of the Medicaid limits. More specifically, the proposed regulations will clarify that the value of real property considered in eligibility determinations is 100 percent of the tax assessed value, establish that holders of savings bonds must make all reasonable efforts to liquidate saving bonds so that they can be taken into account in the eligibility determinations, clarify that medical and remedial expenses incurred during a transfer of assets penalty period cannot be deducted in the post eligibility patient pay calculations, establish that multiple, fractional, uncompensated transfers of assets will be treated as one transfer in determining the period of ineligibility. The loopholes and lack of clarity that exists under the current regulations allow sheltering of assets and defy the purpose of the Medicaid program, which is to provide health benefits to those who cannot afford them.

The main benefit of the proposed changes is to restrict the sheltering of assets through holding bonds, through using different methods when establishing the current value of a real estate, through deducting medical expenses incurred during the penalty period, etc. The Commonwealth will realize some cost savings, as public funds will not be expended on

individuals who can afford to purchase their own long-term care. The Commonwealth will realize approximately one half of the cost savings and the federal government will realize the other half. However, there is no reliable information available to estimate the likely size of the expected cost savings. The main costs of this proposal, however, will accrue to those individuals planning to use these loopholes and lack of clarity in order to qualify for Medicaid assistance.

Businesses and Entities Affected

The proposed regulations will primarily affect the individuals planning to use existing loopholes and lack of clarity in eligibility conditions in order to qualify for free public health care. There is no reliable information available to estimate the number of such individuals.

Localities Particularly Affected

The proposed regulations apply throughout the Commonwealth.

Projected Impact on Employment

The proposed regulations' impact on employment depends on many factors that are impossible to predict. For example, the individuals becoming no longer eligible for Medicaid may continue to receive the health care services from their own resources or could stop receiving them. Also, the expected savings may be used to purchase other goods and services or not spent. Thus, the impact on employment could be positive, negative, or insignificant depending on how individuals and state respond to the proposed changes.

Effects on the Use and Value of Private Property

Similarly, the impact on the use and value of private property cannot be estimated with any reasonable degree of accuracy as it depends on responses of individuals and the state to this regulatory change.

Small Businesses: Costs and Other Effects

The proposed regulations are not anticipated to create any significant costs or other economic effects on small business as they are related to Medicaid eligibility of individuals.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed regulations are not expected to affect small businesses.

Real Estate Development Costs

The proposed regulations are not expected to affect 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.H of the Administrative Process Act and Executive Order Number 36 (06). 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.