



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-50; 60; 70 – Amount, Duration, and Scope of Services: Restrictions on Coverage of Out-of-State Hospital Services; Department of Medical Assistance Services (DMAS)

May 10, 2000

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G 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. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The proposed regulatory action sets out limits on coverage of inpatient hospital services provided in hospitals located outside of Virginia. The proposed provisions establish prior authorization requirements as well as additional standards which must be met before DMAS will cover out-of-state inpatient hospital services.

Estimated Economic Impact

DMAS coverage of inpatient hospital services does not currently distinguish between in-state and out-of-state facilities. The proposed regulation would limit use of out-of-state hospitals to only situations when the service is medically necessary and meets one of the following criteria:

1. A medical or surgical emergency exists;
2. The recipient's health would be endangered if he were required to travel back to the Commonwealth to obtain needed inpatient hospital services;

3. The Commonwealth determines, on the basis of medical advice, that the needed inpatient hospital services or necessary supplementary resources, are more readily available in another state; or
4. It is the general practice for recipients in a particular locality to use inpatient hospital resources in another state.

Use of out-of-state general acute care hospital services in circumstances other than those listed above would be denied, however DMAS would recognize exceptional circumstances based on the medical needs of the patient.

The proposed regulation will benefit those inpatient hospitals in Virginia that experience higher cash flows by providing care to Virginia Medicaid recipients who, in the past, had sought care in other state's hospitals. DMAS estimates that it paid approximately \$5.7 million of Virginia Medicaid funds to out-of-state hospitals, primarily in North Carolina and Maryland in FY 1999. Some portion of this amount will be spent in Virginia hospitals under the proposed coverage policy. No impact on quality of care is expected for recipients who have a true medical need to obtain inpatient hospital services out-of-state as they will be permitted to do so by the exceptions allowed in the policy.

However, Medicaid recipients who currently choose to use out-of-state hospital facilities for reasons that do not fall under the proposed coverage criteria (i.e., a perception of higher quality services) will be negatively affected by this proposal. While it is not known if the proposed regulation will actually result in any reduction in quality of care received for these individuals, the proposed coverage policy does restrict recipients' choice as to where they can obtain needed inpatient hospital services.

Businesses and Entities Affected

As of May 2000, there were 337,291 individuals enrolled in the Virginia Medicaid program (excluding individuals who are enrolled in managed care (HMO) programs). The proposed changes will affect Virginia Medicaid recipients who prefer to use out-of-state hospital facilities for reasons that do not fall under the proposed coverage criteria.

There are 116 general acute care hospitals and free standing psychiatric hospitals in Virginia that may be affected by the proposed out-of-state hospital coverage restrictions. DMAS expects that border states' hospitals that have been providing care to Virginia Medicaid

recipients (mainly Duke University Hospital, N.C. Baptist Hospital, and Johns Hopkins Hospital) will object to the proposed restriction.

Localities Particularly Affected

No localities are particularly affected by the proposed changes to this regulation.

Projected Impact on Employment

The proposed changes to this regulation are not anticipated to have a significant effect on employment.

Effects on the Use and Value of Private Property

The proposed changes to this regulation are not anticipated to have a significant effect on the use and value of private property.