

Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



Virginia Department of Planning and Budget Economic Impact Analysis

12 VAC 30-121 Medicare-Medicaid Demonstration Waivers
Department of Medical Assistance Services
Town Hall Action/Stage: 4016 / 7300
September 8, 2016

Summary of the Proposed Amendments to Regulation

Pursuant to legislative mandates from the 2013, 2014, and 2015 Acts of Assembly¹ relating to the coordinated care of healthcare services, the Board of Medical Assistance Services (Board) promulgated a new chapter² of the Virginia Administrative Code on an emergency basis.³ The Board now proposes to promulgate the chapter on a permanent basis.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

The Department of Medical Assistance Services (DMAS) implemented the Commonwealth Coordinated Care (CCC) program to combine certain aspects of Medicaid managed care and long-term care and Medicare into one program. To accomplish its goal, DMAS included certain populations and services previously excluded from managed care into a

¹ (i) Chapter 806 Item 307 AAAA of the 2013 Acts of the Assembly, Chapter 3 Item 301 HHH of the 2014 Acts of Assembly, and Chapter 665 Item 301 HHH of the 2015 Acts of the Assembly; (ii) Chapter 806 Item 307 RRRR of the Acts, and; (iii) Item 307 RR of the 2013 Acts of the Assembly, Chapter 3 Item 301 TTT of the 2014 Acts of the Assembly, and Chapter 665 Item 301 TTT of the 2015 Acts of the Assembly.

² 12 VAC 30-121

³ For the text of the emergency regulation and other details, see <http://register.dls.virginia.gov/details.aspx?id=4750>.

new managed care program. The program was implemented through an emergency action; and now the Board proposes to make the regulation permanent so that the program can continue past the expiration of the emergency regulation.

Federal Government Impetus for this Action

In 2011, the federal Centers for Medicare and Medicaid Services (CMS) announced an opportunity for states to align incentives between Medicare and Medicaid. CMS created a capitated model of care through which full-benefit dual eligible individuals would receive all Medicare and Medicaid covered benefits from one managed care plan and the health plans would receive a blended capitated rate. In May 2013, DMAS was accepted into the demonstration. The demonstration began on January 1, 2014, and is expected to operate through December 2017.

Substance of this Proposal

This regulatory proposal establishes on a permanent basis the CCC program, which allows DMAS to combine certain aspects of Medicaid managed care and long-term care and Medicare into one program. CCC provides integrated care to dual eligible individuals who are eligible for both Medicare and Medicaid and who were excluded from participating in Virginia's managed care programs. This change enables these participants to access their primary, acute, behavioral health services, and long-term care services through a single managed delivery system, thereby increasing the coordination of services across the spectrum of care.

Covered services under the CCC include the following:

- All Medicare Parts A, B, and D services (including inpatient, outpatient, durable medical equipment, skilled nursing facilities, home health, and pharmacy);
- The majority of Medicaid State Plan services that are not covered by Medicare, including behavioral health and transportation services;
- Medicaid-covered Elderly or Disabled with Consumer Direction (EDCD) Waiver services: adult day health care, personal care (consumer-and agency-directed), respite services (consumer-and agency-directed), personal emergency response system, transition coordination, and transition services;
- Personal care services for persons enrolled in the Medicaid Works program;

- Nursing facility services; and,
- Flexible benefits that will be at the option of participating plans.

The eligible populations include adults (21 years of age and older) who are eligible for both Medicare and Medicaid (full-benefit duals only), including individuals enrolled in the home and community-based care EDCD Waiver program and individuals residing in nursing facilities. The program is voluntary.

Effect

The option of CCC likely benefits those qualified individuals who choose to participate. The program offers dual eligible individuals care coordination, health risk assessments, interdisciplinary care teams, and plans of care, which are otherwise unavailable for this population. Care coordination increases the likelihood that patients receive appropriate and timely services.

Additionally, CCC is designed to provide cost savings. DMAS estimates that the Medicaid savings for individuals enrolling in CCC were \$2.5 million in fiscal year 2015 and \$4.4 million in fiscal year 2016. Thus, the proposed regulation should provide a net benefit.

Businesses and Entities Affected

The proposed regulation applies to the three health insurance firms with Medicare/Medicaid Plans that have contracted with CMS and DMAS for the CCC program. None qualify as a small business. The proposed regulation also affects individuals qualified to enroll in CCC. As of August 1, 2016 there were 61,595 people eligible for the program and 27,294 that had enrolled.⁴

Localities Particularly Affected

The CCC program is available in the following localities: Albemarle, Alexandria, Alleghany, Amelia, Arlington, Augusta, Bath, Bedford City, Bedford County, Botetourt, Brunswick, Buckingham, Buena Vista, Caroline, Charles City, Charlottesville, Chesapeake, Chesterfield, Colonial Heights, Covington, Craig, Culpeper, Cumberland, Dinwiddie, Emporia, Essex, Fairfax City, Fairfax County, Falls Church, Fauquier, Floyd, Fluvanna, Franklin City,

⁴ Source: Department of Medical Assistance Services

Franklin County, Fredericksburg, Giles, Gloucester, Goochland, Greene, Greensville, Hampton, Hanover, Harrisonburg, Henrico, Henry, Highland, Hopewell, Isle of Wight, James City, King and Queen, King George, King William, Lancaster, Lexington, Loudoun, Louisa, Lunenburg, Madison, Manassas City, Manassas Park City, Martinsville, Mathews, Mecklenburg, Middlesex, Montgomery, Nelson, New Kent, Newport News, Norfolk, Northampton, Northumberland, Nottoway, Orange, Patrick, Petersburg, Poquoson, Portsmouth, Powhatan, Prince Edward, Prince George, Prince William, Pulaski, Radford, Richmond City, Richmond County, Roanoke City, Roanoke County, Rockbridge, Rockingham, Salem, Southampton, Spotsylvania, Stafford, Staunton, Suffolk, Surry, Sussex, Virginia Beach, Waynesboro, Westmoreland, Williamsburg, Wythe, and York.⁵

Projected Impact on Employment

The proposed regulation does not significantly affect employment.

Effects on the Use and Value of Private Property

The proposed regulation does not significantly affect the use and value of private property.

Real Estate Development Costs

The proposed regulation does not affect real estate development costs.

Small Businesses:

Definition

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

Costs and Other Effects

The proposed regulation does not significantly affect costs for small businesses.

Alternative Method that Minimizes Adverse Impact

The proposed regulation does not adversely affect small businesses.

⁵ Ibid

Adverse Impacts:**Businesses:**

The proposed regulation does not adversely affect businesses.

Localities:

The proposed regulation does not adversely affect localities.

Other Entities:

The proposed regulation does not adversely affect other entities.

Legal Mandates

General: The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

Adverse impacts: Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.

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