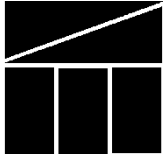


Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes  Not Needed

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 30-70 Methods and Standards for Establishing Payment Rates; in-Patient Hospital Care**

**12 VAC 30-80 Methods and Standards for Establishing Payment Rates; Other Types of Care**

**Department of Medical Assistance Services**

**Town Hall Action/Stage: 5101/8353**

September 6, 2018

---

### **Summary of the Proposed Amendments to Regulation**

The Board of Medical Assistance Services (Board) proposes to tie sunseting of Medicaid inpatient and outpatient supplemental payments made to private hospital partners of teaching hospitals to another regulatory action currently underway.

### **Result of Analysis**

The benefits likely exceed the costs for the proposed regulation.

### **Estimated Economic Impact**

Private hospital partners of teaching hospitals, Prince William, Culpeper, and Haymarket hospitals, currently receive approximately \$14 million annually in inpatient and outpatient supplemental payments from Medicaid under these regulations. As a part of the Medicaid expansion in Virginia, an emergency regulatory action is currently underway to impose assessments on private acute care hospitals to fund new Medicaid coverage for adults.<sup>1</sup> The emergency action would also establish new supplemental inpatient and outpatient payments at a broader scale, for about 69 qualifying private acute care hospitals in Virginia, thereby revising

---

<sup>1</sup> <http://townhall.virginia.gov/L/ViewAction.cfm?actionid=5100>

the current supplemental payment methodology for the three hospitals. The proposed regulation states that the current supplemental payments will cease when the new payment methodology becomes effective.

The financial impact of the methodology change on the three affected hospitals would be the difference between what they would receive after the effective date of state plan amendments as reflected in the emergency regulation and what they would receive under the current regulation.<sup>2</sup> However, even though the new methodology is already established in the emergency regulation, the Department of Medical Assistance Services (DMAS) has not yet calculated the amounts of supplemental payments that will be due to the qualifying hospitals. Therefore, the differences in payments are not known at this time. In addition, the proposed regulation is not by itself sufficient to end the current supplemental payments as it ties the effective date of such change to another regulatory action. In essence, any difference in supplemental payments to the affected three hospitals would be the result of the new regulation currently being promulgated rather than this one. The proposed regulation is mainly beneficial in that it clarifies how and when existing payments will be replaced eliminating the possibility of asymmetric information and asymmetric expectations between DMAS and the hospitals.

### **Businesses and Entities Affected**

The proposed amendments apply to three private hospital partners of the University of Virginia Health System: Prince William, Culpeper, and Haymarket hospitals.

### **Localities Particularly Affected**

Prince William, Culpeper, and Haymarket hospitals are located in Manassas, Culpeper, and Haymarket respectively.

### **Projected Impact on Employment**

No impact on employment is expected upon promulgation of this proposed regulation.

### **Effects on the Use and Value of Private Property**

No effects on the use and value of private property is expected upon promulgation of this proposed regulation.

---

<sup>2</sup> DMAS expects the emergency regulation to be effective on September 30, 2018.

## **Real Estate Development Costs**

No impact on real estate development costs is expected.

## **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 affect small businesses.

### **Alternative Method that Minimizes Adverse Impact**

The proposed regulation does not adversely affect small businesses.

## **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 14 (as amended, July 16, 2018). 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.