



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **12 VAC 30-120 – Department of Medical Assistance Services Individual and Family Developmental Disabilities Support Waiver March 18, 2003**

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.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**

Pursuant to 2002 Acts of Assembly<sup>1</sup>, the proposed regulations allow automatic transfer of certain children receiving services under the Mental Retardation Waiver to the Individual and Family Developmental Disabilities Support (IFDDS) Waiver. This change applies to children who do not have a diagnosis of mental retardation, but are at risk of developmental delays because of a related condition, as defined in 42 CFR 435.1009, when they reach age six at which time the transfer may take place. The proposed permanent changes are already effective since October 1, 2002, under emergency regulations.

### **Estimated Economic Impact**

The Department of Medical Assistance Services (the department) may provide community based services to individuals with related conditions under two programs: the Mental Retardation (MR) Waiver or the Individual and Family Developmental Disabilities Support

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<sup>1</sup> Chapter 899, Item 325 W.

(IFDDS) Waiver; the determining factors are the diagnosis of mental retardation and the individual's age. While the MR waiver is for those persons who are diagnosed with mental retardation, the IFDDS waiver is for those persons who do not have a diagnosis of mental retardation, but are at risk of developmental delays because of a related condition. However, the determination of mental retardation is not typically made for children under six. Thus, children at risk of developmental delay are served under the MR waiver until they reach age six when a medical determination for mental retardation may be made.

When these children reach age six and are diagnosed with mental retardation, they continue to receive services under the MR waiver. Children who are not diagnosed with mental retardation are no longer provided services under the MR waiver following their sixth birthday. However, if they have related conditions such as autism, brain injury, spina bifida, etc. (but not mental retardation), they are eligible for services under the IFDDS waiver.

Prior to the emergency regulations, provision of services under the IFDDS waiver was subject to availability of an open slot in this program. The number of federally approved IFDDS waiver slots is 323. Since the department may not serve more than 323 individuals under the IFDDS waiver, some children were at risk of being placed on a waiting list and not getting any waiver services. The proposed changes will allow the department to automatically transfer the six-year olds from the MR waiver to the IFDDS waiver regardless of the number of available slots. In other words, the number of available slots under the IFDDS waiver will automatically increase so that the eligible children continue to receive community based services without interruption.

These services include in-home residential support, day support, personal care, respite care, skilled nursing, personal emergency response systems, crisis stabilization, supported employment, prevocational services, etc. The main goal of these services is to keep waiver recipients in their homes and communities and prevent institutionalization. Also, some services are designed to improve job skills and help with employment.

The department expects to transfer a few (one to three) children from the MR waiver to the IFDDS waiver annually. The average cost in the IFDDS waiver is \$27,000 per slot per year. Thus, the Medicaid expenditures may increase by \$27,000 to \$81,000 annually. The total cost of this change in the long-term not only depends on the additional annual enrollment, but also on

the duration of the enrollment in this program. According to the department, once recipients enroll, it is very unlikely for them to leave the program. Thus, the long-term economic effects of this change are likely to be more significant than its potential short-term effects. Approximately half of the Medicaid spending for this waiver is financed by state support and the remaining half is financed by federal support. Although the expenditures will most likely increase, providing these services under this waiver will allow Virginia to reap the full benefits at half price.

The main benefit of the proposed changes is the continuing utilization of waiver services by children who would otherwise experience interruption in service delivery. Thus, there is likely to be a significant improvement in the treatment and consequently in the quality of life of these recipients as well as their parents lives due to continuing waiver services. Institutional treatment of these children may be necessary without the proposed changes. Thus, there may be added non-monetary benefits to the recipients and the society by keeping these children in their homes and communities. There may also be some other benefits depending on the types of services received. For example, supported employment or vocational services may help recipients in acquiring additional skills and getting employment.

Financially, the increased utilization in the waiver has the potential to provide some cost savings by averting institutional care. The average cost of institutional care for an individual is three to four times higher than the average cost for an individual served by the IFDDS waiver. Whether these savings will be realized depends on the likelihood of these children being placed in an institution.

## **Businesses and Entities Affected**

The proposed regulations will affect community based service providers and intermediate care facilities for the mentally retarded (ICFs/MR).

## **Localities Particularly Affected**

No locality is expected to be affected any more than others.

## **Projected Impact on Employment**

The actual effect on employment depends on the differences in labor requirements in alternative scenarios. If this change leads to an increase in the number of children served without any effect on institutional care, then a positive effect on labor demand is expected. If, on

the other hand, there is a corresponding decrease in institutional care, expected positive effect may be outweighed by the labor demand decrease in ICFs/MR. In any case, the short-term employment effect will probably be very small.

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

Similarly, the net effect on provider businesses is uncertain, as there may be a net increase or decrease in the services provided. In any event, the value of provider businesses is unlikely to change significantly in near future.