

### Agency Response to Economic Impact Analysis

The Department of Medical Assistance Services has reviewed the Economic Impact Analysis prepared by the Virginia Department of Planning and Budget and is in agreement with the overall conclusions of the report. However, the Department believes that the fiscal impact of the regulatory change should not be held constant from SFY 2006 to SFY 2007. Rather, it should be increased by some inflationary percentage for 2007, as hospital rates are routinely adjusted for inflation each year, and the fiscal impact of increasing the adjustment factor would also be affected by any inflation applied to hospital rates.