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

**12 VAC 30-150 –Uninsured Medical Catastrophe Fund**
**Department of Medical Assistance Services**
May 20, 2006

## Summary of the Proposed Regulation

The substantive proposed changes that will streamline the functioning of the Uninsured Medical Catastrophe Fund include 1) allowing the Department of Medical assistance Services to disburse funds to multiple providers, 2) allowing disbursement of additional funds for a recipient in addition to the original amount approved, and 3) reducing the application processing times. The remaining proposed changes are mainly clarifications of the current requirements.

## Result of Analysis

The benefits likely exceed the costs for one or more proposed changes. There is insufficient data to accurately compare the magnitude of the benefits versus the costs for one change.

## Estimated Economic Impact

These regulations apply to the Uninsured Medical Catastrophe Fund established in 1999. The fund has been used to provide a source of payment for medical treatment of uninsured medical catastrophes. The fund received 214 applications, approved 26 applications, and currently serving 5 applicants. Since its inception, the Department of Medical Assistance Services (DMAS) identified a number of difficulties undermining the effective administration of the fund.

Current regulations require a provider to be a designee for disbursement of funds to all providers involved in the treatment of a recipient. The designated provider receives a global fee for all of the services in the treatment plan and is required to disburse all funds to other medical providers rendering services. However, many providers are unwilling to or unable to enter into a binding agreement with DMAS to assume the responsibility of disbursing all the payments to all of the providers rendering services. The difficulty associated with the disbursement methodology has been causing denial of services to some otherwise eligible applicants and has been placing unnecessary administrative burden on the applicant and the providers. The proposed changes will allow DMAS to reimburse service providers individually for the services rendered. This proposed change will remove an administrative barrier for recipients in accessing services and increase their chances of receiving the treatment they need. According to DMAS, reimbursement of funds to individual providers is expected to add only minimally to the administrative costs.

Another proposed change will provide DMAS authority to commit additional funding for additional services needed by a recipient beyond the services identified in the original treatment plan. Currently, the fund does not provide any additional funding for services identified after the initial treatment plan is approved. Because the information regarding the needed services is imperfect at the time of the initial treatment plan, allowing flexibility to provide funding for additional services will increase the chances of a recipient to receive those services from the fund which would contribute to the health and well being of the recipient. However, provision of additional funding will reduce the available funding for other recipients on the waiting list. Because the net benefit of each dollar directed toward treatment of a catastrophic illness depends on the individual circumstances, the net impact of shifting some funds that would have been available to the applicants on the waiting list to the applicants already receiving services cannot be determined conclusively.

The proposed changes will also reduce the time allowed to provide requested information for application from 45 days to 30 days and the time allowed to make a determination on an application from 60 days to 45 days. According to DMAS, information necessary for an application is generally furnished within the first 30 days by the applicants. Thus, no significant effect is expected on the future applicants. Also, DMAS indicates that most eligibility decisions are made in less than 45 days and consequently this particular change is not likely to create any significant effect on the agency.

The proposed regulations also include a number of other minor revisions and clarifications that are not expected to create any significant economic effects. For example, the proposed changes will allow payment for services received between the date of the application and the date of the provider agreement. This change would normally cause an increase in the payments. However, currently the provider agreement could be back dated to the approval date of the application. As a result, this particular change is not expected to create any significant economic effects.

## Businesses and Entities Affected

The proposed changes will primarily affect the individuals applying for and receiving services from the Uninsured Medical Catastrophe Fund. Approximately 214 individuals applied for the program since 1999 and 26 were provided services.

## Localities Particularly Affected

The proposed regulations will not affect any locality more than others.

## Projected Impact on Employment

The proposed regulations are not likely to create any significant impact on employment.

## Effects on the Use and Value of Private Property

The proposed regulations are not likely to create any significant impact on the use and value of private property.

## Small Businesses: Costs and Other Effects

The proposed regulations are not likely to create any costs or other effects on small businesses.

## Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed regulations are not anticipated to have an adverse impact on small businesses.

## Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H 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. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB’s best estimate of these economic impacts.