



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

12 VAC 30-130 – Client Medical Management Program
Department of Medical Assistance Services
December 8, 2014

Summary of the Proposed Amendments to Regulation

The Department of Medical Assistance Services (DMAS) proposes to 1) reduce the time periods the individuals with excessive utilization patterns may be restricted to a single physician and/or a pharmacy from 36 to 24 months initially and from 36 to 12 months beyond the initial restriction period, and 2) add under-utilization among the factors that may cause an individual to be enrolled in the program.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

The Client Medical Management program restricts access of individuals who have a history of utilizing high numbers of different physicians and/or pharmacies for their primary health care services to a single physician and/or pharmacy.¹ Restriction in the program is for a defined period of time and the individual is required to establish a medical home with a single primary care physician and/or pharmacy once enrolled in the program. The initial restriction period is currently 36 months. If the high utilization patterns continue, the individual is required to stay in the program for an additional 36 months. The proposed changes will reduce the initial restriction period to 24 months and the subsequent restriction period to 12 months.

Currently, there are approximately 120 individuals enrolled in the program. DMAS estimates that the program provides approximately \$800,000 savings in total funds (federal and state funds) per year by controlling over utilization of medical services. DMAS also reports a

¹ The individuals with legitimate needs for having multiple physicians/pharmacies are not enrolled in the program.

7.8% recidivism rate in this program. However, DMAS believes that changing the restriction period to 24-months initially and 12 months for re-enrollment is appropriate. DMAS believes that no significant change in savings will materialize because the proposed less restrictive time periods are not expected to increase the current recidivism rate. In addition, DMAS highlights that as the managed care has expanded over the years, the fee-for-service population and consequently the CMM program enrollment has shrunk, allowing DMAS staff more time to focus on individual cases and improve the program's success by assisting and educating Medicaid individuals in the appropriate use of medical and pharmacy services.

In addition, the proposed changes will allow enrollment of individuals who are underutilizing services in the program. According to DMAS, underutilization of medically necessary services is not medically responsible or fiscally sound and can result in the further deterioration of an otherwise manageable health condition. While this change may add to the savings that may be expected, given the small size of the program, DMAS does not expect such savings to be significant.

This proposed action also includes numerous other changes; however, they reorganize or clarify the current language and therefore are not expected to have a significant economic impact.

Businesses and Entities Affected

The proposed amendments primarily affect individuals enrolled in the Client Medical Management program and DMAS. Currently, there are approximately 120 individuals enrolled in the program.

Localities Particularly Affected

The regulations apply throughout the Commonwealth.

Projected Impact on Employment

The proposed amendments are unlikely to significantly affect employment.

Effects on the Use and Value of Private Property

The proposed amendments are unlikely to significantly affect the use and value of private property.

Small Businesses: Costs and Other Effects

The proposed amendments are unlikely to significantly affect small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed amendments are unlikely to adversely affect small businesses.

Real Estate Development Costs

The proposed amendments are unlikely to affect real estate development costs.

Legal Mandate

General: The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia and Executive Order Number 17 (2014). Section 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:

- the projected number of businesses or other entities to whom the proposed 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.

Small Businesses: If the proposed regulation will have an adverse effect on small businesses, § 2.2-4007.04 requires that such economic impact analyses include:

- an identification and estimate of the number of small businesses subject to the proposed regulation,
- 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,
- a statement of the probable effect of the proposed regulation on affected small businesses, and
- a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation.

Additionally, pursuant to § 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 (JCAR) is notified at the time the proposed regulation is submitted to the *Virginia Register of Regulations* for publication. This analysis shall represent DPB's best estimate for the purposes of public review and comment on the proposed regulation.

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