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 30-120 Waivered Services
Department of Medical Assistance Services
Town Hall Action/Stage: 4766/8168
July 16, 2018

Summary of the Proposed Amendments to Regulation

The Board of Medical Assistance Services (Board) proposes to permanently adopt emergency regulations that establish Commonwealth Coordinated Care Plus (CCC Plus).

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

The 2016 Acts of Assembly, Chapter 780, Item 306.JJJ (3)[1] and the 2017 Acts of Assembly, Chapter 836, Item 306.JJJ (3)[2] directed the Department of Medical Assistance Services (DMAS) to transition individuals receiving long-term services and supports (LTSS) from the fee-for-service delivery model into the managed care model. In order to achieve that goal, DMAS implemented emergency regulations establishing CCC Plus.[3] The fee-for-service model is a payment method in which doctors and other health care providers are paid separately for each service performed. In the managed care model, a fixed fee is paid to a managed care organization per person per month regardless of that person's individual use of services.

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[1] https://budget.lis.virginia.gov/item/2016/1/HB30/Chapter/1/306/
[2] https://budget.lis.virginia.gov/item/2017/1/HB1500/Chapter/1/306/
[3] http://townhall.virginia.gov/l/ViewStage.cfm?stageid=7845

The CCC Plus program includes many of the core program values from the Commonwealth Coordinated Care program (CCC). CCC launched in March 2014 as a voluntary participation managed care program with three health plans. CCC Plus started on June 16, 2017 in phases across six regions of the Commonwealth. The final implementation phase occurred in January 2018 and included individuals transitioning from CCC as well as aged, blind, and disabled populations from the Medallion 3.0 managed care program. Enrollment into CCC Plus is required for qualifying populations. As of June 26, 2018, 207,448 individuals receiving LTSS have transitioned from the fee-for-service delivery model into the managed care model.

All programs authorized under section 1915(b) of the Social Security Act waiver authority, which this program is, must at least be budget neutral (no new costs). There are no additional projected costs related to implementing CCC Plus. This change is projected to shift $2,644,980,037 from calendar year 2018 fee-for-service expenditures into the CCC Plus managed care expenditures. Also, $1,286,348,313 is projected to shift into CCC Plus from other managed care programs. The total CCC Plus expenditures for calendar year 2018 is projected to be $3,931,328,350, which represents a budget neutral change.

While the overall expenditures are projected to remain the same, the providers receiving these funds will likely be different. However, the network of providers in the fee-for-service and managed care delivery models generally overlap to some degree. Thus, some providers will likely be affected more than others depending on whether they are in the CCC Plus managed care network.

CCC Plus is also expected to benefit LTSS recipients. According to DMAS, managed care offers care coordination and integration of care, which leads to better health outcomes and lower healthcare costs. Additionally, CCC Plus managed care organizations have the flexibility to provide innovative benefit plans and value based payment strategies that are not available under the fee-for-service delivery model. For example, coverage in CCC Plus can include dental and vision services as well as gym membership, and DMAS can withhold a portion of capitation payments if certain quality benchmarks are not met.

Another expected benefit is improved budget predictability. Under the fee-for-service model, the Commonwealth retains all financial risk associated with expenditure fluctuations due to changes in utilization per recipient. Under the managed care model, managed care organizations assume that risk because the capitation payment they receive remains the same regardless of the utilization at the individual recipient level.

Finally, DMAS notes that Virginia's managed long term services and supports efforts are consistent with national trends. Many states are moving LTSS into managed care programs and towards payment/outcome driven delivery models because (i) LTSS spending trends are unsustainable; (ii) managed care offers flexibility not otherwise available through fee-for-service; and (iii) there is an emphasis on care coordination/integration of care.

Businesses and Entities Affected

There are six managed care organizations contracted to implement CCC Plus. These organizations are: Aetna Better Health of Virginia, Anthem Health Keepers Plus, Magellan Complete Care of Virginia, Optima Health Community Care, UnitedHealthCare, Virginia Premier Elite Plus. These managed care organizations have contracts with qualified providers of medical, long-term care and behavioral health services. Individuals enrolled in CCC Plus are: already eligible for Medicaid (no new Medicaid eligibility standards have been created through this regulation), roughly half will also have Medicare, most will utilize long-term care services, most will be over 21, and most will be considered aged, blind or disabled. This population typically makes up roughly 30 percent of the current Medicaid population. As of June 26, 2018, 207,448 individuals receiving LTSS have transitioned from the fee-for-service delivery model into the managed care model.

Localities Particularly Affected

The CCC plus program does not particularly affect any locality.

Projected Impact on Employment

The impact on total employment is uncertain. DMAS plans redirecting any administrative staff savings from implementation of CCC Plus toward improving healthcare outcomes and efficiencies through monitoring managed care organizations. Managed care organizations would likely increase their demand for labor to manage long-term care needs of over 207,000 individuals. An efficient management of long-term care needs of over 207,000 individuals may reduce the demand for health care services and providers.

Effects on the Use and Value of Private Property

Generally, a positive impact on asset values of the six managed care organizations and long-term care providers partnering with the six managed care organizations may be expected due to likely increase in demand for their services. Conversely, a negative impact on asset values of fee-for-service long-term care providers that would no longer serve CCC Plus population should be expected.

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 effects of CCC Plus on small business long-term care providers that are in and out of the network of six managed care organizations are the same as stated above.

Alternative Method that Minimizes Adverse Impact

There is no known alternative method that minimizes the adverse impact on out-of-managed-care-network small businesses while accomplishing the same goal.

Adverse Impacts:

Businesses:

The proposed CCC Plus program may reduce the demand for services of those businesses who are outside the network of six managed care organizations contracted.

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 Number 17 (2014). 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.