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 Mandatory Capitated Managed Care Delivery System (Medallion 3.0)
Department of Medical Assistance Services
Town Hall Action/Stage: 4248/7189
October 2, 2015

Summary of the Proposed Amendments to Regulation

The Board of Medical Assistance Services (Board) proposes to amend its regulation for mandatory capitated managed care to make several clarifying changes and two substantive changes. The Board proposes substantive changes to shorten the time it takes to move people from fee-for-service Medicaid to managed care and to require individuals with Elderly or Disabled with Consumer Direction (EDCD) waivers who are not exempt to receive their acute and primary health care through managed care.

Result of Analysis

Benefits likely outweigh costs for these proposed changes.

Estimated Economic Impact

Current regulation contains many references to the Medallion II program of managed care which has been replaced by Medallion III. The Board proposes to remove references to Medallion II, as they are now obsolete, and to add more generic language that references mandatory managed care. At the same time, the Board proposes to harmonize language that refers to individuals who receive healthcare under this program by referring to them as "members" in all instances. No entity is likely to incur costs on account of clarifying changes

such as these. Interested parties are, however, likely to benefit as these changes are likely to make regulatory text easier to understand.

Current regulation has rules for individuals who newly sign up for Medicaid that establish how they will be pre-assigned a mandatory managed care plan and how they can go about selecting a different plan. Board staff reports that the pre-assignment process, and subsequent movement from fee-for-service Medicaid to a managed care plan, currently takes approximately 45-60 days. The Department of Medical Assistance Services (DMAS) has received federal approval to shorten this process (by about 15 days) and the Board now proposes to amend this regulation to facilitate this change. Board staff reports that this change may lead to long term costs saving for taxpayers but also reports that any savings are currently unquantifiable. Budget forecasts from DMAS completed in fiscal year 2015 did, however, include projected savings of $1,589,635 in fiscal year 2015 and $3,180,949 in fiscal year 2016. Board staff reports that pregnant women who are eligible for Medicaid will likely see a more immediate benefit from this change as it will allow them to have quicker access to DMAS's managed care delivery system which may reduce disruptions to the continuity of their care.

Currently, managed care eligible individuals who receive long term care waivers from the Commonwealth, except for the subset of individuals who have EDCD waivers, are mandated to receive their primary and acute care through a managed care plan unless they fall into a group that is excluded from participating in mandatory managed care[1]. The Board proposes to extend

[1] Individuals are excluded from participating in mandatory managed care if:1)they are receiving inpatient care in a state mental hospital; 2)they are approved by DMAS for receiving inpatient care in a long-term hospital, nursing facility or intermediate care facility for individuals with intellectual disabilities; 3)they are placed on spend-down; 4)they are participating in the family planning waiver or are in a federal waiver program for home-based and community based Medicaid coverage prior to managed care enrollment; 5)they are under age 21 and are approved for DMAS residential facility Level C programs as defined in 12VAC30-130-860; 6)they are pregnant women in the third trimester of pregnancy who request exclusion because their current obstetrical providers do not participate in the managed care organization to which the pregnant woman would be assigned; 7)they are individuals other than students who permanently live outside their area of residence for more than 60 consecutive days except individuals placed outside their area of residence for medically necessary services funded by the managed care plan to which they are assigned; 8)they are receiving hospice services in accordance with DMAS criteria; 9)they have other comprehensive group or individual health insurance coverage; 10)they request exclusion and are inpatient at a hospital (other than a state mental hospital, long-term care hospital, nursing facility or intermediate care facility for individuals with intellectual disabilities) at the scheduled time of managed care enrollment or they are scheduled for an inpatient hospital stay or surgery within 30 calendar days of the effective date of their managed care enrollment; 11)they request exclusion because they have been diagnosed with a terminal condition and have a life expectancy of six months of less; 12)they are between the ages of birth and three years old, are certified by the Department of Behavioral Health and Developmental Services as eligible for services under the Disabilities Education Act and are granted an exception by DMAS; 13)they have an eligibility period of less than three months; 14)they are enrolled in

this mandate in regulation to also cover individuals with EDCD waivers (who were actually transitioned into managed care programs in December of 2014). Since these individuals are already covered by Medicaid, it is unlikely that moving them into managed care plans for their primary and acute care caused taxpayers to incur any additional costs. To the extent that costs savings may be expected for individuals who receive care from a managed care plan when compared to the cost of fee-for-service plans, taxpayers may see some long term but as yet not quantifiable cost savings.

Businesses and Entities Affected

Board staff reports that these changes will affect any individuals who are newly enrolled in Medicaid, as they will be able to move more quickly into a managed care program, and all 2,700 individuals who have an EDCD waiver.

Localities Particularly Affected

No locality in the Commonwealth will be particularly affected by these proposed changes.

Projected Impact on Employment

These proposed changes are unlikely to impact employment in the Commonwealth.

Effects on the Use and Value of Private Property

These proposed changes will likely have no impact on the use or value of private property.

Real Estate Development Costs

These proposed changes will likely not affect real estate development costs.

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."

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the Commonwealth's Title XXI SCHIP program; 15)they have an eligibility period that is only retroactive or 16)they are children enrolled in the Virginia Birth-Related Neurological Injury Compensation Program.

Costs and Other Effects

No small businesses will incur costs on account of these regulatory changes.

Alternative Method that Minimizes Adverse Impact

No small businesses will incur costs on account of these regulatory changes.

Adverse Impacts:

Businesses:

No businesses will incur costs on account of these regulatory changes.

Localities:

These proposed changes are unlikely to adversely impact localities.

Other Entities:

These proposed changes are unlikely to adversely impact any other entity in the Commonwealth.

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.

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