



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-120 –Regulations to Establish a Day Support Waiver for Individuals with Mental Retardation

Department of Medical Assistance Services

May 3, 2006

Summary of the Proposed Regulation

The proposed regulations establish a Medicaid waiver program to provide day support and pre-vocational services to individuals with mental retardation. The proposed rules have been in effect since July 2005 under emergency regulations.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Pursuant to Item 326 LLL of the 2005 Acts of Assembly, these regulations establish Mental Retardation (MR) Day Support Waiver program for individuals with mental retardation. The program has been in effect since July 2005 under the emergency regulations. The waiver program is established under section 1915(c) of the federal Social Security Act, which encourages the states to provide home and community based services as alternatives to institutionalized care. The main purpose of waiver programs is to prevent or delay placement of persons in institutions by providing care for individuals in their homes and communities consequently avoiding high long-term care costs. States wishing to implement such waiver programs are required to demonstrate that the costs would be lower under a waiver than they would be without it.

The proposed waiver program provides day support services and pre-vocational services to individuals with diagnosis of mental retardation. The main goals of day support services include improving or maintaining the functional level of an individual through training, assisting, and supervising in self help, socialization, and adaptive skills. Pre-vocational services do not

include specifically job-task related skills, but provide training for accepting supervision, attendance, task completion, problem solving, and safety.

MR Day Support services are likely to have economic effects on the recipients, the state, and the health care system. Individuals are expected to benefit from these services in terms of being exposed to stimulating activities and social interaction and being provided support for employment. These services provide an alternative to MR waiver services and are likely to reduce the likelihood of institutionalization. Keeping individuals with mental retardation in their communities is known to reduce total health care costs. Currently, 3,154 individuals are on the waiting list for MR Waiver services. Of these, 1,566 need the services urgently. Even though the provision of day support services is believed to reduce the costs of institutional care, no data is available to indicate the magnitude of expected savings.

Despite the expected overall savings, the provision of day support services is not free. Currently, funding is provided for 300 individuals. The estimated fiscal cost for medical and administrative expenses is approximately \$5.8 million. One half of these funds is provided by the Commonwealth while the other half is provided by the federal government.

The administrative costs to the Department of Medical Assistance Services is estimated at 15% of a full time employee position in total valued at about \$15,000 including benefits, office supplies etc. There are additional administrative costs borne by the Department of Mental Health, Mental Retardation, and Substance Abuse Services for the operation of the program. These costs are estimated to be about \$7,500 corresponding to 3% of four staff persons time.

Businesses and Entities Affected

Currently, the number of individuals MR Day Support waiver could serve is 300 through approximately 119 day support providers and 55 prevocational providers.

Localities Particularly Affected

The proposed regulations apply throughout the Commonwealth.

Projected Impact on Employment

The proposed changes are expected to increase the demand for labor by providers in order to provide day support and prevocational services to recipients. Also, the administration of the program adds to the staffing needs of the Department of Medical Assistance Services and the

Department of Mental Health, Mental Retardation, and Substance Abuse Services creating a positive effect on demand for labor.

Effects on the Use and Value of Private Property

The proposed regulations are expected to increase the asset value of providers as their revenues and profits are expected to be positively affected.

Small Businesses: Costs and Other Effects

All of the 119 day support providers and 55 prevocational providers except about 30 Community Service Boards could be considered as small businesses. However, the proposed regulations are not likely to create any significant costs for the affected small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed regulations are not expected to have any 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.