



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

12 VAC 30-70 Methods and Standards for Establishing Payment Rates; In-Patient Hospital Services

Department of Medical Assistance Services

June 7, 2015

Summary of the Proposed Amendments to Regulation

The Department of Medical Assistance Services (DMAS) proposes to create new supplemental payments via intergovernmental transfers (IGTs) for: 1) private hospital partners of Type One hospitals¹ (both inpatient and outpatient services), 2) physicians affiliated with Eastern Virginia Medical School, and, 3) non-state government owned nursing facilities.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Under the language in the current regulations DMAS payments to some providers are limited by the General Fund appropriations in the budget used to fund the non-federal share. An alternative funding source for the non-federal share is IGTs. By using IGTs as a funding source, Virginia can draw down federal funds for higher payments to government providers or government-affiliated providers without spending additional state dollars. The policy under the proposed amendments increases Medicaid payments for targeted government providers or government-affiliated providers using IGTs to fund the difference between current provider payments and the maximum payments allowed by federal law. This is beneficial for Virginia in that the new policy increases funding for Virginia Medicaid providers without increasing Virginia state expenditures. The increased funding comes from federal dollars.

¹ "Type One" hospitals are those hospitals that were state-owned teaching hospitals on January 1, 1996. (12 VAC 30-70-221)

Item 301 DDDD of the 2014 Appropriation Act directed DMAS to promulgate regulations to allow for IGTs for three categories of providers: private hospital partners of Type One hospitals, physicians affiliated with the Eastern Virginia Medical School, and local government-owned nursing homes.² This language is repeated in Item 301 DDDD of the 2015 Appropriation Act.

The budget language gave DMAS the authority to “implement these changes prior to completion of any regulatory process undertaken in order to effect such change.” Thus, all of these changes are already in effect. Consequentially, this regulatory action is essentially a “housekeeping” measure to conform the regulatory text to both the budget language and the current practice as reflected by the state plan. Nevertheless, amending the regulatory language is beneficial in that it will improve clarity for the public concerning current rules.

The estimated supplemental payments via IGTs are:

Non-State Government-Owned Nursing Facilities \$15,522,400 (FY 2015)

Physicians Affiliated with Eastern Virginia Medical School \$1,438,000 (FY 2015)

Type One Private Hospital Partners \$4,202,300 (FY2014)³

Businesses and Entities Affected

The policy under the proposed amendments affect Culpepper Hospital, physician practices affiliated with Eastern Virginia Medical School, and 5 non-state government owned nursing facilities.

Localities Particularly Affected

The policy under the proposed amendments particularly affect Culpeper and Tidewater.

Projected Impact on Employment

The proposed amendments are unlikely to significantly affect employment.

² The regulatory text uses the term “non-state government-owned nursing facilities” since that is the standard federal language.

³ When this regulatory action was initiated, one hospital (Culpepper Hospital) qualified as private hospital partner of a Type One hospital. Culpepper Hospital no longer qualified as of September 30, 2014. Currently no hospital qualifies.

Effects on the Use and Value of Private Property

The proposed amendment does not significantly affect the use and value of private property.

Small Businesses: Costs and Other Effects

The proposed amendments do not increase costs for small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed amendments will not adversely affect small businesses.

Real Estate Development Costs

The proposed amendments will not 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 regulatory action 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 regulatory action 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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