



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-130 –Department of Medical Assistance Services Medallion May 7, 2004

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G 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. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

Substantive proposed changes add sanctions for violation, breach, or nonperformance of provider terms and addendum, pursuant to Item 325 R of the 2003 Appropriation Act, to conform to the federal law changes contained in the 1997 Balanced Budget Act. The proposed changes also reduce the maximum number of clients a primary care physician may serve from 2,000 to 1,500 and establish that clinics may not serve more than 10,000 recipients. The remaining changes are clarifications of the rules that are already in effect.

Estimated Economic Impact

These regulations contain rules for the Medallion managed care program. Under this program, a primary care physician coordinates or provides services according to the needs of the recipient. Currently, about 81,000 Medicaid recipients receive services from approximately 1,600 primary care physicians under these rules. The total Medicaid reimbursement to primary care providers under the Medallion program was approximately \$2.4 million in management fees and \$38.5 million for services provided to recipients in fiscal year 2003.

Several proposed changes are related to the amendments to the federal Balanced Budget Act of 1997, which required states to incorporate into their Medicaid regulations a number of new provisions. While states did not have any discretion with respect to many of these changes, a few allowed states some flexibility. Mandated changes with no state discretion have been incorporated in these regulations through an exempt regulatory action. This action incorporates several additional changes with respect to primary care physician penalties for noncompliance for which the Commonwealth has discretion to implement sanctions. The 2003 Appropriation Act, Item 325 R, provided authority to DMAS to adopt emergency regulations. Emergency regulations have been in effect since December 2003.

The proposed changes will establish several sanctions for violation of contract terms as explained in the table below.

| Violation | Sanction |
|---|--|
| Failure to provide medically necessary services, misrepresentations or false statements, marketing violations | Up to \$25,000 for each determination |
| Discrimination or misrepresentation, or false statements to the Commonwealth | Up to \$100,000 for each determination |
| Discriminatory practice preventing enrollment | Up to \$15,000 for each recipient, not to exceed \$100,000 overall limit |
| Imposing unauthorized cost-sharing measures | A maximum of \$25,000 or double the amount of excess charges, whichever is greater |

The proposed sanctions will provide DMAS an interim mechanism to pursue the violations listed in the table. Currently, such violations are addressed through the Department of Health Professionals licensing rules, or through the Attorney General's Office, but no intermediate direct mechanism exist for DMAS to pursue violations. The proposed sanctions are

expected to discourage violations, strengthen compliance, and consequently improve the quality of services and the welfare of recipients. However, there is no available data on the number of cases where a sanction may be imposed for a violation.

The proposed changes also reduce the maximum number of clients a primary care physician may serve from 2,000 to 1,500 and establish that federally qualified health centers, rural health centers, and certain health departments may not serve more than 10,000 recipients. According to DMAS, none of the primary care physicians or clinics is likely to serve more clients than the proposed levels. Thus, the changes with respect to client limits are not expected to create any significant economic effects.

The remaining changes are clarifications of the current rules. A number of these changes clarify which individuals are excluded from participating in the Medallion program. The excluded individuals include: (1) individuals in an intermediate care facility for the mentally retarded, or in a long-stay hospital, (2) individuals participating in home and community-based federal waiver programs, individuals enrolled in the Family Planning Waiver, or enrolled in the Family Access to Medical Insurance Security Plan, (3) individuals enrolled in Client Medical Management, (4) individuals enrolled in residential treatment or treatment foster care, (5) individuals whose eligibility period is retroactive only, and (6) individuals who receive hospice services. Some other clarifications include (7) that federally qualified health centers, rural health centers and certain local health departments may provide primary care physician services, and (8) that school health services, treatment of sexually transmitted diseases, targeted case management, transportation, pharmacy, substance abuse treatment for pregnant women, and mental health/mental retardation community rehabilitation services are exempt from referral requirements. All of the changes under this category are clarifications of the current rules and are not expected to result in any significant economic effects other than reducing communication costs that may otherwise be incurred to resolve confusions that may be caused by the current language.

Businesses and Entities Affected

Currently, about 1,600 primary care physicians are providing services to approximately 81,000 Medicaid recipients.

Localities Particularly Affected

The proposed regulations apply throughout the Commonwealth.

Projected Impact on Employment

If found in violation, primary care physicians under the Medallion program may now face monetary penalties. Such cases could result in closure of a physician office and cause layoffs.

Effects on the Use and Value of Private Property

If a monetary penalty is imposed on a non-compliant primary care physician, a reduction in profits and consequently a reduction in the value of his business would be expected.