



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-60-500 – Standards Established and Methods Used to Assure High Quality of Care: Alternative Benefits for Disease Management Services
Department of Medical Assistance Services
April 14, 2008

Summary of the Proposed Amendments to Regulation

Pursuant to the legislative mandates¹, the Department of Medical Assistance Services proposes to establish a voluntary disease management program for Medicaid adult and children fee-for-service recipients with chronic care conditions. The proposed regulations have temporarily been in effect since January 2006 under emergency regulations.

Result of Analysis

There is insufficient data to accurately compare the magnitude of the benefits versus the costs.

Estimated Economic Impact

Pursuant to the legislative mandates¹, the Department of Medical Assistance Services (DMAS) proposes to establish a disease management (DM) program for Medicaid fee-for-service recipients with chronic care conditions. The proposed permanent DM program covers all adult and children enrolled in the Medicaid fee-for-service delivery model who have asthma or diabetes and individuals 18 years and older² who have coronary artery disease, congestive heart failure, and chronic obstructive pulmonary disease. The participation in the program is voluntary. The proposed DM program has been known in practice as Healthy ReturnsSM program.

The purpose of a DM program is to improve the health status of the recipients with chronic diseases while reducing treatment costs. A DM program may improve health status by establishing a coordinated system of intervention and information sharing, encouraging

¹ 2006 Appropriation Act, Items 302 CC and GG and the 2007 Acts of Assembly, Chapter 847, Item 302 FFF.

healthcare providers to use proven practice guidelines, educating patients about their condition and how to avoid complications, and monitoring patient outcomes.³ Healthy ReturnsSM program specifically focuses on preventive care, promotion of self-management, and appropriate use of medical services.⁴ According to DMAS, approximately 14,488 recipients were actively enrolled in the program as of November 2007.

Currently, Medicaid recipients enrolled in managed care organizations have access to DM programs through their managed care organizations. The proposed regulations make access to DM programs available for fee-for-service recipients.

The main expected benefits of the program are improving the status and the quality of health outcomes and preventing more expensive and serious medical services such as inpatient admissions and emergency visits. Based on the preliminary evaluation of one-year results, DMAS finds the program generally successful in improving health outcomes, but acknowledges improvement is needed in some areas.⁴ While reducing health care costs is also an important goal of the program, there is no available data to measure the amount of savings the program may have produced.

On the other hand, providing DM services to about 15,000 recipients requires significant resources. DMAS provides DM services through a contractor. The contractor received \$2.3 million in Fiscal Year (FY) 2007 for DM services provided and the projected payments for the FY 2008 are \$4.2 million.

Businesses and Entities Affected

The proposed DM program will directly affect one DM contractor and the participating enrollees. As of November 2007, approximately 14,488 recipients were voluntarily enrolled in the program. The program may also have indirect effects on certain health care providers. As discussed above, DM programs increase utilization of preventative care in order to reduce inpatient admissions and emergency room visits.

² The emergency regulations covers individuals 21 years and older who have coronary artery disease, congestive heart failure, and chronic obstructive pulmonary disease.

³ Rural Medicaid Disease Management: Afterthought or Strategic Aim? Report of a National Study, The Council of State Governments and Julia F. Costich, J.D., Ph.D., August 2007.

⁴ Virginia Medicaid Healthy ReturnsSM Disease Management Program, Virginia Department of Medical Assistance Services, November 1, 2007.

Localities Particularly Affected

The proposed regulations apply throughout the Commonwealth. However, localities where managed care is not available are expected to be affected more than others.

Projected Impact on Employment

The effect of proposed DM program on employment is ambiguous. On one hand the demand for labor is expected to increase due to administration of the program and preventative health care services. On the other hand, demand for labor is expected to decrease due to likely reduction in inpatient admissions and emergency room visits. The net effect on labor demand is uncertain.

Effects on the Use and Value of Private Property

The proposed regulations are expected to increase the asset value of the contractor due to increased revenues and the asset value of premeditative health care service provider while the asset value of inpatient and emergency services are expected to decrease.

Small Businesses: Costs and Other Effects

The proposed regulations do not have a direct effect on any small businesses. However, if some of the Medicaid inpatient and emergency services providers are small businesses, there may be a reduction in their revenues.

Small Businesses: Alternative Method that Minimizes Adverse Impact

In order to implement a DM program, a reduction in the use of inpatient and emergency services appear to be unavoidable.

Real Estate Development Costs

There are no anticipated effects of the real estate development costs.

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 36 (06). 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.