



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-50 – Amount, Duration and Scope of Services
Department of Medical Assistance Services
October 9, 2009

Summary of the Proposed Amendments to Regulation

Pursuant to Chapter 781, Item 306 OO of the 2009 Acts of Assembly, the proposed changes implement a prior authorization review program for 1) case management services for seriously ill adults and emotionally disturbed children, 2) youth at risk of serious emotional disturbance, and 3) day treatment/partial hospitalization services, psychological rehabilitation, intensive community treatment, and mental health support services.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Pursuant to Chapter 781, Item 306 OO of the 2009 Acts of Assembly, the proposed changes implement a prior authorization review program for 1) case management services for seriously ill adults and emotionally disturbed children, 2) youth at risk of serious emotional disturbance, and 3) day treatment/partial hospitalization services, psychological rehabilitation, intensive community treatment, and mental health support services.

Under the proposed regulations, prior authorization will be required for reimbursement to ensure that the services are provided to those who truly need them. Prior authorization is a well known cost-containment mechanism. DMAS estimates that it will cost \$1.8 million per year in total funds to implement the prior authorization program through a contractor. The savings in term of reduced expenditures is expected to be about \$3.6 million per year in total funds.

Businesses and Entities Affected

The proposed regulations apply to case management, day treatment/partial hospitalization services, psychological rehabilitation, intensive community treatment, and mental health support services. In fiscal year 2008 there were 311,383 people with a serious mental illness in Virginia. Also, there are approximately 491 Medicaid providers of these services.

Localities Particularly Affected

The proposed regulations apply throughout the Commonwealth.

Projected Impact on Employment

The proposed prior authorization program will create additional demand for labor to administer the prior authorization program. However, a reduction in demand for the affected service providers is also expected. The net of the two opposing effects on employment is unknown.

Effects on the Use and Value of Private Property

The proposed regulations do not have a direct effect on the use and value of private property. However, increased demand for administrative services may have a positive effect on the asset value of the contracted prior authorization businesses and reduced demand for affected services may have a negative effect on the asset value of affected Medicaid services businesses.

Small Businesses: Costs and Other Effects

All of the 491 affected providers are believed to be small businesses. So, the costs and other affects discussed above apply to them.

Small Businesses: Alternative Method that Minimizes Adverse Impact

Given the legislative language, there does not seem to be an alternative method that would minimize the adverse impact.

Real Estate Development Costs

The proposed regulations are not anticipated to have an impact on 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.