



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-50; 80; 120 – Amount, Duration, and Scope of services; Targeted Case Management; Methods and Standards for Establishing Payment Rates – Other Types of Providers

Department of Medical Assistance Services

September 30, 2013

Summary of the Proposed Amendments to Regulation

Pursuant to Chapter 890, Item 297 UUUU of the 2011 Acts of the Assembly, the proposed regulations create a new model for Medicaid coverage of case management services for certain children.

Result of Analysis

The benefits likely exceed the costs for one or more proposed changes. There is insufficient data to accurately compare the magnitude of the benefits versus the costs for other changes.

Estimated Economic Impact

Pursuant to Chapter 890, Item 297 UUUU of the 2011 Acts of the Assembly, the proposed regulations create a new model for Medicaid coverage of case management services for children younger than three years of age who receive services in accordance with Part C of the federal Individuals with Disabilities Education Act. These children have (i) a 25% developmental delay in one or more areas of development, (ii) atypical development, or (iii) a diagnosed physical or mental condition that has a high probability of resulting in a developmental delay. The proposed changes have already been implemented under emergency regulations which became effective in October 2011.

Prior to the emergency regulations, there was no defined Medicaid case management service that met the needs of infants and toddlers with developmental disabilities who are being served by the Part C early intervention program. Community Services Boards (CSBs) were

billing Medicaid for targeted case management services for some of these children under provisions designed for individuals receiving services for mental health or intellectual disabilities. Although many children receiving early intervention services may technically fall within the definition of these other target groups, these case management models were not designed to be used for early intervention participants. These models included requirements that are not applicable to the early intervention population, and service providers are limited to CSBs.

The proposed regulations define a new approach to payment for case management services under Medicaid that supports the Part C early intervention model. The new Early Intervention Case Management service meets federal Part C requirements for care coordination as well as federal Medicaid requirements for case management reimbursement. Case managers are certified by the Department of Behavioral Health and Developmental Services (DBHDS) to ensure that they have the expertise to effectively address the needs of children with developmental delays and their families under the federal Part C program.

In addition to coordinating specialized services needed to ameliorate the child's developmental delay, this new case management model facilitate coordination with the child's primary care provider and supports quality preventive services such as well child care, immunizations, and lead testing, which are covered under the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program for all children enrolled in Medicaid. Some infants who receive services through the Part C early intervention program may also receive targeted case management services for high risk pregnant women and children. These services are designed to improve birth outcomes and reduce infant mortality by increasing access to care and promoting continuity of care for women with a high risk pregnancy through the prenatal period and infancy.

The proposed regulations revise the system of financing for Part C early intervention services in Virginia to make more efficient use of federal and state funds. Obtaining Medicaid reimbursement for required case management services ensures that the Commonwealth draw down available federal Medicaid match for those Part C services currently paid with state-only funds. With the new system, DBHDS no longer pays for services from state-only funds for the children who are now served through Medicaid. However, the magnitude of savings in state-only funds is not available at this time.

In addition, the reimbursement rate for services provided under the new model decreased. The average reimbursement rate under the old model was \$326.50 per child per month. Under the new model, the reimbursement rate is currently \$132 per child per month. Thus, the proposed changes make it possible to serve a larger population with the same amount of funds. For example, one year before the emergency regulations were implemented, \$4.9 million (state and federal funds combined) were spent to serve 2,724 children through Medicaid. The following year the total expenditures through Medicaid went down to \$4.3 million, and 6,952 children were served. In short, the proposed new financing model not only eliminated the state-only funds expended by DBHDS, but also reduced Medicaid expenditures while serving more children.

Businesses and Entities Affected

According to DMAS, there were 6,952 children served by this program within one year of the implementation of the emergency regulations. There are approximately 70 businesses providing early intervention services, of which 53 are enrolled with Medicaid.

Localities Particularly Affected

The proposed regulations apply throughout the Commonwealth.

Projected Impact on Employment

The proposed new financing of early intervention services eliminates state-only expenditures for early intervention services now paid through Medicaid. These funds now may be spent on other goods and services having a positive impact on employment in other sectors. On the other hand, reduction in reimbursement rates may discourage some of the early intervention providers from providing their services and have a negative impact on employment.

Effects on the Use and Value of Private Property

Under the proposed regulations, some businesses in other sectors may see an increase in their revenues which would have a positive impact on their asset values. On the other hand, early intervention providers would see a decline in their revenues due to reduction in the reimbursement rate which would negatively affect their profitability and asset values.

Small Businesses: Costs and Other Effects

Most if not all of the 70 businesses providing early intervention services in the Commonwealth are small businesses. Thus, the economic effects on providers discussed above apply to them.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There is no known alternative that minimizes the adverse impact on small businesses while accomplishing the same goals.

Real Estate Development Costs

No impact on real estate development costs is expected.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.04 of the Administrative Process Act and Executive Order Number 14 (10). Section 2.2-4007.04 requires that such economic impact analyses include, but need not be limited to, a determination of the public benefit, 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 an adverse effect on small businesses, Section 2.2-4007.04 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.