



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-50 – Amount, Duration, and Scope of Medical and Remedial Care Services
Department of Medical Assistance Services
December 27, 2013

Summary of the Proposed Amendments to Regulation

Pursuant to changes in federal law, the proposed regulations eliminate Medicaid coverage of benzodiazepines and barbiturates as of January 1, 2014 for recipients who will be eligible to receive these drugs under their Medicare coverage.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Prior to the Medicare Improvement for Patients and Providers Act of 2008 (MIPPA), federal law restricted coverage of these two drugs under Medicare Part D, but they were available through Medicaid.

Effective January 1, 2014, benzodiazepines and barbiturates will be covered for full benefit dual eligibles under Medicare Part D for all health conditions. This change resulted from the passage of both Section 175 of MIPPA and the Affordable Care Act of 2010. MIPPA amended section 1860D-2(e)(2)(A) of the Social Security Act to remove the blanket exclusion of these two drugs from Part D coverage. The Affordable Care Act amended section §1927(d)(2) of the Social Security Act, to require Medicare Part D coverage of benzodiazepines and barbiturates for any health condition, effective January 1, 2014.

Because of this additional Part D drug coverage, Virginia Medicaid no longer needs to provide this class of drugs to full benefit dual eligible individuals. Thus, the proposed regulations terminate coverage of benzodiazepines and barbiturates for approximately 109,000 full benefit dual eligibles. With this change, full benefit dual eligibles will obtain these two drugs from their

Medicare Part D pharmacy benefit provider, rather than through the Medicaid fee-for-service program.

While changes in coverage of these drugs will take place regardless of this regulatory action, the main economic impact of these changes is the shift in the funding sources. Currently, these drugs are paid by Virginia Medicaid which is funded jointly by state (50%) and by federal (50%) governments. As of January 1, 2014, Medicare program which is funded 100% by federal government will pay for these drugs. Thus, the Commonwealth will realize some fiscal savings and there will be additional federal funds coming into Virginia. Since additional federal funds coming into Virginia do not have offsetting reductions elsewhere in the state, these funds represent a net injection into Virginia's economy. These injections are likely to have positive impacts on state gross domestic product, employment, and income.

Businesses and Entities Affected

There are approximately 109,000 categorically and medically needy full benefit dual eligibles and approximately 1,000 pharmacies participating in the Medicaid program currently.

Localities Particularly Affected

The proposed regulations apply throughout the Commonwealth.

Projected Impact on Employment

This change should have a positive impact on employment in the Commonwealth as there will be some state fiscal savings and inflow of additional federal funds in the Commonwealth.

Effects on the Use and Value of Private Property

These changes are not anticipated to have a direct impact on the use and value of private property.

Small Businesses: Costs and Other Effects

These changes are not anticipated to have costs or other adverse impacts on small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

These changes are not anticipated to have an adverse impact on small businesses.

Real Estate Development Costs

No effect 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.