

Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes  Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



## Virginia Department of Planning and Budget Economic Impact Analysis

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**12 VAC 30-60 – Applicability of Utilization Review**  
**12 VAC 30-141 – Utilization Control – State Children’s Health Insurance Program**  
**Virginia Department of Medical Assistance Services**  
**Town Hall Action/Stage: 4426/7599**  
May 11, 2017

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### **Summary of the Proposed Amendments to Regulation**

The Director (Director) of the Department of Medical Assistance Services (DMAS) proposes to amend these regulations to outline the process of utilization review for the Medicaid and State Children’s Health Insurance Program (SCHIP) programs.

### **Result of Analysis**

Benefits likely outweigh costs for all proposed changes.

### **Estimated Economic Impact**

Current regulations require service providers to maintain certain records and states that DMAS or its designee will perform reviews of the utilization of all Medicaid-covered services but does not detail how those reviews will take place. The Director proposes to expand the description of a utilization review to include rules for the utilization review that have been set by case law or are part of the provider agreement that all providers must sign in order to receive Medicaid reimbursement. This additional description includes a requirement that providers supply documentation to DMAS or its designee “immediately upon demand or upon a timeframe specified in writing by DMAS or its designee” and requirements for Preliminary Findings Letters and for additional documentation allowed.

As all additional requirements in the proposed regulations are already part of the enforceable contract between DMAS and providers, or are likely enforceable due to prior court decision, no providers are likely to incur costs on account of these proposed regulatory changes. To the extent that these proposed changes add clarity to the requirements for utilization reviews, all interested parties will benefit.

**Businesses and Entities Affected**

These proposed regulatory changes will affect all Medicaid and SCHIP providers.

**Localities Particularly Affected**

No locality is likely to be particularly affected by these proposed regulatory changes.

**Projected Impact on Employment**

These proposed regulatory changes are unlikely to affect employment in the Commonwealth.

**Effects on the Use and Value of Private Property**

These proposed regulatory changes are unlikely to affect the use or value of private property in the Commonwealth.

**Real Estate Development Costs**

These proposed regulatory changes are unlikely to affect real estate development costs in the Commonwealth.

**Small Businesses:****Definition**

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

**Costs and Other Effects**

No small businesses are likely to incur any additional costs on account of these proposed regulatory changes.

### **Alternative Method that Minimizes Adverse Impact**

No small businesses are likely to incur any additional costs on account of these proposed regulatory changes.

#### **Adverse Impacts:**

##### **Businesses:**

No businesses are likely to incur any additional costs on account of these proposed regulatory changes.

##### **Localities:**

Localities in the Commonwealth are unlikely to see any adverse impacts on account of these proposed regulatory changes.

##### **Other Entities:**

No other entities are likely to be adversely affected by these proposed changes.

### **Legal Mandates**

**General:** The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

**Adverse impacts:** Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.

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