

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**

12 VAC 30-50 Amount, Duration, and Scope of Medical and Remedial Care and Services
Department of Medical Assistance Services
Town Hall Action/Stage: 4621/7688
March 28, 2017

Summary of the Proposed Amendments to Regulation

The proposed regulation will make permanent an emergency regulation providing Medicaid coverage for insect repellents prescribed to individuals of childbearing age and all pregnant women to prevent transmission of the Zika virus.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

On June 1, 2016, the Centers for Medicare and Medicaid issued guidelines describing Medicaid benefits available for prevention, detection, and response to the Zika virus and permitted coverage of insect repellents with a prescription. The Zika virus is spread to people primarily through the bite of an infected mosquito. The Zika virus can also be sexually transmitted between partners regardless of gender. Infection by the Zika virus during the early stages of pregnancy may cause babies to be born with microcephaly (i.e. an unusually small head, often accompanied by brain damage). Other problems have been detected in fetuses and infants infected with Zika virus, such as defects of the eye, hearing deficits, and impaired growth. Protection against mosquito bites is one of the major means of prevention in addition to mosquito control and contraceptives.

Upon request by the Department of Medical Assistance Services (DMAS) citing 48 confirmed cases of Zika virus infection in the Commonwealth, the Governor approved the issuance of an emergency regulation on August 12, 2016 to provide coverage for mosquito repellents to men and women between the reproductive ages of 14 through 44 years and all pregnant women. Approved repellents are those that have been evaluated and registered by the Environmental Protection Agency containing specific active ingredients. In addition, the repellent must be prescribed by an authorized health professional. However, recipients are advised to call their doctors or healthcare providers and ask them to send a prescription for the mosquito repellent to their pharmacy and not to request an office visit unless there is a medical necessity or it is required by the healthcare provider.

According to DMAS, there are approximately 4,700 pregnant women in Fee-for-Service Medicaid and FAMIS programs in any given month many of whom are at the early stages of pregnancy. Last year from middle of August to end of November, DMAS paid \$383.21 for 39 claims, or \$9.83 per claim.¹ DMAS expects a higher utilization in the upcoming year because the coverage will start at the beginning of May rather than the middle of August and the awareness of Zika risks and its coverage will likely be greater this year.

The main economic benefit of the proposed coverage is the prevention of children being born with microcephaly and other birth defects. A catastrophic impact on fetal development as a result of Zika virus infection could necessitate utilization of expensive ID/D Waiver or other waiver services later on. Avoidance of any such costs through prevention is the main economic benefit of this proposed regulation.

Businesses and Entities Affected

The insect repellents can be prescribed to Medicaid recipients between the ages of 14 through 44 years and all pregnant women under the proposed regulation. In the last Zika season, there were 39 claims paid.

Localities Particularly Affected

The proposed regulation applies statewide.

¹ Normally Medicaid pays a dispensing fee per prescription. The dispensing fee was \$3.75 prior to 1/9/2017 and now is \$10.65. However, a pharmacy may not bill more than its usual and customary price and therefore may not be able to bill for the dispensing fee. In other words, a pharmacy would not be paid more than what a cash paying customer would pay for a repellent.

Projected Impact on Employment

No significant impact on employment is expected.

Effects on the Use and Value of Private Property

No significant impact on the use and value of private property is expected.

Real Estate Development Costs

No impact on real estate development costs is expected.

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

The coverage of insect repellents by public funds would theoretically lead to increased sales at pharmacies some of which are small businesses. However, the magnitude of this effect based on last year’s data was negligible (i.e. \$383.21).

Alternative Method that Minimizes Adverse Impact

No adverse impact on small businesses is expected.

Adverse Impacts:**Businesses:**

The proposed amendments do not have an adverse impact on non-small businesses.

Localities:

The proposed amendments will not adversely affect localities.

Other Entities:

The proposed amendments will not adversely affect other entities.

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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