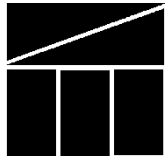


Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes¹ Not Needed

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 30-80 Methods and Standards for Establishing Payment Rate; Other Types of Care

Department of Medical Assistance Services

Town Hall Action/Stage: 5224 / 8532

July 16, 2019

Summary of the Proposed Amendments to Regulation

Pursuant to 2018 Acts of Assembly, Chapter 2, Item 303.XX.2.a, the Department of Medical Assistance Services proposes to revise the maximum reimbursement for physicians affiliated with Eastern Virginia Medical School (EVMS) from 137% to 145% of Medicare rates effective November 1, 2018.

Background

Virginia's State Plan for Medical Assistance, which has been approved by the Centers for Medicare and Medicaid Services (CMS), allows Medicaid to make supplemental payments to physicians that are members of a practice group organized by or under the control of a state academic health system or an academic health system that operates under state authority. The physicians affected by this change are the physicians affiliated with EVMS.

Supplemental payments are calculated as the difference between the Medicaid payments otherwise made and the maximum payment allowed. The maximum payment allowed by CMS is the average commercial rate (ACR). As the payments made by commercial providers change

¹ Adverse impact is indicated if there is any increase in net cost or reduction in net revenue for any entity, even if the benefits exceed the costs for all entities combined.

over time so does the ACR. The ACR has increased from 137% of the Medicare rates to 145% of Medicare rates effective November 1, 2018 and CMS approved this change. The new rate has already been applied under the statutory authority. The proposed change will incorporate the new rate in the regulations.

Estimated Benefits and Costs

The proposed rate change equates to a \$22,777 fee-for-service payment increase in what EVMS receive for its physicians. The source of this increase will be 50% from federal government and 50% from an intergovernmental transfer from EVMS. Depending on how these additional funds are distributed, EVMS physicians should benefit from this change.

Businesses and Other Entities Affected

The proposed amendments apply only to the EVMS physician practice plan.

Localities² Affected³

The proposed changes apply to EVMS physician practice plan which is located in Norfolk. The proposed amendments do not introduce costs for local governments. Accordingly, no additional funds would be required from them.

Projected Impact on Employment

The proposed amendments do not appear to affect total employment.

Effects on the Use and Value of Private Property

No impact on the use and value of private property and real estate development costs is expected.

Adverse Effect on Small Businesses⁴:

The proposed amendments do not adversely affect small businesses.

Types and Estimated Number of Small Businesses Affected

None.

² “Locality” can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulatory change are most likely to occur.

³ § 2.2-4007.04 defines “particularly affected” as bearing disproportionate material impact.

⁴ 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

None.

Alternative Method that Minimizes Adverse Impact

No adverse impact on small businesses is identified.

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 14 (as amended, July 16, 2018). 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(D): 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.