



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: 5478 / 8890

June 7, 2021

Summary of the Proposed Amendments to Regulation

The director of the Department of Medical Assistance Services (DMAS), on behalf of the Board of Medical Assistance Services, proposes to reflect in regulation the revised community mental health intake process that has been in effect since 2019 in practice.

Background

Prior to January 2019, Medicaid mental health providers were required to conduct a separate service-specific provider intake for each community mental health service they offered. For example, if a community mental health provider offered both intensive in-home treatment and therapeutic day treatment, the provider was required to complete two intake assessments for the same patient. At the request of Virginia Community Services Boards, DMAS revised the intake process to a comprehensive needs assessment approach, which allowed providers to screen individuals for any service offered by the provider and start providing the services needed by the individual based on that assessment. These changes were announced in a Medicaid Memo released on November 20, 2018, and took effect on January 1, 2019.¹ Thus, the proposed action aligns regulations with practices that were previously implemented at the agency's discretion.

Estimated Benefits and Costs

The economic impact of the change implemented in 2019 includes a likely reduction in provider revenues due to a decrease in the number of needs assessments that are conducted, but a likely increase in revenues due to the ability to provide additional mental health services based

¹ See <https://www.magellanoofvirginia.com/media/3777/11-21-18-updates-to-cmhhs-memo-from-dmas.pdf>

on the same needs assessment. The degree to which one effect upon provider revenues affects the other cannot be determined with available data.

An additional important factor to consider is the fact that community mental health services have been exclusively provided through managed care networks since a few months before the comprehensive needs assessment was implemented. Managed care services are those where the managed care provider is paid a fixed monthly capitation fee for providing the covered services the Medicaid enrollee needs. Therefore, unlike the fee-for-service reimbursement model, in the short run there is no direct correlation between the amount of services provided in a given month and the amount paid to the managed care network. In the long run, however, increased utilization in a managed care model may eventually lead to higher capitation rates if and when the actuary determines that higher capitation rates are indicated.

DMAS believes that the increase in provider revenue due to the ability to provide additional services following a comprehensive needs assessment would have been offset by the reduction in provider revenues from the decrease in the number of assessments. Additionally, DMAS states that the managed care capitation rate was not adjusted based on this change, and on this basis concludes that there was no fiscal impact to the agency.

In the end, the magnitude of these effects cannot be determined because insufficient data are available with which to ascertain the magnitude of opposing impacts on provider revenues, or whether there was (or will be) an impact on managed care capitation rates. Notwithstanding the lack of data on revenue impacts, it appears that the use of a single assessment would be administratively more efficient and improve access to needed services. Finally, aligning the regulatory text to reflect the practices that are actually followed in the provision of community mental health services would likely improve clarity regarding what the rules are that mental health providers must follow.

Businesses and Other Entities Affected

The use of a single comprehensive needs assessment has been part of the business practices of approximately 1,138 community mental health providers since 2019.² Due to lack of

² Data Source: DMAS

data, it cannot be ascertained whether the 2019 change has had an adverse economic impact³ on community mental health providers.

Small Businesses⁴ Affected:

Types and Estimated Number of Small Businesses Affected

Most of the 1,138 community mental health service providers are likely small businesses. However, whether the 2019 change in practice has had an adverse impact on these providers cannot be assessed due to lack of data.

Costs and Other Effects

The change in needs assessment that occurred in 2019 would have likely had offsetting effects on provider revenues. However, the lack of data does not allow to assess magnitude and hence the net of the opposing potential revenue effects.

Localities⁵ Affected⁶

The proposed amendments do not appear to directly introduce costs for local governments.

Projected Impact on Employment

Given the inability to determine the net impact on provider revenues, the impact on employment also cannot be assessed.

Effects on the Use and Value of Private Property

Given the inability to determine the net impact on provider revenues, the impact on asset values of providers also cannot be assessed. The proposed changes do not appear to affect real estate development costs.

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

³ 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.

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.”

⁵ “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.

⁶ § 2.2-4007.04 defines “particularly affected” as bearing disproportionate material impact.

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.