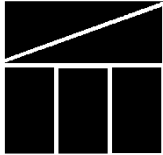


Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes Not Needed

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 30-70 Methods and Standards for Establishing Payment Rates – Inpatient Hospital Services

Department of Medical Assistance Services

Town Hall Action/Stage: 4998/8206

May 4, 2018

Summary of the Proposed Amendments to Regulation

The Board of Medical Assistance Services proposes to modify the Medicaid Disproportionate Share Hospital (DSH) payment methodology for state inpatient psychiatric hospitals.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

The two state inpatient psychiatric hospitals, Catawba and Piedmont Geriatric Hospitals, receive payments from Medicaid to cover their uncompensated care costs. These DSH payments are calculated based on a methodology stated in the regulation. Currently, each hospital's DSH days are multiplied by the DSH per diem to calculate the hospital's share of DSH payments. This methodology can result in a hospital receiving DSH payments in excess of its total uncompensated care costs if the DSH per diem is high enough. Because of this possibility, the Centers for Medicare and Medicaid Services (CMS) has requested a change in methodology in order to avoid paying a hospital more than its uncompensated costs. Under the proposed change, effective July 1, 2017, the annual DSH payment to a state psychiatric hospital will be calculated

based on its percent share of total uncompensated care costs so that its DSH payment may not exceed its uncompensated care costs.

While the total DSH payments to the two state hospitals will stay the same, at \$7.3 million, Catawba will receive \$1,045,730 more and Piedmont Geriatric will receive \$1,045,730 less. However, both hospitals are state owned Department of Behavioral Health and Developmental Services facilities. Thus, there will be no change in Medicaid DSH payments made to the Commonwealth at the aggregate level. The proposed change is beneficial however, in that it complies with the CMS request and more accurately allocates DSH payments due to individual state hospitals.

Businesses and Entities Affected

There are two state inpatient psychiatric hospitals affected: Catawba and Piedmont Geriatric Hospitals.

Localities Particularly Affected

Catawba and Piedmont Geriatric Hospitals are located in Roanoke and Nottoway counties respectively.

Projected Impact on Employment

No impact on employment is expected.

Effects on the Use and Value of Private Property

No 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 proposed regulation does not impose costs and other effects on small businesses.

Alternative Method that Minimizes Adverse Impact

There is no adverse impact on small businesses.

Adverse Impacts:

Businesses:

The proposed regulation does not adversely affect businesses.

Localities:

The proposed regulation does not adversely affect localities.

Other Entities:

The proposed regulation does 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.