

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: 3480/7324
January 28, 2016

Summary of the Proposed Amendments to Regulation

The proposed regulation makes permanent the provision of family planning services under the new eligibility group authorized by the Centers for Medicare and Medicaid Services (CMS).

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

These regulations contain rules for Medicaid family planning services. Family planning services are services necessary to prevent or delay a pregnancy and do not include abortion services. The services include education and counseling, physician office visits, annual gynecological exams, sexually transmitted disease screens, pap tests, contraceptives, and sterilizations for family planning purposes. Prior to 2011, coverage of these services had been provided in Virginia under a demonstration project waiver which required a new demonstration and federal approval every three years. In 2010, the federal Affordable Care Act established a new Medicaid eligibility group and the option for states to begin providing family planning services and supplies to individuals found to be eligible under this new group. Consequently, Chapter 890 of the 2011 Acts of Assembly, Item 297.DDDDD required the Department of

Medical Assistance Services (DMAS) to seek federal approval to provide family planning services under the new eligibility group. As a result, DMAS obtained federal authority in 2011 and has been providing these services under that authority since then.¹ The proposed changes have been implemented for some time and no significant economic impact upon promulgation of the proposed changes is expected. However, a general discussion is provided below to highlight the effects that have already likely occurred and will likely continue to be realized in the future.

As a result of the new eligibility rules in 2011, the income limit has increased from 133 percent of the federal poverty limit to 200 percent. The increase in the income level permitted more low-income women and men to have access to family planning services. In support of the waiver renewal application, DMAS estimated the cost effectiveness of family planning services in 2011. The study shows that the primary advantage of this change is costs savings to Medicaid for prenatal care, delivery, and infant care by preventing unintended pregnancies.

The study estimated that an additional 1,246 recipients would receive family planning services in fiscal year (FY) 2013. The cost of family planning services was estimated to be \$323.53 per recipient for FY2013 and \$403,123 in total to cover 1,246 additional recipients.² On the other hand, the cost of pregnancy care, delivery, and first year of life care was estimated to be \$19,629.88 per recipient for FY2013, making family planning services very cost effective. For example, assuming family planning services reduce the Medicaid population's pregnancy rate by 7.15 percent, approximately 89 unintended pregnancies in FY2013 could be assumed to have been averted. As a result, assuming all unintended pregnancies would have ended in births, approximately \$1.7 million in FY2013 could be estimated to have been averted in costs for prenatal care, delivery, and first year of life care.^{3 4}

¹ However since the waiver regulation has not moved into the state plan regulations, similar language has been included in budget bills after 2011. For example, see Chapter 665 of the 2015 Acts of Assembly, Item 301.UU.

² This estimate is probably slightly lower than actual cost for two reasons. First, transportation was not a covered service prior to 2011 which would add approximately \$1.12 per member per month to the overall cost. Second, testing for sexually transmitted diseases was limited to the initial visit, and cervical cancer screening was limited to the pap test both of which would also add to the overall cost.

³ The literature strongly supports that every dollar spent on family planning services produces \$3.00 to \$5.63 savings in Medicaid expenditures for pregnancy and infant care due to averted pregnancies. For example, see "Contraceptive Needs and Services, 2010," Guttmacher Institute, July 2013 and Forrest and Samara, 1996, "Impact of Publicly Funded Contraceptive Services on Unintended Pregnancies and Implications for Medicaid Expenditures," Family Planning Perspectives, 28(5).

⁴ Exact amount of the Commonwealth's share of estimated total savings depends on the federal match rate which is 90% for family planning services and 50% for pregnancy and infant care services. For simplicity, only total savings are stated.

In reality, some of the unintended pregnancies would not end in births. Thus, there is likely to be some financial savings to women who unintentionally get pregnant and who would otherwise terminate their pregnancies. Family planning services do not pay for abortion services unless the life or health of the mother is endangered if the fetus is carried to term. Thus, any abortion costs must be paid privately. Since the proposed change likely reduced the number of terminated pregnancies among unintended pregnancies, these women and/or their families probably realized some financial savings in abortion costs that would have otherwise occurred.

In addition, the non-financial effects of family planning are significant. The family planning services are expected to benefit the health and welfare of these women in their childbearing years, to reduce maternal mortality and morbidity, and to improve the health of children, by allowing women to plan their pregnancies, by decreasing their risk of experiencing poor birth outcomes, and by averting the unintended births.^{5 6} Adolescent women, women with several children, and women with existing health problems are particularly susceptible to health risks because their bodies may not be mature enough to handle a pregnancy and experience obstetrical complications, may not have gained sufficient strength following a previous pregnancy, or may face complications due to other health conditions, respectively. Closely spaced births (usually within 2 years) are more likely to be premature and low birth-weight. By practicing family planning, women can avoid high-risk births and reduce their chances of having a baby who will die in infancy. Poor birth outcomes may also result in expensive long lasting health care services for developmentally delayed children.

Some other additional benefits of expanding family planning services may stem from the use of contraceptives. Condoms offer protection against infection with HIV and STDs. Spermicides and diaphragm may help prevent STDs. Hormonal contraceptive methods may provide protection against iron deficiency, anemia, menstrual problems, and provide other similar benefits. Screening and testing may help detect some potential life threatening conditions such as cervical or breast cancer early on and improve recipient women's health.

⁵ Trussell, James, et al., 1995, "The Economic Value of Contraception: A comparison of 15 Methods," *American Journal of Public Health*, v. 85 No. 4, pp. 494-503.

⁶ Trussell, James et al., 1997, "Medical Care Costs Savings from Adolescent Contraceptive Use," *Family Planning Perspectives*, v. 29, No. 6.

The proposed change is beneficial also in terms of lower administrative costs. In order to approve a demonstration grant for a state, CMS requires significant data reporting, formal evaluations, and periodic grant renewals. Provision of services under the state plan eliminates these administrative costs. However, likely savings in administrative costs were probably offset to some extent by the increase in the caseloads.

Businesses and Entities Affected

The increase in the eligibility income level was estimated to allow an additional 1,246 recipients to receive Medicaid funded family planning services in FY2013. It is not known how many physician practices provide services to individuals in the family planning program.

Localities Particularly Affected

The proposed changes apply statewide.

Projected Impact on Employment

The increase in population receiving family planning services likely increased the demand for such services and likely had a positive impact on employment.

Effects on the Use and Value of Private Property

Increased demand for family planning services likely increased provider revenues and had positive impact on their asset values.

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 affected providers are generally assumed to be small businesses. The proposed regulation does not impose costs on them, but likely resulted in an increase in demand for their services.

Alternative Method that Minimizes Adverse Impact

No adverse impact on small businesses is expected.

Adverse Impacts:

Businesses:

The proposed regulation does not adversely affect non-small 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.

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