

program. As part of the product development phase of the project, market research was conducted in two potential pilot sites (Northern Virginia and Tidewater) to gauge the level of interest of small employers and their employees in providing and obtaining health insurance, and to determine the level of subsidy that will be needed to ensure adequate participation in the subsidized health insurance program. The market research identified a willingness to pay for a sizable portion of the premium both on the part of the employers and the employees.

These regulations define, in a fair and equitable manner, the individuals who are eligible to receive premium subsidies, and how beneficiaries will be enrolled and disenrolled. The agency projects no negative issues involved in implementing this proposed change.

The provisions at 12 VAC 30-100-420 were not promulgated in the context of the remainder of the Health Insurance Program for Working Uninsured Individuals regulations (12 VAC 30-100-400 through 12 VAC 30-100-499) due to the need for further deliberation on some of the provisions. This section of the Administrative Code contains requirements applicable to program subscribers.

2. Federal/State Mandate and Scope

The legal authority of the Agency to administer the Medicaid Program is as stated above (II.). Chapter 924, Item 323 of the *1997 Virginia Acts of Assembly* directed DMAS to promulgate regulations to implement a demonstration project for providing insurance premium subsidies to low-income working uninsured individuals. Subsequent to an emergency adoption action, the agency initiated the public notice and comment process as contained in Article 2 of the APA. The emergency regulation became effective on October 1, 1997, and was superseded by permanent final regulations, with the exception of provisions located at 12 VAC 30-100-420, effective October 1, 1998.

3. Essential Nature of Regulation

These regulations are necessary to complete the agency's response to the 1997 legislative mandate in Chapter 924. These regulations are essential to protect the health of the citizens of the Commonwealth because individuals who are employed by small employers will now be assisted to purchase health insurance which they have not had before. Such health insurance will alleviate the burden on public agencies which must provide charity care.

This regulatory action will not have any impact on local departments of social services.

4. Agency Consideration of Alternatives

The Department considered the need for regulations during the design phase of the Health Insurance Demonstration Project. The Department sought advice from the Office of the Attorney General, who concluded that the Department was required to promulgate regulations prior to implementing the demonstration project.

Senate Joint Resolutions 315 (1993) and 316 (1995) directed the Technical Advisory Panel (TAP) of the Indigent Health Care Trust Fund (Trust Fund), in cooperation with the

Board of Medical Assistance Services and the Joint Commission on Health Care to convert the Trust Fund into a program to increase the number of Virginians with health insurance. The TAP recommended that the Trust Fund be converted to provide health insurance to the working uninsured and that a pilot be established to test the proposal. The Department was tasked to provide technical assistance in this effort.

Many alternative methods of implementing this project have been considered throughout the planning stages of this project. The Department has made every attempt to assure that the implementation of this project is handled in the least intrusive way possible. For example, the eligibility criteria have been reviewed to limit the criteria to those which are considered absolutely essential. The eligibility determination process has been kept as simple as possible to avoid unnecessary burdens on the beneficiaries. To assure that all possible alternatives have been considered, the Department remains fully committed to considering any alternatives identified through the public comment process.

One of the major goals of the demonstration project is to try to make health insurance premiums more affordable for low-income working employees and for small businesses. The Department has attempted to cover the greatest number of individuals while at the same time providing meaningful health care benefits to eligible individuals. A managed care health plan will be used to provide the health care services in order to hold down the cost of these services. In keeping with recent health insurance reforms directed at the small employer market, the project proposes to cover employees of small businesses (from 2 to 50 employees), and to require that health plans provide the essential health benefits plan.

5. Family Impact Assessment (Code of Virginia §2.1-7.2)

This regulation will define, for the purpose of the Health Insurance for Working Uninsured Individuals, the individuals who may apply for this subsidized insurance coverage and be considered for eligibility.