

## Department of Planning and Budget 2006 Fiscal Impact Statement

1. **Bill Number** HB1035

**House of Origin**     Introduced     Substitute     Engrossed

**Second House**     In Committee     Substitute     Enrolled

2. **Patron**    Hamilton

3. **Committee**    Health, Welfare and Institutions

4. **Title**    Inspector General for Medical Assistance Services

5. **Summary/Purpose:** This legislation establishes the Office of Inspector General (OIG) for Medical Assistance Services for the purpose of providing objective review and evaluation of activities and services of the Department of Medical Assistance Services (DMAS). The Inspector General shall provide oversight and may conduct announced and unannounced inspections of medical and other healthcare providers, managed care organizations, and other contractors on an ongoing basis in response to specific complaints of abuse, neglect, or inadequate care and as a result of monitoring the utilization review procedures and other records of the Department of Medical Assistance Services.

The Inspector General shall make policy and operational recommendations in order to improve the Virginia Medicaid program, to contain costs, to reduce inaccurate or unauthorized claims and reimbursement, and to detect fraud and abuse. The Inspector General is to be independent of DMAS and shall be appointed by the Governor for a four-year term.

6. **Fiscal Impact Estimates are:** Preliminary.

**6a. Expenditure Impact:**

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|-------------|
| 2006-07            | \$201,250      | 2.0              | GF          |
| 2006-07            | \$201,250      | 2.0              | NGF         |
| 2007-08            | \$200,169      | 2.0              | GF          |
| 2007-08            | \$200,169      | 2.0              | NGF         |
| 2008-09            | \$200,169      | 2.0              | GF          |
| 2008-09            | \$200,169      | 2.0              | NGF         |
| 2009-10            | \$200,169      | 2.0              | GF          |
| 2009-10            | \$200,169      | 2.0              | NGF         |
| 2010-11            | \$200,169      | 2.0              | GF          |
| 2010-11            | \$200,169      | 2.0              | NGF         |
| 2011-12            | \$200,169      | 2.0              | GF          |
| 2011-12            | \$200,169      | 2.0              | NGF         |

7. **Budget amendment necessary:** Yes. However, it is not known if the intent of the bill is to create a new agency separate from DMAS or as an office within it.

- 8. Fiscal implications:** The fiscal impact of this bill is dependent on the intent of the legislation. The OIG could be a relatively small office with a limited scope of responsibilities or it could be a large office which performs a wide array of oversight and audit services.

The Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) has an OIG which currently has a budget of \$499,024 and four staff. The Department of Medical Assistance Services is assuming that the OIG will be a small office and this fiscal impact is based on the assumption of the same level of staffing as at the DMHMRSAS.

The personnel costs are based on the average of the current salaries, including benefits, of similar positions within DMAS. Four positions are assumed, which include the inspector general, two auditors and an office manager. In addition, rent, travel, and other general office expenditures are also included. Information technology costs (including auditing software) are also reflected in the estimate. In the first year only, the costs for furniture, computers and a printer are included as one-time. No contracting expenditures are assumed at this time.

This fiscal impact assumes a limited number of staff for the OIG. The staffing levels of the OIG could be increased significantly; depending on the extent and amount of inspections and audits the OIG is expected to conduct. If it is decided that the OIG will conduct substantial waste, fraud and abuse investigations, the staffing level would need to be increased considerably.

The following entities currently perform various reviews of the Virginia Medicaid program:

- DMAS Division of Program Integrity
- DMAS contractors
- Medicaid Fraud Control Unit of the Attorney General's Office
- DMAS Division of Internal Audit
- Auditor of Public Accounts
- Joint Legislative Audit and Review Commission
- Federal Centers for Medicare and Medicaid Services
- Federal Health and Human Services Office of the Inspector General

Therefore, a small OIG office is assumed to avoid performing services that are duplicative of these other entities.

No additional savings from any OIG findings are assumed, since it is unknown to what extent the OIG will be involved in reviewing the Medicaid program.

- 9. Specific agency or political subdivisions affected:** Department of Medical Assistance Services.

**10. Technical amendment necessary:** Yes. The bill makes no mention of denying access to proceedings, minutes, records or reports of providers that are classified as privileged under §8.01-581.17, *Code of Virginia*. Access to such privileged information is denied to the OIG for DMHMRSAS under subdivision §37.2-434, *Code of Virginia*. It may be necessary to mention in the bill whether or not access to such information is prohibited or not.

**11. Other comments:** The Department of Medical Assistance Services is assuming that the OIG will be eligible for 50 percent federal matching funds.

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**Document:** G:\Ga Sessions\2006 Session\Fis\Hb1035.Doc

cc: Secretary of Health and Human Resources