

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: HB1265

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Plum

3. Committee: Health, Welfare and Institutions

4. Title: Payment for medical care services

5. Summary: Allows the Department of Health to charge an amount equal to the allowable charge of a private insurer for the services provided by the Department to an insured individual. If an insurance company denies a claim for medical care services provided by the Department, the patient portion of the bill shall not be greater than if the person did not have private health insurance.

6. Fiscal Impact Estimates:

Revenue Impact:

	<i>Dollars</i>		
<i>Fiscal Year</i>	<i>GF</i>	<i>NGF</i>	<i>Positions</i>
2008	-	-	0.0
2009	-	\$60,750	0.0
2010	-	\$60,750 - \$243,000	0.0
2011	-	\$60,750 - \$243,000	0.0
2012	-	\$60,750 - \$243,000	0.0
2013	-	\$60,750 - \$243,000	0.0

7. Budget Amendment Necessary: Yes.

8. Fiscal Implications: The Virginia Department of Health (VDH) will not have the authorization to negotiate agreements with all private insurers regarding an allowable rate of charges until July1, 2008. However, for the purposes of estimating potential additional revenue, we are assuming that the local health departments will be able to bill at least 10 percent higher than the Department of Medical Assistance Services (DMAS) rate. This is based on current revenue from all commercially insured patients through Medicaid HMOs seen in local health departments compared to the revenue collected from Medicaid.

The estimate was calculated by taking all procedures coded in the districts' clinic encounter tracking system, and eliminating those no-cost procedures that must be provided (by law) to all citizens. With the remaining encounters, a comparison was made between the average Medicaid rate for all procedures (\$22.58 per procedure) and the private insurance rate (\$25.01 per procedure), yielding a difference of \$2.43. Because VDH will have to negotiate with private insurers, make changes to the clinic encounter tracking system, implement new procedures, and train personnel in 119 local health departments, the estimate for start-up time

is six to nine months. These start-up costs are as yet unknown. In addition, if a patient's private insurance company denies a claim, the patient will then have to go through the VDH eligibility process where the patient's ability to pay is determined based on their income and the number of family members in the household. At this time VDH does not have this number available. Therefore, based on a conservative estimate of 100,000 encounters that may be charged and the fact that it may not be fully implemented until March of 2009, the first year estimate is \$60,750. The second year is based on the total estimated procedures of 25,000 to 100,000 multiplied by \$2.43 per procedure or \$60,750 to \$243,000. It should be noted that any potential increase in revenue will be collected across VDH's 35 health districts.

At this time, local health district operational costs continue to increase. Even though this bill projects the potential for an increase in revenue in the local health districts, it will most likely be utilized to help maintain service levels. Over the last year, there has been a decrease in revenue in the Environmental Health Program related to well and septic tank permitting. For example, there is an 18 percent decrease in revenue (\$357,000) in the first six months of FY 2008 compared to FY 2007. All sources indicate that the housing market will not improve and there could continue to be a reduction in revenue related to well and septic permitting

9. Specific Agency or Political Subdivisions Affected: Virginia Department of Health

10. Technical Amendment Necessary: No.

11. Other Comments: Legislation is identical to SB 579.

Date: 1/22/2008 lrj

Document: SB579.doc

cc: Secretary of Health and Human Resources