Department of Planning and Budget
2014 Fiscal Impact Statement

1. **Bill Number:** HB 702

   House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. **Patron:** Head

3. **Committee:** Passed Both Houses

4. **Title:** Pre-admission screening for long-term care services

5. **Summary:** The bill provides that the Department of Medical Assistance Services (DMAS) shall contract with public or private entities to conduct pre-admission screenings for Medicaid community-based and institutional long-term care services in addition to or in lieu of existing screening teams in jurisdictions in which the screening team has been unable to complete screening of individuals within 30 days of such individuals' application. Current law provides that the screening team for community-based long-term care include a social worker, nurse and physician employed by a local department of social services or the Department for Health. For institutional screenings DMAS contracts with acute care hospitals. In addition, the bill requires that every individual that requests a screening for enrollment into a Program for the All-Inclusive Care for the Elderly (PACE) program shall be eligible for pre-admission screening regardless of Medicaid eligibility. The bill also provides DMAS with emergency regulatory authority to promulgate regulations to implement the provisions of the bill.

6. **Budget Amendment Necessary**: No.

7. **Fiscal Impact Estimates:** Indeterminate, See Item 8.

8. **Fiscal Implications:** The bill would have a fiscal impact on the Commonwealth primarily by reducing federal revenue available to the Virginia Department of Health (VDH) and the Department of Social Services (DSS) for performing pre-admission screenings for the Medicaid program. However, the language of the bill limits the contract for screenings to only jurisdictions where screening teams have been unable to complete them within 30days. There is no data or other information available to know how many jurisdictions would meet the requirement; therefore the fiscal impact is indeterminate.

   Assuming that the Department of Medical Assistance Services would no longer utilize VDH and local DSS staff for pre-admission screening teams for Medicaid, VDH would lose approximately $2.0 million a year in federal revenue and DSS approximately $750,000 in revenue to support staff costs. DMAS indicates that they may be able to achieve some state savings by contracting out this service allowing the agency to utilize a higher federal match. However, the actual impact on agency operations is uncertain. The explanation of each agency's impact follows.

Virginia Department of Health

Assuming all jurisdictions meet the requirement, the fiscal impact of this legislation on VDH is expected to reduce federal revenue by approximately $2.0 million a year if DMAS contracts with other entities instead of VDH to perform pre-admission screenings for Medicaid community-based long-term care services. While the bill does provide DMAS leeway in contracting with other entities to supplement current screening efforts, it is assumed that DMAS would contract as many pre-admission screenings with one contractor as permitted by the bill.

VDH conducted 10,346 assessments in FY 2012 and 12,303 assessments in FY 2013. In FY 2013, VDH received $2.0 million in federal reimbursement from DMAS for conducting those assessments and utilized approximately $1.1 million as state match for a total of $3.1 million in funding for the activity. During that time, 372 different VDH employees (statewide) invested 82,694 hours in conducting and reviewing the assessments, and thus were partially funded by the $2.0 million in federal revenue. Those hours are the equivalent of approximately 40 full-time positions across all health districts.

Any loss of federal revenue would likely have a significant but indeterminable impact on the operations of health districts across the Commonwealth. Since many positions are likely only partially funded from this revenue, the loss of revenue must be offset with some other source of funding. In the absence of other available resources, local health districts would be forced to reduce support for other services in order to continue fully funding the positions. In some cases staff may be laid off and severance costs would be incurred. However, it is difficult to assess the overall impact on the health districts without more information from each one on how this revenue loss would actually impact their operations.

Department of Social Services

DSS receives approximately $750,000 in federal Medicaid revenue annually from DMAS based on the time spent by local staff completing assessments and reassessments. Again, assuming that DMAS contracts all pre-admission screening with another entity, the time spent by local department staff completing assessments would result in a corresponding decrease in federal revenue of $750,000.

In addition, this reduction in federal revenue would have to be offset by a $750,000 reduction in expenditures for local staff. Using the average annual cost of employing a local family services specialist, a qualified assessor, of $65,208 (salary and benefits), a reduction in expenditures of $750,000 would equate to the loss of funding for approximately 11 ($750,000/$65,208) local staff. This reduction in expenditures would be federal funds. It may be possible for some of the costs to be offset through allocation to other federal grants, however, there is no available information indicating to what degree this is possible to mitigate the lost federal revenue from no longer performing pre-admission screenings.

Department of Medical Assistance Services

The bill provides DMAS with authority to contract out the pre-admission screening function in jurisdictions not meeting the 30 day screening requirement. It is assumed that DMAS would contract out the pre-admission screening function (scope indeterminate) and as a result there would be a fiscal impact to the state. DMAS assumes there are no differences in payments made for the pre-admission screening and no change in volume or cost per screening. Currently, approximately $5.3 million (state and federal funds) is expended for Medicaid long-term care preadmission screening services. By centralizing the expenditures at DMAS, and contracting with a federally-certified organization (eligible for a 75% federal match), there is a potential for state savings.

Any state savings however assumes that the general fund resources at DSS and VDH for pre-admission screenings are reallocated to DMAS to pay for the centralized pre-admission screenings, which is not a viable assumption. Redirecting state funds magnifies the adverse fiscal and operational impacts on these agencies already affected by the loss of the federal funding. Moreover, in the case of DSS, a portion of the state funds are actually local matching funds, which cannot be redirected. Therefore, in order to fully fund the state share for DMAS' contract with an outside entity, additional general fund dollars would be necessary. However, since the scope of the contract cannot be determined, the general fund impact on DMAS is indeterminate.

In FY 2013, DMAS paid $640,730 ($332,690 general fund) to acute care hospitals for institutional pre-screenings. If DMAS moves this function to a single contractor that qualifies for the higher federal match then the state could expect a general fund savings of approximately $150,000 a year for screenings currently conducted by acute care hospitals.

Contracting out the entire pre-admission function would require additional administrative costs for DMAS. The agency indicates that one-time changes to the Medicaid Management Information System and at least one additional position to monitor and manage the pre-admission contract are needed. These costs would offset a portion of any savings achieved by DMAS taking advantage of a higher federal match rate.

DMAS does not expect that expanding the pool of entities able to assess individuals who are enrolling in PACE would have any fiscal impact. DMAS assumes that there is no change in the current process or payments for PACE related assessments.

9. **Specific Agency or Political Subdivisions Affected:** Department of Health, Department of Social Services and the Department of Medical Assistance Services.

10. Technical Amendment Necessary: No.

11. Other Comments: None.