

## Department of Planning and Budget 2017 Fiscal Impact Statement

**1. Bill Number:** HB 2304

**House of Origin**    ☐ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☒ Substitute    ☐ Enrolled

**2. Patron:** Orrock, Robert D. Sr.

**3. Committee:** -

**4. Title:** Long-term care; requirements of Department of Medical Assistance Services

**5. Summary:** The Senate substitute bill requires the Department of Medical Assistance Services to:

- Implement separate rate cells for recipients of long-term care services in community and institutional settings and a transition rate cell. Further, the department must work to implement a blended rate in Fiscal Year 2020 for managed long-term care services and supports.
- Make a number of changes to contracts for long-term care services provided by managed care organizations through the Medallion program;
- Impose additional requirements related to submission of data and information by managed care organizations participating in the Medallion program;
- Implement a number of spending and utilization control measures in conjunction with managed care organizations participating in the Medallion program.

**6. Budget Amendment Necessary:** Yes

**7. Fiscal Impact Estimates:** Preliminary

**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	-	-	
2018	\$282,649	2.5	General
2018	\$282,649	2.5	Nongeneral
2019	\$282,649	2.5	General
2019	\$282,649	2.5	Nongeneral
2020	\$282,649	2.5	General
2020	\$282,649	2.5	Nongeneral
2021	\$282,649	2.5	General
2021	\$282,649	2.5	Nongeneral
2022	\$282,649	2.5	General
2022	\$282,649	2.5	Nongeneral
2023	\$282,649	2.5	General
2023	\$282,649	2.5	Nongeneral

- 8. Fiscal Implications:** The bill implements some of the recommendations contained in the December 2016 JLARC report, “Managing Spending in Virginia’s Medicaid Program.” It is assumed that the Department of Medical Assistance Services (DMAS) can incorporate most of these requirements within existing resources as they either codify current business practices or make minimal operational adjustments. However, the agency identified the need for additional support (\$565,297 and five positions in FY 2018) to meet the following requirements. It is assumed half of this amount will be covered by federal match dollars, leaving a \$282,649 general fund impact.

**Enactment Clause 9:** DMAS must develop a process that allows managed care organizations providing services through the Medallion program to determine utilization control measures for services provided. In addition, DMAS must also monitor the impact of these controls on utilization rates and spending to assess the effectiveness of each managed care organization's utilization control measures. DMAS maintains that to accomplish these requirements, the agency must perform in-depth analysis of spending and utilization for managed care recipients that does not currently occur. Moreover, this analysis would need to be conducted systematically and on a regular basis to provide an on-going assessment of utilization controls. As the agency maintains that current staff do not have the necessary utilization management knowledge and/or the capacity for more responsibilities; additional staff would be required. DMAS estimates that adding this workload for utilization control assessments would necessitate the hiring of three additional positions (\$316,199).

**Enactment Clauses 4, 8 and 11:** These sections require DMAS to collect and analyze a variety of different types of information and data from managed care organizations. DMAS reports that these sections would necessitate the collection of additional data from the managed care organizations that are not currently being gathered, such as MCO payment reconciliations. The agency also assumes it would have to produce new quality dashboard reports for the MCOs and comparative matrices for a variety of metrics. Although DMAS has recently established the Office of Data Analytics, the agency maintains that the office is currently working at capacity. Therefore, DMAS estimates that two additional positions (\$249,098) would need to be added to Data Analytics for the facilitation of data collection as well as subsequent analysis and reporting.

#### **Summary of General Fund Impact**

Enactment Clause	FY 2018	FY 2019	On-Going
9	\$158,100	\$158,100	\$158,100
4, 8 and 11	\$124,549	\$124,549	\$124,549
<b>Total</b>	<b>\$282,649</b>	<b>\$282,649</b>	<b>\$282,649</b>

**Savings and Cost Avoidance:** It is expected that this implementation of this bill would lead to some future savings (cost avoidance) in the Medicaid program. DMAS does not have sufficient data to make an estimate as to the amount or magnitude at this time. Any such savings would not offset the costs included above. Any efficiencies gained by the bill would

decrease the future cost of the Medicaid program, while the impact of this bill is in the agency's administrative budget.

**9. Specific Agency or Political Subdivisions Affected:**

Department of Medical Assistance Services

**10. Technical Amendment Necessary:** No

**11. Other Comments:** None

**Date:** 2/20/2017