

Department of Planning and Budget 2017 Fiscal Impact Statement

1. Bill Number: SB 914

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

2. Patron: Edwards, John S.

3. Committee: Courts of Justice

4. Title: Reduction of amount of lien for medical services paid for by the Commonwealth

5. Summary: The proposed legislation provides that in the event that the Commonwealth's lien against any recovery from a third party obtained by an injured person whose medical costs were paid in whole or in part by the Commonwealth is compromised by the Attorney General pursuant to § 2.2-514, such lien shall be reduced by an amount proportionate to the amount that costs, expenses, and attorney fees incurred by the injured person bear to the total recovery obtained from the third party.

6. Budget Amendment Necessary: Yes

7. Fiscal Impact Estimates: Preliminary

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	-	-	-
2018	\$2,417,318	2.0	General
2019	\$2,417,318	2.0	General
2020	\$2,417,318	2.0	General
2021	\$2,417,318	2.0	General
2022	\$2,417,318	2.0	General
2023	\$2,417,318	2.0	General

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2017	-	-
2018	(\$2,152,418)	Nongeneral
2019	(\$2,152,418)	Nongeneral
2020	(\$2,152,418)	Nongeneral
2021	(\$2,152,418)	Nongeneral
2022	(\$2,152,418)	Nongeneral
2023	(\$2,152,418)	Nongeneral

8. Fiscal Implications: The Office of the Attorney General (OAG) reports that the proposed legislation will reduce the amount of funds recovered by the Commonwealth on personal

injury medical liens created under Virginia Code §8.01-66.9 and negotiated for reduction under Virginia Code §2.2-514. The Division of Debt Collection of the Office of the Attorney General (DDC) handles medical lien negotiations for the Department of Medical Assistance Services (DMAS), Virginia Commonwealth University Health System (VCUHS), and University of Virginia Medical Center (UVAMC). Annually, DDC collects millions of dollars for its client agencies through medical lien compromises; it is estimated that SB 914 will reduce these collections by approximately 1/3 or more. This would translate into a revenue reduction of approximately \$2.2 million for these entities (\$150,000 for DMAS, \$1.6 million for VCUHS¹, and \$450,000 for UVAMC). It is assumed that if this bill passes this lost revenue would need to be replaced with general fund support.

In addition to lost revenue, OAG estimates that the bill will cause a significant increase in lien reduction hearings. Since the reduction would be triggered only in negotiated compromises, the OAG will be far less likely to recommend and approve a reduction, and thus require the lien reduction issue to be litigated. This will increase the courts' workload and tax the courts' resources; it will also drain DDC's attorneys' time by forcing them to litigate reductions that should be negotiated under Virginia Code §2.2-514. DDC negotiates compromises in the vast majority of requests to reduce the Commonwealth's liens. At least two additional attorneys (at a cost of \$264,900 general fund in FY 2018) would be required to handle the increased litigation load.

9. Specific Agency or Political Subdivisions Affected:

Office of the Attorney General
Department of Medical Assistance Services
Virginia Commonwealth University Health System
University of Virginia Medical Center

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 1/19/17

¹ The DDC portion of this amount is approximately \$1.3 million, VCUHS also receives \$273,733 in settlements from CIGNA that are expected to be lost.