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:** Health, Welfare and Institutions

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

5. **Summary:** The proposed legislation provides that the Department of Medical Assistance Services shall:
   - Require all individuals who administer preadmission screenings for long-term care services to receive training on and be certified in the use of the Uniform Assessment Instrument;
   - Develop a program for the training and certification of preadmission screeners, develop guidelines for a standardized preadmission screening process, and strengthen oversight of the preadmission screening process to ensure that problems are identified and addressed promptly;
   - 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:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2017	-	-	
2018	$1,116,382	13.0	General
2018	$1,116,382	13.0	Nongeneral
2019	$1,091,382	13.0	General
2019	$1,091,382	13.0	Nongeneral
2020	$1,041,382	13.0	General
2020	$1,041,382	13.0	Nongeneral
2021	$1,041,382	13.0	General
2021	$1,041,382	13.0	Nongeneral
2022	$1,041,382	13.0	General
2022	$1,041,382	13.0	Nongeneral
2023	$1,041,382	13.0	General
2023	$1,041,382	13.0	Nongeneral

8. **Fiscal Implications:** The bill implements many of the recommendations contained in the December 2016 JLARC report, "Managing Spending in Virginia's Medicaid Program." While this legislation does not implement all recommendations contained in the report, it implements 25 of the recommendations that focus on improving the pre-admission screening (PAS) for long-term care, as well as many of the recommendations related to improving data collection and oversight of managed care organizations.

   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 ($2.2 million and 13 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 $1.1 million general fund impact.

   Enactment Clause Two: There is no current training or certification program for pre-admission screeners. Therefore, to meet the bill's requirement, the agency assumes that it would hire a contractor to perform this function at a cost of $200,000 in FY 2018, $150,000 in FY 2019 and $50,000 in subsequent years. It is further assumed that two additional positions ($191,492 annually) would be needed to improve the robustness of PAS oversight, as well as oversee the development and implementation of the training program.

   Enactment Clause Five: DMAS would be required to monitor various types of managed care expenditure and utilization data on an ongoing basis and work with the actuary to adjust capitation rates. The agency estimates that three additional positions would be required to implement additional monitoring and adjustment activities. Specifically, the legislation would require DMAS to conduct analysis around potentially preventable events (such as emergency department visits, hospital admissions, and hospital readmissions) in the managed care population and then reduce the capitation rates to account for a percentage of these inefficiencies that the MCOs could be reasonably expected to reduce in each year. To begin this work, DMAS must conduct analysis to determine the magnitude of these types of inefficiencies in the managed care organizations, then determine the amount that could be reasonably reduced in each year, determine a phase-in schedule for the amount of inefficiencies to be reduced each year, and then work with the actuaries to adjust the capitation rates accordingly. This work is not currently being conducted. DMAS estimates that two positions would be required to conduct the initial analysis and then update the analysis on, at least, a quarterly basis. In addition to conducting new analyses, these positions would also work with the MCOs and providers (such as hospitals and physicians) to provide them with data regarding these inefficiencies and help them understand why the inefficiencies occurred. This work will help the MCOs and providers work to reduce the inefficiencies in the future. A third position would also be required in the pharmacy unit to conduct similar analysis on managed care pharmacy data to determine the extent to which inefficiencies exist in pharmacy utilization and spending. DMAS estimates the annual cost for the additional positions at $356,349. In addition, costs associated with the actuarial contract would increase because more service hours would be required. The additional costs for the actuarial contract are estimated to be $408,654 annually. Finally, one of the

recommendations requires that related-party expenditures be monitored to ensure that the capitation rates do not cover spending that is above market value. Implementing this recommendation would require that DMAS contract for an annual audit of the managed care organizations, which is estimated to cost $200,000 annually.

Enactment Clauses 10 and 12: These clauses require DMAS to monitor and analyze managed care expenditures and utilization, specifically for recipients with chronic conditions, and to use this information to develop performance incentives to the managed care organizations. The agency maintains that these sections require an in-depth analysis of spending and utilization for managed care recipients with chronic conditions that does not currently occur. Moreover, this analysis would need to be conducted systematically and on a regular basis. In addition to conducting additional analyses, these sections also require the design and implementation of incentives and interventions to address undesirable trends at both the statewide level and the individual MCO level. This work would need to be done separately for Medallion and CCC+, as they are two different populations with different trends and patterns. DMAS maintains that adding this workload for both managed care programs would necessitate the hiring of six additional positions ($627,170). In addition to the new workload these recommendations create, implementing them also require staff with experience and training in utilization management and chronic conditions. The agency maintains that current staff do not have these skills and knowledge.

Enactment Clauses 6, 11 and 14: 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	Positions
2	$ 195,746	$170,746	$120,746	2.00
5	$482,502	$482,502	$482,502	3.00
10 and 12	$313,585	$313,585	$313,585	6.00
6, 11, and 14	$124,549	$124,549	$124,549	2.00
Total	**$1,116,382**	**$1,091,382**	**$1,041,382**	**13.00**

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: 1/26/17