

**Department of Planning and Budget
2018 Fiscal Impact Statement**

1. Bill Number: SB 781

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Dunnavant

3. Committee: Rules

4. Title: Global reform waiver; Secretary of Health and Human Resources to apply.

5. Summary: The proposed legislation requires the Secretary of Health and Human Resources to apply for an §1115 demonstration waiver from the Centers for Medicare and Medicaid Services (CMS) with the following components: (1) integration of medical and behavioral health care, (2) implementation of a value-based payment model, and (3) cost-sharing and incentives for healthy behaviors, preventive care, and wellness activities. The bill states that the waiver may include provisions for an aggregate cap on federal funds for a specified period of time with adequate tools to manage state financing of the program. The bill requires the Secretaries of Health and Human Resources to report to the Governor and the General Assembly on the status of the waiver by December 1, 2018.

The bill also requires the Secretary of Health and Human Resources to work with the Secretary of Commerce and Trade to submit a request to the U.S. Secretary of Housing and Urban Development (HUD) (i) to receive all federal funds available from the Commonwealth from HUD as a single annual grant, and (ii) for flexibility in the administration of such funds to better align medical assistance and housing support services to support Medicaid enrollees. Finally, the Secretaries of Health and Human Resources and Commerce and Trade are to report to the Governor and the General Assembly on the status of HUD funding request by December 1, 2018.

6. Budget Amendment Necessary: See Item 8.

7. Fiscal Impact Estimate is Indeterminate

8. Fiscal Implications: While it is assumed that the requirements of this bill will have significant fiscal and programmatic implications for the Department of Medical Assistance Services (DMAS) and the Commonwealth's Medicaid program, there is insufficient information to provide any estimate of the overall fiscal impact. Although the bill's stated outcome is to "improve outcomes and reduce costs", the broad requirements of the waiver that DMAS is directed to submit must be further refined. As such, DMAS expects some administrative costs associated with developing a plan to meet the bill's provisions and the subsequent 1115 waiver application. Upon approval, it is likely that there will be costs associated with monitoring and evaluation of the waiver's impact, and programmatic and financial reporting. The bill includes a number of conditions for the waiver that may reduce

Medicaid costs, such as “cost-sharing and incentives that encourage healthy behaviors, prevention, and wellness.” For most of Virginia's Medicaid population, CMS has only allowed very limited cost sharing to be imposed on these types of populations (children, pregnant women, persons with disabilities). However, if the waiver were applied to an expansion population the cost-sharing component could result in significant savings. Again, given the lack of details in the proposed legislation, DMAS is unable to determine the financial impact of such cost-sharing component. The bill’s provision related to a cap on aggregate funding is permissive and therefore this statement does not speculate on the potential fiscal impact.

SB 781 also seeks approval to receive all federal HUD funding as a single annual grant and for flexibility using those funds to better align medical assistance and housing support services. The Department of Housing and Community Development (DHCD) anticipates that such actions would have implications for both the agency as well as localities. DHCD administers several HUD supported programs on behalf of the Commonwealth. Not all of the programs are related to housing support services to better support low-income individuals (Community Development Block Grant, for example). The majority of the funds received through these programs are provided on a formula-driven basis and are distributed as pass-through funds to localities. In addition, localities have the ability to apply for various HUD grants on their own. It is uncertain how the bill, putting all these programs under one block grant, will affect the programs and the amounts provided.

9. Specific Agency or Political Subdivisions Affected:

Department of Medical Assistance Services
Department of Housing and Community Development
Secretary of Health and Human Resources
Secretary of Commerce and Trade

10. Technical Amendment Necessary: No

11. Other Comments: This bill is a companion to HB 1538.