Department of Planning and Budget
2021 Fiscal Impact Statement

1. **Bill Number:** SB 1307

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

2. **Patron:** Dunnavant

3. **Committee:** Education and Health

4. **Title:** Department of Medical Assistance Services; school-based health services; telemedicine Program

5. **Summary:** The substitute bill requires that the state plan for medical assistance services be amended to provide for the payment of services delivered to Medicaid-eligible students when such services qualify for reimbursement by Medicaid and may be provided by school divisions, regardless of whether the student receiving care has an individualized education program (IEP) or whether the health care service is included in a student's IEP. Such services must include those covered under the state plan for medical assistance services or by the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefit, as well as services provided through telemedicine. Further, no health care provider who provides services through telemedicine can be required to use proprietary technology or applications in order to be reimbursed. The bill also requires the Department of Medical Assistance Services to provide technical assistance to the Department of Education and local school divisions to facilitate their understanding of and compliance with federal ordering, referring, and prescribing (ORP) provider screening and enrollment requirements.

6. **Budget Amendment Necessary**: Yes. Items 312, 313, 315 and 317.

7. **Fiscal Impact Estimates:** Preliminary

   Expenditure Impact:

Fiscal Year	Dollars	Positions	Fund
2021	-	-	-
2022	(36,508)	0.5	General Fund
2022	2,210,630	0.5	Nongeneral Funds
2023	(51,474)	0.5	General Fund
2023	2,509,933	0.5	Nongeneral Funds
2024	(68,559)	0.5	General Fund
2024	2,851,640	0.5	Nongeneral Funds
2025	(88,065)	0.5	General Fund
2025	3,241,758	0.5	Nongeneral Funds
2026	(110,334)	0.5	General Fund
2026	3,687,147	0.5	Nongeneral Funds
2027	(135,759)	0.5	General Fund
2027	4,165,841	0.5	Nongeneral Funds

8. **Fiscal Implications:** This proposal would allow the local education agencies (LEAs, or local school districts) to receive federal reimbursement through the cost-based reimbursement program for the services that they provide to Medicaid and FAMIS enrolled students outside of their Individualized Education Program (IEP) or for students that do not have an IEP. This will result in some cost increases due to an increase in the amount of time local education agencies will be able to be reimbursed for the services school providers currently are delivering as well as an increase in the number of school providers enrolling in Medicaid and participating in the cost-based reimbursement time study. Costs related to the proposal to expand such reimbursement to private schools were not included in this estimate as DMAS does not interpret them as being federally permissible under current law.

    Data from a similar program in Massachusetts suggests that DMAS would anticipate a 25 percent growth in expenditures among nursing and behavioral and/or mental health services, and a two percent increase in therapy services. This would be the expected average over time though DMAS expects the growth to be lower in the first two years and possibly higher in the later years. Currently, school based services are paid via two methods: individual claims and cost-based settlements. Settlements make up the majority of the expenditures in this type of care but they are not distinguishable by service. However, individual claims can be distinguished between the types of care received so we used that data to estimate the percentage of expenditures in each group. Based on that analysis, DMAS assumes 5.1 percent of services to be related to either nursing, behavioral, or mental health treatment, and 94.9 percent to be related to therapy services.

    The distribution among the four programs (base Medicaid, FAMIS, MCHIP, and Expansion) was determined by calculating the distribution of members, claims, and dollars spent among the four programs in school-based services for the time period of July 2020 to December 2020. This resulted in the distribution of 83.5 percent base, 8.1 percent FAMIS, 8.3 percent MCHIP, and 0.1 percent Expansion. The expected yearly inflation in costs was estimated using costs from FY 2010 through FY 2019 by program. This resulted in an expected inflation rate of 14.1 percent for base, 13.8 percent for FAMIS, 14.8 percent for MCHIP, and 14.3 percent for expansion. Based on these assumptions, DMAS estimates that $2,113,170 of additional federal reimbursement will be generated in FY 2022 under the provisions of this bill. This amount increases in subsequent years based on the DMAS inflationary assumptions identified above. Note: No additional state or local dollars are needed as matching funds since it is assumed that these services are already being provided and paid for by LEAs. As such, DMAS is able to use a cost-based reimbursement model to draw federal matching dollars for eligible expenditures.

    Appropriation Act language (Item 313 O., Chapter 56, 2020 Special Session I) specifies that DMAS is allowed to pay contractors engaged in the recovery activities prior to reimbursement. DMAS estimates that due to the increase in members utilizing the school based services, there will be a 10 percent increase in costs ($59,600) for the contractor who facilitates the cost settlement portion of this program. As such, $29,800 would be deducted from the annual federal revenue before reimbursement to LEAs. In addition, Act language (Item 313 S.2., Chapter 56) requires DMAS to retain five percent of the federal financial participation for reimbursement to school divisions for medical and transportation services. It assumed that these expanded services identified above would fall under the general definition of medical. As such, of the $2,083,370 that DMAS estimates as available for reimbursement in FY 2022, DMAS would retain $104,168 and LEAs receive the remaining $1,979,201. The portion retained by DMAS would ultimately be deposited into the Virginia Health Care Fund which would be used to offset state Medicaid costs which would translate

into a dollar for dollar general fund savings ($104,168). The out year amounts reflect DMAS's inflationary assumptions.

DMAS indicates that the agency would require an additional staff member (who is not eligible to be paid for via the special fund) to provide the following:

- Coordinate activities across DMAS divisions, and between DMAS and LEAs, in development of policies and procedures that support compliant and effective school-based Medicaid outreach, provider enrollment and billing, service delivery, program integrity and cost-based reimbursement.
- Provide technical assistance and training to school division staff/providers on school-based policy, Medicaid eligibility and enrollment, provider enrollment, billing, service requirements, program integrity and cost-based reimbursement.
- Oversee school-based services policy development including state regulations, the state plan and the DMAS school-based services provider manual.
- Ensure completion of desk or on-site clinical quality reviews of school-based service provided.

The cost for the staff member, based on average salary, benefits, and indirect costs is $135,320 ($67,660 general fund).

In total, the proposed legislation is expected, based on current DMAS assumptions, to generate a general fund savings of $36,508 (position cost $67,660 - retained revenue $104,168) in FY 2022. The FY 2022 nongeneral fund estimate ($2,210,630) reflects the federal share of the new services, contractor and administrative position ($2,113,170 + $29,800 + 67,660). The out year amounts reflect DMAS's inflationary assumption with regard to the cost future covered services.

9. **Specific Agency or Political Subdivisions Affected:**
   Department of Medical Assistance Services
   Department of Education
   Local education agencies

10. **Technical Amendment Necessary:** No

11. **Other Comments:** None