



## **Economic Impact Analysis Virginia Department of Planning and Budget**

---

**12 VAC 30-120 –Waivered Services**  
**Department of Medical Assistance Services**  
January 30, 2008

---

### **Summary of the Proposed Regulation**

The proposed regulations establish a Medicaid waiver program known as “Money Follows the Person.” Nationally, this program is designed to create a system of long-term services and supports that enables available funds to “follow the person” by supporting the transition of individuals from institutional long-term care setting into community-based care settings.

### **Result of Analysis**

The benefits likely exceed the costs for all proposed changes.

### **Estimated Economic Impact**

Pursuant to Item 302 HHH of the 2007 Appropriation Act, these regulations establish a waiver program as part of the federal Money Follows the person Demonstration grant to allow individuals transitioning from institutions to receive care in the community. The waiver program is established under section 1915(c) of the federal Social Security Act, which encourages the states to provide home and community based services as alternatives to institutionalized care. The main purpose of the waiver program is to prevent or delay placement of persons in institutions by providing care for individuals in their homes and communities consequently avoiding high long-term care costs. States wishing to implement such waiver programs are required to demonstrate that the costs would be lower under a waiver than they would be without it.

The effect of proposed changes on the services provided is two fold. First, three new services will be provided to recipients of certain waivers. Second, existing services will be expanded to more waivers. The three new services are transition services, transition

coordination services, and consumer-directed supported employment services. Transition services will pay for such costs as rent and utility deposits and furniture expenses (up to \$5,000 per person per lifetime) associated with individuals transitioning into the community from institutions. Transition coordination services will cover expenses associated with coordinator expenses up to three months before and up to 12 months after leaving the institutional setting.

The three new services and expanded existing services will be added to six waivers as follows: 1) personal emergency response system (PERS) services, medication monitoring, and transitional services will be added to the technology assisted (TECH) waiver; 2) transition coordination services, environmental modification services, assistive technology services, and transition services will be added to the elderly or disabled with consumer direction (EDCD) waiver; 3) PERS services, medication monitoring services, environmental modification services, and assistive technology services, and transitional services will be added to the HIV/AIDS waiver; 4) consumer directed supported employment services will be added to the MR day support (DS) waiver; 5) consumer directed-supported employment and transitional services to the mental retardation (MR) waiver; 6) consumer directed-supported employment and transitional services to the individual and family developmental disabilities support (IFDDS) waiver.

The Department of Medical Assistance Services (DMAS) anticipates that approximately 1,041 recipients will participate in this new waiver program. The estimated fiscal cost for medical and administrative expenses is approximately \$1 million in Fiscal Year (FY) 2008 and \$7.2 million in FY 2009. As opposed to standard 50 percent federal match, this program will receive 75 percent federal match for services provided to individuals for a period of one year after the individual leaves the institution. Thus, the total estimated cost to the Commonwealth is about \$418,821 in FY 2008 and \$3.1 million in 2009 while the federal share is estimated to be \$602,617 in FY 2008 and \$4.1 million in FY 2009.

Of the total estimated expenses, approximately \$968,213 is the state share of ongoing administrative expenses in FY 2009 and approximately \$229,873 is the state share of one time administrative expenses that are expected in FY 2008. The administrative costs are made up of contractual services, system services and personnel costs.

As mentioned, the main goal of the new services is to increase the supports available to individuals currently living institutional based care settings so that they can transition into community based care settings. Thus, the proposed changes are likely to have economic effects on the recipients, the state, and the health care system.

The net impact on the recipients is expected to be positive as the proposed program is voluntary. The voluntary nature of the program helps ensure that the program results in net benefits as individuals would be taking advantage of this option only if it is beneficial to them.

Also, caring for individuals in a community is known to be less expensive than caring in an institution. Thus, the additional costs associated with providing three new services and making existing new services available in additional waivers will be offset by some amount. The estimated savings are \$65,232 in FY 2008 and \$3.2 million in FY 2009 in state funds.

The proposed program is also expected to have some distributional economic effects among the Medicaid providers. As individuals move from institutions into communities the mix of services provided will change. Institutional care providers are expected to experience a reduction in their Medicaid reimbursements. On the other hand, providers of services that are newly offered or expanded are likely to experience an increase in their revenues from Medicaid.

Finally, it should be noted that the increased expenditures from the proposed program will result in approximately \$602,617 in FY 2008 and \$4.1 million in FY 2009 in additional federal funds coming into the Commonwealth which could have an expansionary economic effect on the overall economic activity, all things being equal.

## **Businesses and Entities Affected**

Approximately 21,000 home and community based service waiver recipients will be eligible to participate in the proposed program. Of these, approximately 1,041 recipients are expected to participate. The estimated number of providers who provides services covered under the proposed regulations is approximately 2,500.

## **Localities Particularly Affected**

The proposed regulations apply throughout the Commonwealth.

## **Projected Impact on Employment**

The proposed changes are expected to increase the demand for labor by providers in order to provide new and expanded services to recipients. Some of this expected increase in demand may be offset by the reduced demand for labor due to possibly declining need for institutional care services. Also, the administration of the program adds to the staffing needs of the Department of Medical Assistance Services creating a positive effect on demand for labor.

## **Effects on the Use and Value of Private Property**

The proposed regulations are expected to increase the asset value of community based service providers as their revenues and profits are expected to be positively affected while there may be an offsetting effect on the asset value of institutional care provider businesses.

## **Small Businesses: Costs and Other Effects**

Approximately 400 of the 2,500 community based care providers are estimated to be small businesses. However, the proposed regulations are not likely to create any significant costs for the affected small businesses.

## **Small Businesses: Alternative Method that Minimizes Adverse Impact**

The proposed regulations are not expected to have any adverse impact on small businesses.

## **Real Estate Development Costs**

The proposed regulations are not expected to have any effect on real estate development costs.

## **Legal Mandate**

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the

regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.