



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

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**12 VAC 30-95 – Standards Established and Methods Used for Fee-for-Service Reimbursement**  
**Department of Medical Assistance Services**  
March 31, 2014

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### **Summary of the Proposed Amendments to Regulation**

The proposed regulation 1) establishes a 13-month deadline in which Medicaid providers may resubmit previously denied claims for reconsideration by the Department of Medical Assistance Services (DMAS), and 2) incorporates the federally mandated 12-month time period (from the date of service) for providers to submit their original claims for services rendered.

### **Result of Analysis**

The benefits likely exceed the costs for all proposed changes.

### **Estimated Economic Impact**

The proposed regulation establishes a 13-month deadline in which Medicaid providers may resubmit previously denied claims for reconsideration. Currently, there is no regulatory time limit for providers to resubmit previously-denied claims.

Fee-for-service providers are allowed up to 12 months from the date that a service is rendered in which to submit their original claims for payment. Upon being presented with a claim, DMAS performs several checks including verification of Medicaid eligibility of the individual and the service provider; provider's eligibility to perform the service (a podiatrist is not allowed perform brain surgery, for example); compliance with service limits and consistency with the individual's characteristics (a claim for a man's delivery of a baby, for example, would not be paid); whether the claim is a duplicate or conflicts with one currently being processed for payment and; compliance with the prior authorization of the service if it is required.

Claims that pass these initial checks are deemed to be "clean". Claims failing the initial checks are denied. Such denial notices are returned to the billing providers in their weekly remittance vouchers which set out the reason for the denial. According to DMAS, some providers have re-submitted claims for dates of services as old as five years after the original claim. Also, some providers have re-submitted claims which have already been denied multiple times. DMAS reports an increase in this activity over the last several years.

In fiscal year 2013, DMAS has paid \$15.9 million to inpatient hospitals, \$1.7 million to outpatient hospitals, \$1.6 million to practitioners, \$309,009 to cross over providers, \$94,347 to independent laboratories, \$34,309 to personal care providers, \$5,042 to transportation providers, and \$3,922 to skilled nursing facilities for the claims that were resubmitted.

Having no deadline in claim resubmission has the effect of both DMAS and providers dealing with open accounts sometimes for years at a time. The proposed regulation introduces a 13-month deadline in which Medicaid providers may resubmit previously denied claims for reconsideration. The proposed time limit appears to be reasonable when compared to private industry practices. DMAS reports that some health insurance entities allow only a single 12-month period for providers to submit their claims with re-submissions not permitted. Some other entities are reported to allow only 180 days for providers to submit their claims.

The proposed 13-month time limit is expected to bring closure to old accounts. With the proposed time limit, providers will have incentives to resubmit failed claims within the 13-month window and do a better job in addressing the reason for the original denial. Thus, providers are expected to dedicate more resources to the denied claims within the proposed 13-month time frame which would force DMAS to do the same. Also, since this action will bring an end to the denied claims that would have been resubmitted multiple times, DMAS and providers are likely to realize some administrative savings. Finally, the proposed time limit may reduce a provider's chance of recovering a denied claim and may have a negative impact on their revenues while reducing the Medicaid expenditures at the same time.

The proposed regulation also incorporates the federally mandated 12-month time period (from the date of service) for providers to submit their original claims for services rendered. This policy has already been enforced in practice. Thus no significant effect is expected from this change other than improving the clarity of the regulations.

## **Businesses and Entities Affected**

The proposed claim resubmission time frame applies to 118,437 fee-for-service providers currently enrolled.

## **Localities Particularly Affected**

The regulation applies throughout the Commonwealth.

## **Projected Impact on Employment**

Affected providers are expected to dedicate more resources to the denied claims within the proposed 13-month time frame which would force DMAS to do the same. So, an increase in demand for labor within the 13-month time frame to resubmit and process denied claims may be expected. However, providers may reduce their demand for labor after the 13-month time frame as they will no longer be able to resubmit claims.

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

To the extent the proposed claim resubmission time limit reduces the recovery of revenues from previously denied claims, providers may see a negative impact on their profits and consequently on their asset values. On the other hand, expected administrative savings from no longer dealing with old accounts will likely provide some administrative savings and offset some of the expected revenue losses and negative impact on asset values.

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

The proposed time limits apply to 118,437 fee-for-service providers most of which are small businesses. The costs and other affects on affected entities are same as discussed above.

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

There is no known alternative method that minimizes adverse impact while accomplishing the same goals.

## **Real Estate Development Costs**

The proposed amendments are unlikely to affect real estate development costs.

## **Legal Mandate**

**General:** The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia and Executive Order Number 14 (2010). Section 2.2-4007.04 requires that such economic impact analyses

determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to:

- the projected number of businesses or other entities to whom the proposed 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.

**Small Businesses:** If the proposed regulation will have an adverse effect on small businesses, § 2.2-4007.04 requires that such economic impact analyses include:

- an identification and estimate of the number of small businesses subject to the proposed regulation,
- the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents,
- a statement of the probable effect of the proposed regulation on affected small businesses, and
- a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation.

Additionally, pursuant to § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules (JCAR) is notified at the time the proposed regulation is submitted to the *Virginia Register of Regulations* for publication. This analysis shall represent DPB's best estimate for the purposes of public review and comment on the proposed regulation.

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