Virginia Department of Planning and Budget
Economic Impact Analysis

12 VAC 30-120 – Waivered Services
Department of Medical Assistance Services
January 23, 2015

Summary of the Proposed Amendments to Regulation

The proposed amendments 1) provide coverage for the first month's rent for individuals in the Money Follows the Person (MFP) program who are transitioning from an institution to a community based living and 2) update references and acronyms used in the regulations.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

The MFP program facilitates individuals moving into communities from institutions, typically nursing or residential care facilities. Under this program, Medicaid pays for transition services which are set-up expenses involved in such transition. These expenses include security deposits to obtain a lease, utility deposits, moving expenses, pest eradication and cleaning services, and essential household furnishings to occupy and use a private residence. These expenditures are currently covered. However, according to Department of Medical Assistance Services (DMAS), payment of the first month's rent is a barrier to moving into a community setting for some individuals. This barrier exists largely due to the timing of the receipt of Social Security income and/or other supports arriving after the initial move into the community.

In 2010, an amendment to the Social Security Act, 42 USC 1396n(k)(1)(D), authorized states to pay for the first month's rent as a transition service. Following the federal authorization, Item 301 FFFF of the 2014 Acts of the Assembly authorized DMAS to provide for the coverage of the first month's rent for qualified housing as an allowable cost. The proposed change implements the authority to cover the first month's rent for individuals in the MFP program.

Based on data from last two fiscal years, DMAS estimates that approximately 40 individuals will receive the first month's rent per year at a total cost of $33,706. Since MFP program expenditures are subject to enhanced federal match, the Commonwealth will pay $8,427 of this amount while $25,279 will be paid by the federal government. On the other hand, providing health care coverage in community settings is cheaper than providing care in institutional settings. The amount of cost savings varies depending on what Medicaid services an individual needs but can range from as low as $14,262 to as high as $109,578 or higher per person per year. Thus, cost savings from this change would probably exceed the additional costs it will create. Since the federal match for long term care costs is 50%, the Commonwealth will accrue half of any savings from this change.

Additionally, community living provides the individuals more autonomy and control over their personal care and life experiences. According to DMAS, individuals responding to quality of life surveys during institutional residence and then during their first and second years of community living tend to report higher satisfaction with life and increased happiness. Community living fosters individual independence and control, self-direction and person-centered planning, thereby creating a higher level of happiness and greater sense of well-being.

Furthermore, businesses that offer rental properties will have an increased demand for their services and likely benefit from the proposed coverage of the first month's rent for about 40 individuals.

Finally, the proposed changes update references and acronyms used in the regulations. These changes are not expected to create any significant economic effects other than improving the clarity of the regulations.

Businesses and Entities Affected

The proposed amendments will primarily affect individuals in MFP program who cannot currently pay for the first month's rent to transition into a community based living. DMAS estimates that there are approximately 40 such individuals. In addition, some of approximately 2,500 providers offering medical/pharmacy services to individuals in the MFP program will serve 40 more individuals. On the other hand, some of the 271 long term care providers will serve 40 less individuals.

Localities Particularly Affected

The proposed changes apply throughout the Commonwealth.

Projected Impact on Employment

The proposed amendments are anticipated to increase demand for rental properties and have a positive impact on employment in that sector. The proposed amendments will increase demand for services offered by the providers to individuals in the MFP program. A positive impact on employment in that sector may be expected. However, the proposed amendments are also anticipated to reduce demand for services offered by institutions such as nursing homes and residential care facilities. A negative impact on employment in that sector may be expected.

Effects on the Use and Value of Private Property

Due to increased demand for their services, businesses that offer rental properties may see an increase in their asset values. Similarly, the providers serving MFP program population may see an increase in their asset values due to increase in demand for their services. On the other hand, institutions such as nursing homes and residential care facilities may see a decrease in their asset values due to likely reduction in demand for their services.

Small Businesses: Costs and Other Effects

Most of the businesses that offer rental properties and the providers serving MFP program population are believed to be small businesses. About 25% of the long term care facilities are believed to be small businesses. The costs and other effects on affected small businesses are the same as discussed above.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There is no alternative method that minimizes adverse impact on nursing homes and residential care facilities 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 17 (2014). 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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