



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

12 VAC 30-50 Amount, Duration, and Scope of Medical and Remedial Care and Services 12 VAC 30-80 Methods and Standards for Establishing Payment Rate; Other Types of Care

Department of Medical Assistance Services

Town Hall Action/Stage: 6421 / 10270

March 13, 2026

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 (Code) and Executive Order 19. The analysis presented below represents DPB's best estimate of the potential economic impacts as of the date of this analysis.¹

Summary of the Proposed Amendments to Regulation

Pursuant to Chapter 250 of the 2021 *Acts of Assembly* and the 2021 *Appropriations Act*, Item 313.AAAAAA,² the Director of the Department of Medical Assistance Services (DMAS), on behalf of the Board of Medical Assistance Services, proposes to update the regulations that govern coverage of qualifying medical assistance services delivered by school districts to eligible students, regardless of whether the student receiving care has an individualized education program (IEP) or whether the service is included in a student's IEP. The proposed amendments would align the regulations with current practice, which has been implemented via Medicaid State Plan Amendment (SPA) 21-0017, effective July 1, 2022.³

¹ Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the analysis should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

² See <https://legacylis.virginia.gov/cgi-bin/legp604.exe?ses=212&typ=bil&val=sb1307> and <https://budget.lis.virginia.gov/item/2021/2/HB1800/Chapter/1/313/>.

³ See <https://www.dmas.virginia.gov/media/6213/va-spa-21-0017-approval-signed.pdf>.

Background

Pursuant to the 2021 legislation and subsequent SPA, DMAS seeks to replace the language in item J (School health services) of 12 VAC 30-50-130 (Nursing facility services, EPSDT, including school health services and family planning). Under the current regulation, “School-based services are listed in a recipient's individualized education program (IEP) and covered under one or more of the service categories described in § 1905(a) of the Social Security Act.” The proposed language, which is largely identical to the approved SPA, would (i) allow Local Education Agencies (LEAs), which are Virginia public school divisions and the Virginia School for the Deaf and Blind, to enroll with DMAS as providers of LEA school based services, and (ii) define LEA School Based Services as either, “services listed in a recipient’s [IEP] or services for which medical necessity has otherwise been established (non-IEP), and are covered under one or more of the service categories described in Section 1905(a) of the Social Security Act.” It should be noted that specialized transportation would still need to be listed in a student’s IEP to be covered as a school-based service.

According to DMAS, the proposed changes to item J also reflect the expansion of reimbursable qualified providers. The current language defines medically necessary services only as those ordered by an “IEP provider” and also enumerates specific types of providers for each covered service. In contrast, the proposed language (i) updates the text to remove references to “IEP providers” and (ii) broadly lists that providers for each covered service must be licensed under the applicable state practice act and qualified under the corresponding subsections of the federal regulations (42 CFR Part 440). As a result, DMAS reports that substance use treatment providers, licensed behavior analysts, and behavior technicians under the supervision of a licensed behavior analyst, who are not currently listed as providers, would be newly eligible for reimbursement.

In addition, DMAS proposes to repeal and replace the language in 12 VAC 30-80-75 (Local Education Agency (LEA) Providers) regarding the methodology to determine reimbursements to LEA providers. The reimbursement methodology would be updated to separately calculate the costs of providing covered services (except specialized transportation) for IEP and non-IEP students, and to remove outdated references to interim procedures. The methodology for specialized transportation would be updated to reflect the implementation of a

quarterly cost report, which replaced the interim claiming and cost settlement procedures currently detailed in the regulation.

Estimated Benefits and Costs

The primary impact of this action is to update the regulation to reflect current practice; thus, no new benefits or costs are expected to accrue as a result. Under the changes made in the SPA, LEAs enrolled with Medicaid have been able to receive the Federal Financial Participation (FFP) for Medicaid and FAMIS-enrolled students for covered school-based services that (a) may not have been included in a student’s IEP and (b) for students who may not have had an IEP. Lastly, the SPA benefits Medicaid and FAMIS-enrolled students who need medical services in school but may not have an IEP or who need covered services that are not specified in their IEP, to the extent that LEAs are able to provide those services in a manner that complies with the requirements of the SPA.

Businesses and Other Entities Affected

The proposed amendments primarily affect LEAs in Virginia, especially those that chose to enroll in Medicaid following the approval of the SPA. DMAS reports that as of 2025-2026, 111 of Virginia’s school districts are enrolled while 20 are not enrolled. The total FFP reimbursements made to school districts from FY22 (the year prior to the SPA) to FY24 are listed in the table below.⁴

Fiscal year	Reimbursements to LEAs	Reimbursement retained by DMAS
FY 22	\$55,309,201	\$2,911,011
FY 23	\$63,178,171	\$3,325,167
FY 24	\$75,823,537	\$3,990,712

The specific impacts on school districts are discussed below under Localities Affected. In addition, licensed professionals who provide covered services in school settings, and are either employed by LEAs or under contract to provide services, would have benefited from the expansion in the covered services beyond those listed on the IEP.

The Code of Virginia requires DPB to assess whether an adverse impact may result from the proposed regulation.⁵ An adverse impact is indicated if there is any increase in net cost or

⁴ DMAS provided the reimbursements to LEAs; reimbursements to DMAS were calculated by DPB using the following formula: Reimbursements to DMAS = Reimbursements to LEAs/0.95*0.05.

⁵ Pursuant to Code § 2.2-4007.04(D): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint

reduction in net benefit for any entity, even if the benefits exceed the costs for all entities combined.⁶ As noted above, the proposal would update the regulatory language to reflect current provisions for school-based services for Medicaid and FAMIS-enrolled children at public schools in Virginia. Thus, an adverse impact is not indicated.

Small Businesses⁷ Affected:⁸

The proposed amendments are unlikely to affect small businesses.

Localities⁹ Affected¹⁰

The proposed amendments do not introduce new costs for local governments unless specific schools within a school district choose to hire or contract with additional licensed providers in order to expand their provision of covered school-based services to eligible non-IEP students. Those localities would also benefit from having those services be eligible for reimbursement from the FFP. As mentioned previously, 111 out of 131 Virginia school districts have enrolled with Medicaid.

DMAS reports that although most school districts that have enrolled with Medicaid have seen an increase in reimbursements since the SPA became effective, a few districts have seen lower reimbursements, which may be attributed to changes in student demographics, the loss of Medicaid coverage for students due to the unwinding of continuous coverage requirements that

Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance.

⁶ Statute does not define “adverse impact,” state whether only Virginia entities should be considered, nor indicate whether an adverse impact results from regulatory requirements mandated by legislation. As a result, DPB has adopted a definition of adverse impact that assesses changes in net costs and benefits for each affected Virginia entity that directly results from discretionary changes to the regulation.

⁷ Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

⁸ If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) 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, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 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 shall be notified.

⁹ “Locality” can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulatory change are most likely to occur.

¹⁰ § 2.2-4007.04 defines “particularly affected” as bearing disproportionate material impact.

were in place during the Covid-19 pandemic, and/or shortages of licensed and qualified staff in the schools.

Projected Impact on Employment

Although some LEAs may choose to hire more providers for covered services for eligible students as a result of being able to access federal reimbursements more easily, the state-wide impact is unlikely to be significant. The proposed amendments do not affect total employment.

Effects on the Use and Value of Private Property

No impact on the use and value of private property nor on real estate development costs is expected.