



Fast Track Proposed Regulation Agency Background Document

Agency name	Department of Medical Assistance Services
Virginia Administrative Code (VAC) citation	12 VAC 30-120-260 TO 12 VAC 30-120-350; 12VAC 30-60-147; 12 VAC 30-60-200; 12 VAC 30-120-360; 12 VAC 30-120-370; 12 VAC 30-141-10; 12 VAC 30-141-20; 12 VAC 30-141-70; 12 VAC 30-141-200; 12 VAC 30-141-500; 12 VAC 30-141-570; 12 VAC 30-141-660; 12 VAC 30-141-670; 12 VAC 30-141-680; 12 VAC 30-141-730; 12 VAC 30-141-830; 12 VAC 30-141-850, and; 12 VAC 30-141-880
Regulation title	WAIVERED SERVICES—MEDALLION (Part V) and related affected regulations
Action title	Repeal MEDALLION
Date this document prepared	

This information is required for executive branch review and the Virginia Registrar of Regulations, pursuant to the Virginia Administrative Process Act (APA), Executive Orders 14 (2010) and 58 (1999), and the *Virginia Register Form, Style, and Procedure Manual*.

Brief summary

Please provide a brief summary (no more than 2 short paragraphs) of the proposed new regulation, proposed amendments to the existing regulation, or the regulation proposed to be repealed. Alert the reader to all substantive matters or changes.

The repeal of the MEDALLION primary care case management program (PCCM) is the result of the expansion of managed care programs (MCOs) throughout the Commonwealth. The MEDALLION program was developed, in 1991, as the first managed care service delivery mechanism in Virginia. This program paid primary care providers a small monthly fee to be the 'medical home' for their Medicaid patients, providing referrals to specialists and care coordination. MEDALLION has continued to operate until now as either the sole managed care option in some localities or as an alternative managed care option in localities having only one MCO. With the expansion of MCOs statewide, effective July 2012, the PCCM program is no longer needed. This change affects both Medicaid (Title XIX) and FAMIS (Title XXI). This change also affects numerous other regulations that merely reference the PCCM program.

Statement of final agency action

Please provide a statement of the final action taken by the agency including (1) the date the action was taken, (2) the name of the agency taking the action, and (3) the title of the regulation.

I hereby approve the foregoing Agency Background Document entitled Repeal MEDALLION with the attached amended Regulations (12 VAC 30-120-260 TO 12 VAC 30-120-350; 12VAC 30-60-147; 12 VAC 30-60-200; 12 VAC 30-120-360; 12 VAC 30-120-370; 12 VAC 30-141-10; 12 VAC 30-141-20; 12 VAC 30-141-70; 12 VAC 30-141-200; 12 VAC 30-141-500; 12 VAC 30-141-570; 12 VAC 30-141-660; 12 VAC 30-141-670; 12 VAC 30-141-680; 12 VAC 30-141-730; 12 VAC 30-141-830; 12 VAC 30-141-850, and; 12 VAC 30-141-880) and adopt the action stated therein. I certify that this final regulatory action has completed all the requirements of the Code of Virginia § 2.2-4012, of the Administrative Process Act.

Date

Cynthia B. Jones, Director
Dept. of Medical Assistance Services

Legal basis

Please identify the state and/or federal legal authority to promulgate this proposed regulation, including (1) the most relevant citations to the Code of Virginia or General Assembly chapter number(s), if applicable, and (2) promulgating entity, i.e., agency, board, or person. Your citation should include a specific provision authorizing the promulgating entity to regulate this specific subject or program, as well as a reference to the agency/board/person’s overall regulatory authority.

The *Code of Virginia* (1950) as amended, § 32.1-325, grants to the Board of Medical Assistance Services the authority to administer and amend the Plan for Medical Assistance. The *Code of Virginia* (1950) as amended, § 32.1-324, authorizes the Director of DMAS to administer and amend the Plan for Medical Assistance according to the Board's requirements. The Medicaid authority as established by § 1902 (a) of the *Social Security Act* [42 U.S.C. 1396a] provides governing authority for payments for services.

Chapter 3 of the *2012 Acts of Assembly*, Item 307 N established the agency's authority to seek federal approval of changes to its MEDALLION waiver. As of June 21, 2012, CMS has approved Virginia's request to expand its managed care program and repeal its PCCM program.

Purpose

Please explain the need for the new or amended regulation. Describe the rationale or justification of the proposed regulatory action. Detail the specific reasons the regulation is essential to protect the health, safety or welfare of citizens. Discuss the goals of the proposal and the problems the proposal is intended to solve.

The MEDALLION (primary care case management) regulations (12 VAC 30-120-260 through 12 VAC 30-120-350) are recommended for repeal because they are no longer needed with the advent of statewide managed care organization service delivery. Once managed care organizations provide health care services throughout the Commonwealth, there will be no need to offer this alternative service delivery system. This repeal action also affects the Family Access to Medical Insurance Security (FAMIS and FAMIS-MOMS) programs. This repeal action will not affect the health, safety, or welfare of either Medicaid individuals or citizens.

Repealing the MEDALLION program is not expected to be controversial because managed care organizations will be operational statewide by the time this action is effective and all Medicaid beneficiaries who are eligible for managed care enrollment will be served via that system. The managed care organization expansion statewide, effective July 1, 2012, renders the MEDALLION program obsolete. Medicaid beneficiaries who are excluded from managed care will receive their required medical care via the ongoing fee-for-service delivery system.

Rationale for using fast track process

Please explain the rationale for using the fast track process in promulgating this regulation. Why do you expect this rulemaking to be noncontroversial?

Please note: If an objection to the use of the fast-track process is received within the 30-day public comment period from 10 or more persons, any member of the applicable standing committee of either house of the General Assembly or of the Joint Commission on Administrative Rules, the agency shall (i) file notice of the objections with the Registrar of Regulations for publication in the Virginia Register, and (ii) proceed with the normal promulgation process with the initial publication of the fast-track regulation serving as the Notice of Intended Regulatory Action.

The fast track process for these proposed regulatory changes was selected for several reasons. Repealing the MEDALLION program is not expected to be controversial because managed care organizations will be operational statewide by the time this action is effective. The managed care organization expansion statewide renders the MEDALLION program obsolete.

Substance

Please briefly identify and explain the new substantive provisions, the substantive changes to existing sections, or both where appropriate. (Provide more detail about these changes in the "Detail of changes" section.) Please be sure to define any acronyms.

The primary regulations affected by this action are MEDALLION (Part V) (12VAC 30-120-260 through 12 VAC 30-120-350). Other regulations merely containing references to PCCM are as follows: 12VAC 30-60-147; 12 VAC 30-60-200; 12 VAC 30-120-360; 12 VAC 30-120-370; 12 VAC 30-141-10; 12 VAC 30-141-20; 12 VAC 30-141-70; 12 VAC 30-141-200; 12 VAC 30-141-500; 12 VAC 30-141-570; 12 VAC 30-141-660; 12 VAC 30-141-670; 12 VAC 30-141-680; 12 VAC 30-141-730, 12 VAC 30-141-830, 12 VAC 30-141-850, and 12 VAC 30-141-880.

CURRENT POLICY

In December 1991, the Centers for Medicare and Medicaid Services (CMS) approved the Commonwealth's 1915(b) waiver application to implement the MEDALLION primary care case management (PCCM) program. The goal of the MEDALLION program was to improve Medicaid individuals' quality of care and to assist in controlling the Commonwealth's escalating health care costs. The MEDALLION program began as an experiment in managed care to address the fact that (i) many physicians were refusing (in 1990) to provide care to Medicaid recipients; (ii) hospital emergency rooms were often used for primary care; and (iii) medical care costs were increasing. The MEDALLION PCCM program began in four pilot cities and counties in January 1992. At its inception, it was intended to be a stepping stone towards managed care for the entire Commonwealth.

The initial response on the part of providers and beneficiaries was positive and the program achieved cost savings. In 1993, CMS approved the phase-in of the program statewide. The MEDALLION program was expanded statewide in 1995 and Virginia became one of the first states to expand its PCCM program eligibility to cover beneficiaries in the Aged, Blind, and Disabled categories.

MEDALLION is based on the concept of building ongoing relationships between providers and Medicaid recipients. MEDALLION's purpose was to encourage a relationship between the Primary Care Physician (PCP) and Medicaid individuals resulting in a trusting environment called the "medical home." The goals of the MEDALLION program included: (i) enhancing access to care; (ii) providing for the continuity of care; (iii) providing a "medical home"; (iv) promoting improved patient compliance and responsibility when accessing medical care; and, (v) increasing physician participation in the program. This was accomplished by linking beneficiaries with sources for coordinated primary care, assuring appropriate use of inpatient and emergency room care, reducing unnecessary prescriptions and laboratory tests, and improving access to routine and urgent primary care. MEDALLION provided for all services contained in the State Plan for Medical Assistance.

As with other PCCM programs, the PCP acted as a gatekeeper, providing or coordinating the medical needs of beneficiaries. The primary care provider was the first contact for care offering coverage seven days a week, twenty-four hours a day. The PCP assumed a long-term responsibility for beneficiaries' health while coordinating care within the health care system, especially visits to specialists. Under the MEDALLION program, providers who enrolled as PCPs included, but were not limited to, general practice, family practice, internal medicine, and

pediatricians. In Medicaid, the PCP/patient ratios of MEDALLION have compared favorably to other health care delivery systems.

The MEDALLION program provided DMAS with an introduction to managed care. It defined the managed care eligible population, and changed the way individuals and providers viewed Medicaid enrollees. Because MEDALLION introduced the concept of a PCP to Virginia Medicaid, Medicaid individuals became accustomed to being viewed as “clients” who were introduced to the concept of seeking referrals. As a result, MEDALLION produced better medical outcomes and promoted the physician/patient relationship, preventive care, and patient education, while reducing the inappropriate use of medical services as exists in fee-for-service Medicaid. The MEDALLION program became the foundation of the (former) Options and (current) Medallion II (MCO) programs. With federal approval, DMAS expanded its network of Managed Care Organizations to far southwest Virginia the MEDALLION program has become obsolete.

This change also affects the agency's Title XXI program, Family Access to Medical Insurance Security (FAMIS), and FAMIS MOMS. The changes in Chapter 141 are technical in nature to maintain consistency between Title XIX and Title XXI. The changes in Chapter 60 (Standards Established and Methods Used to Establish High Quality of Care) are also technical in nature to maintain consistency across the *Virginia Administrative Code*.

Issues

Please identify the issues associated with the proposed regulatory action, including:
1) *the primary advantages and disadvantages to the public, such as individual private citizens or businesses, of implementing the new or amended provisions;*
2) *the primary advantages and disadvantages to the agency or the Commonwealth; and*
3) *other pertinent matters of interest to the regulated community, government officials, and the public.*
If there are no disadvantages to the public or the Commonwealth, please indicate.

There are no advantages or disadvantages to private citizens in this regulatory action. The disadvantage to Medicaid individuals in this action is that it removes a service delivery model that previously existed, but this more than balanced by the fact that former PCCM enrollees will now a broader range of case management services available through the MCO network. There are no disadvantages to either the Commonwealth or Department in this action. The advantage to the Department in this action is the cleaning up of DMAS' part of the Administrative Code of regulations that are no longer needed.

Requirements more restrictive than federal

Please identify and describe any requirement of the proposal which is more restrictive than applicable federal requirements. Include a rationale for the need for the more restrictive requirements. If there are no applicable federal requirements or no requirements that exceed applicable federal requirements, include a statement to that effect.

There are no requirements more restrictive than federal in this action.

Localities particularly affected

Please identify any locality particularly affected by the proposed regulation. Locality particularly affected means any locality which bears any identified disproportionate material impact which would not be experienced by other localities.

There will be no localities that are more affected than others as these requirements will apply statewide.

Regulatory flexibility analysis

Please describe the agency's analysis of alternative regulatory methods, consistent with health, safety, environmental, and economic welfare, that will accomplish the objectives of applicable law while minimizing the adverse impact on small business. Alternative regulatory methods include, at a minimum: 1) the establishment of less stringent compliance or reporting requirements; 2) the establishment of less stringent schedules or deadlines for compliance or reporting requirements; 3) the consolidation or simplification of compliance or reporting requirements; 4) the establishment of performance standards for small businesses to replace design or operational standards required in the proposed regulation; and 5) the exemption of small businesses from all or any part of the requirements contained in the proposed regulation.

This regulatory action is not expected to affect small businesses as it does not impose compliance or reporting requirements, nor deadlines for reporting, nor does it establish performance standards to replace design or operational standards.

Economic impact

Please identify the anticipated economic impact of the proposed new regulations or amendments to the existing regulation. When describing a particular economic impact, please specify which new requirement or change in requirement creates the anticipated economic impact.

<p>Projected cost to the state to implement and enforce the proposed regulation, including (a) fund source / fund detail, and (b) a delineation of one-time versus on-going expenditures</p>	<p>There are no new funds required for the implementation of this change as the medical expenses for the members are currently covered by the fee-for-service program and incorporated into the actuarially sound capitation rate to be paid to the MCO. All carved-out services are covered by the DMAS fee-for-service program. The per member/per month (PM/PM) fee paid to MEDALLION providers will no longer be an expenditure.</p> <p>There is no economic impact or projected cost to the state anticipated as a result of these proposed</p>
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	<p>regulation changes.</p> <p>In SFY 2011, DMAS spent \$1.1 M on per member/per month care management fees on an average of \$94,699 per month for 31,566 members. Eliminating the MEDALLION program is not expected to result in a savings because the MCOs will be expanding both their provider networks and patient case loads.</p>
<p>Projected cost of the <i>new regulations or changes to existing regulations</i> on localities.</p>	<p>\$0.</p>
<p>Description of the individuals, businesses or other entities likely to be affected by the <i>new regulations or changes to existing regulations</i>.</p>	<p>Eliminating the MEDALLION program will affect approximately 31,566 beneficiaries who will be moving from the fee-for-service system into MCOs. This change is not expected to be viewed as a significant change, however, because these beneficiaries may be receiving care from many of the same physicians and pharmacies that will join the MCO networks.</p>
<p>Agency's best estimate of the number of such entities that will be affected. Please include an estimate of the number of small businesses affected. Small business means 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.</p>	<p>DMAS contracts with six managed care organizations, with a total enrollment as of June 2012 of 573,759 members by MCO as follows: Anthem (211,748); Optima (148,137); Virginia Premier (139,692); CareNet (28,004); Amerigroup (41,721); MajestaCare (4,457).</p> <p>The total unduplicated number of providers for each MCO is: Anthem (30,288); Optima (27,866); Virginia Premier (20,395); CareNet (12,948); Amerigroup (14,861); and MajestaCare (6,921). DMAS does not believe that its MCO organizations meet the definition of small businesses.</p>
<p>All projected costs of the <i>new regulations or changes to existing regulations</i> for affected individuals, businesses, or other entities. Please be specific and include all costs. Be sure to include the projected reporting, recordkeeping, and other administrative costs required for compliance by small businesses. Specify any costs related to the development of real estate for commercial or residential purposes that are a consequence of the proposed regulatory changes or new regulations.</p>	<p>\$0.</p>
<p>Beneficial impact the regulation is designed to produce.</p>	<p>The beneficial impact of repealing the MEDALLION program's regulations is technical; there is no point in leaving unused, unneeded regulations in the VAC.</p>

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Alternatives

Please describe any viable alternatives to the proposal considered and the rationale used by the agency to select the least burdensome or intrusive alternative that meets the essential purpose of the action. Also, include discussion of less intrusive or less costly alternatives for small businesses, as defined in §2.2-4007.1 of the Code of Virginia, of achieving the purpose of the regulation.

DMAS was not allowed to consider any policy alternatives in light of the referenced General Assembly mandate.

Family impact

Please assess the impact of the proposed regulatory action on the institution of the family and family stability including to what extent the regulatory action will: 1) strengthen or erode the authority and rights of parents in the education, nurturing, and supervision of their children; 2) encourage or discourage economic self-sufficiency, self-pride, and the assumption of responsibility for oneself, one’s spouse, and one’s children and/or elderly parents; 3) strengthen or erode the marital commitment; and 4) increase or decrease disposable family income.

These changes do not strengthen or erode the authority or rights of parents in the education, nurturing, and supervision of their children; nor encourage or discourage economic self-sufficiency, self-pride, and the assumption of responsibility for oneself, one’s spouse, and one’s children and/or elderly parents. It does not strengthen or erode the marital commitment, but may decrease disposable family income depending upon which provider the recipient chooses for the item or service prescribed.

Detail of changes

Please list all changes that are being proposed and the consequences of the proposed changes. If the proposed regulation is a new chapter, describe the intent of the language and the expected impact. Please describe the difference between existing regulation(s) and/or agency practice(s) and what is being proposed in this regulatory action.

*If the proposed regulation is intended to replace an emergency regulation, please list separately (1) all differences between the **pre-emergency** regulation and this proposed regulation, and (2) only changes made since the publication of the emergency regulation.*

Current section number	Proposed new section number, if applicable	Current requirement	Proposed change, intent, and likely impact of proposed requirements
12 VAC 30-120-260 thru		MEDALLION program requirements.	Proposed for repeal. MEDALLION is no longer needed with the expansion of managed care throughout the entire state.

120-350			
12VAC 30-60- 147 and 60-200; 12 VAC 30-120- 360 and 120-370; 12 VAC 30-141- 10, 20, 70, 200, 500, 570, 660, 670, 680, 730, 830, 850, and 880.			References to PCCM are being removed from other regulations where they appear.