

Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



Virginia Department of Planning and Budget Economic Impact Analysis

12 VAC 30-70 Methods and Standards for Establishing Payment Rates; in-Patient Hospital Care

Department of Medical Assistance Services

Town Hall Action/Stage: 4980 / 8180

May 3, 2018

Summary of the Proposed Amendments to Regulation

Chapter 836, Item 306.RRR.6.a, of the 2017 Acts of Assembly¹ requires that the Department of Medical Assistance Services (DMAS):

promulgate regulations to make supplemental Medicaid payments to the primary teaching hospitals affiliated with a Liaison Committee on Medical Education (LCME) accredited medical school located in Planning District 23 that is a political subdivision of the Commonwealth and an LCME accredited medical school located in Planning District 5 that has a partnership with a public university.

Thus, on behalf of the Board of Medical Assistance Services, the Director of DMAS proposes to add a section to this regulation that specifies qualifying criteria, reimbursement methodology, and maximum aggregate payments for such supplemental Medicaid payments.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

¹ See <https://budget.lis.virginia.gov/item/2017/1/HB1500/Chapter/1/306/>

Estimated Economic Impact

The primary teaching hospital affiliated with an LCME accredited medical school located in Planning District 23 is Sentara Norfolk General, which is affiliated with Eastern Virginia Medical School. The primary teaching hospital affiliated with an LCME accredited medical school located in Planning District 5 is Carilion Medical Center in Roanoke, which is affiliated with Virginia Tech.

According to DMAS, the two hospitals are considered safety net hospitals for their area, and serve a disproportionate number of patients without insurance and ability to pay. The supplemental payments are not tied to providing specific services, but help pay unreimbursed costs such as for indigent patients.

The proposed action would help Sentara Norfolk General and Carilion Medical Center obtain approximately \$41 million of federal funds annually without increasing costs for the Commonwealth. As these funds help provide healthcare services for Virginians without increasing costs for the state, the proposed action would create a net benefit for the Commonwealth.

Businesses and Entities Affected

The proposed amendments primarily affect two hospitals: Sentara Norfolk General and Carilion Medical Center.

Localities Particularly Affected

The proposed amendments particularly affect hospitals located in Norfolk and Roanoke. Thus, the proposals particularly affect those localities and other nearby localities.

Projected Impact on Employment

The proposed action would help the two hospitals gain significant federal funding that could be used in part to hire additional staff.

Effects on the Use and Value of Private Property

The two hospitals are private. The proposed action would increase their funding, and would likely increase their value.

Real Estate Development Costs

The proposed amendments do not affect real estate development costs.

Small Businesses:**Definition**

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.”

Costs and Other Effects

The proposed amendments do not affect costs for small businesses.

Alternative Method that Minimizes Adverse Impact

The proposed amendments do not adversely affect small businesses.

Adverse Impacts:**Businesses:**

The proposed amendments do not adversely affect businesses.

Localities:

The proposed amendments do not adversely affect localities.

Other Entities:

The proposed amendments do not adversely affect other entities.

Legal Mandates

General: The Department of Planning and Budget 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 Number 17 (2014). Code § 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: (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.

Adverse impacts: Pursuant to Code § 2.2-4007.04(C): 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 Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

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.