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# VIRGINIA STATE BUDGET

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2018 Special Session I

## Budget Bill - HB5001 (Enrolled)

Bill Order » Office of Health and Human Resources » Item 310

Department of Medical Assistance Services

| Item 310  | First Year -<br>FY2017 | Second Year - FY2018                              |
|---|------------------------|---|
| <b>Administrative and Support Services (49900)</b>                                      | <b>\$213,492,763</b>   | <b><del>\$229,332,563</del><br/>\$239,756,469</b> |
| General Management and Direction (49901)  | \$195,765,886          | <del>\$211,605,686</del><br>\$222,029,592         |
| Information Technology Services (49902)   | \$14,895,620           | \$14,895,620                                      |
| Administrative Support for the Family Access to Medical Insurance Security Plan (49932) | \$2,831,257            | \$2,831,257                                       |
| Fund Sources:   |                        |   |
| General   | \$57,862,485           | <del>\$61,063,111</del><br>\$65,675,064           |
| Special   | \$1,565,000            | <del>\$1,565,000</del><br>\$2,265,000             |
| Federal Trust   | \$154,065,278          | <del>\$166,704,452</del><br>\$171,816,405         |

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Authority: Title 32.1, Chapters 9 and 10, Code of Virginia; P.L. 89-97, as amended, Titles XIX and XXI, Social Security Act, Federal Code.

A.1. By November 1 of each year, the Department of Planning and Budget, in cooperation with the Department of Medical Assistance Services, shall prepare and submit a forecast of Medicaid expenditures, upon which the Governor's budget recommendations will be based, for the current and subsequent two years to the Chairmen of the House Appropriations and Senate Finance Committees.

2. The forecast shall be based upon current state and federal laws and regulations. Rebasings and inflation estimates that are required by existing law or regulation for any Medicaid provider shall be included in the forecast. The forecast shall also include an estimate of projected increases or decreases in managed care costs, including estimates regarding changes in managed care rates for the three-year period. In preparing for each year's forecast of the managed care portions of the budget, the department shall submit to its actuarial contractor a letter, with a copy sent to the Department of Planning and Budget and the Chairmen of the House Appropriations and Senate Finance Committees. This letter shall document the department's request for a point estimate of the rate of increase in rates, based on application of actuarial principals and methodologies and information available at the time of the forecast, that the contractor estimates will occur in the years being forecast, and shall specify the population groupings for which estimates are requested. The department shall request that the contractor reply in writing with a copy to all parties copied on the department's letter.

3. The Department of Planning and Budget and the Department of Medical Assistance Services shall convene a meeting on or before October 15 of each year with the appropriate staff from the House Appropriations and Senate Finance Committees to review current trends and the assumptions used in the Medicaid forecast prior to its finalization.

B. The Department of Medical Assistance Services shall submit monthly expenditure reports of the Medicaid program by service. The report for the month at the end of each quarter shall compare expenditures to the official Medicaid forecast, adjusted to reflect budget actions from each General Assembly Session. The monthly report shall be submitted to the Department of Planning and Budget and the Chairmen of the House Appropriations and Senate Finance Committees within 20 days after the end of each month and the quarterly report shall be submitted within 30 days after the end of the quarter.

C.1. Out of this appropriation, \$50,000 the first year and ~~\$50,000~~ \$1,000,000 the second year from the special fund is appropriated to the Department of Medical Assistance Services for the administration of the disbursement of civil money penalties (CMP) levied against and collected from Medicaid nursing facilities for violations of rules identified during survey and certification as required by federal law and regulation. Based on the nature and seriousness of the deficiency, the Agency or the Centers for Medicare and Medicaid Services may impose a civil money penalty, consistent with the severity of the violations, for the number of days a facility is not in substantial compliance with the facility's Medicaid participation agreement. Civil money penalties collected by the Commonwealth must be applied to the protection of the health or property of residents of nursing facilities found to be deficient. Penalties collected are to be used for (1) the payment of costs incurred by the Commonwealth for relocating residents to other facilities; (2) payment of costs incurred by the Commonwealth related to operation of the facility pending correction of the deficiency or closure of the facility; and (3) reimbursement of residents for personal funds or property lost at a facility as a result of actions by the facility or individuals used by the facility to provide services to residents. These funds are to be administered in accordance with the revised federal regulations and law, 42 CFR 488.400 and the Social Security Act § 1919(h), for Enforcement of Compliance for Long-Term Care Facilities with Deficiencies. Any special fund revenue received for this purpose, but unexpended at the end of the fiscal year, shall remain in the fund for use in accordance with this provision.

*2. Of the amounts appropriated in C.1. of this Item, up to \$175,000 the second year from special funds may be used for the costs associated with administering CMP funds.*

*3. Of the amounts appropriated in C.1. of this Item, up to \$325,000 the second year from the special funds may be used for special projects that benefit residents and improve the quality of nursing Facilities.*

*4. No spending or activity authorized under the provisions of paragraph C. of this Item shall necessitate general fund spending or require future obligations to the Commonwealth.*

*5. The department shall maintain CMP special fund balance of at least \$1.0 million to address emergency situations in Virginia's nursing facilities.*

D. The Department of Medical Assistance Services, to the extent permissible under federal law, shall enter into an agreement with the Department of Behavioral Health and Developmental Services to share Medicaid claims and expenditure data on all Medicaid-reimbursed mental health, intellectual disability and substance abuse services, and any new or expanded mental health, intellectual disability retardation and substance abuse services that are covered by the State Plan for Medical Assistance. The information shall be used to increase the effective and efficient delivery of publicly funded mental health, intellectual disability and substance abuse services.

E. In addition to any regional offices that may be located across the Commonwealth, any statewide, centralized call center facility that operates in conjunction with a brokerage transportation program for persons enrolled in Medicaid or the Family Access to Medical Insurance Security plan shall be located in Norton, Virginia.

F. The Department of Medical Assistance Services shall, to the extent possible, require web-based electronic submission of provider enrollment applications, revalidations and other related documents necessary for participation in the fee-for-service program under the State Plans for Title XIX and XXI of the Social Security Act.

G. The Department of Medical Assistance Services shall report on the operations and costs of the Medicaid call center (also known as the Cover Virginia Call Center). This report shall include number of calls received on a monthly basis, the purpose of the call, the number of applications for Medicaid submitted through the call center, and the costs of the contract. The department shall submit the report for FY 2015 by August 15, 2015, and for FY 2016 by August 15, 2016. The report shall be submitted to the Director, Department of Planning and Budget and the Chairmen of the House Appropriations and Senate Finance Committees.

H. Out of this appropriation, \$100,000 the first year and \$100,000 the second year from the general fund shall be provided to contract with the Virginia Center for Health Innovation for research, development and tracking of innovative approaches to healthcare delivery.

I. Out of this appropriation, \$3,283,004 the first year and \$3,283,004 the second year from the general fund and \$9,839,000 the first year and \$9,839,000 the second year from nongeneral funds is provided for the enhanced operation of the Cover Virginia Call Center as a centralized eligibility processing unit (CPU) that shall be limited to processing Medicaid applications received from the Federally Facilitated Marketplace, telephonic applications through the call center, or electronically submitted Medicaid-only applications. The department shall report the number of applications processed on a monthly basis and payments made to the contractor to the Director, Department of Planning and Budget and the Chairman of the House Appropriations and Senate Finance Committees. The report shall be submitted no later than 30 days after the end of each quarter of the fiscal year.

J.1. The Department of Medical Assistance Services shall require eligibility workers to verify income, using currently available Virginia Employment Commission data, for applicants and recipients who report no earned or unearned income. The Department shall, at the earliest date feasible but no later than October 1, 2017, require all Medicaid eligibility workers to apply the same protocols when verifying income for all applicants and recipients, including those who report no earned or unearned income.

2. The Department shall amend the Virginia Medicaid application, upon approval of the federal Centers for Medicare and Medicaid, to require a Medicaid applicant to opt out if such applicant does not want to grant permission to the state to use his federal tax returns for the purposes of renewing eligibility. The Department shall implement the necessary regulatory changes and other necessary measures to be consistent with federal approval of any appropriate state plan changes, and prior to the completion of any regulatory process undertaken in order to effect such change.

K.1. It is the intent of the General Assembly that the Department of Medical Assistance Services provide more data regarding Medicaid and other programs operated by the department on their public website. The department shall create a central website that consolidates data and statistical information to make the information more readily available to the general public. At a minimum the information included on such website shall include monthly enrollment data, expenditures by service, and other relevant data.

2. No later than June 30, 2018, the department shall make Medicaid and other agency data stored in the agency's data warehouse available through the department's website that includes, at a minimum, interactive tools for the user to select, display, manipulate and export requested data.

L.1. Out of this appropriation, \$4,635,000 the first year and \$5,835,000 the second year from the general fund and \$41,715,000 the first year and \$52,515,000 the second year from nongeneral funds shall be provided to replace the Medicaid Management Information System.

2. Within 30 days of awarding a contract or contracts related to the replacement project, the Department of Medical Assistance Services shall provide the Chairmen of the House Appropriations and Senate Finance Committees, and the Director, Department of Planning and Budget, with a copy of the contract including costs.

3. Beginning July 1, 2016, the Department of Medical Assistance Services shall provide annual progress reports that

must include a current project summary, implementation status, accounting of project expenditures and future milestones. All reports shall be submitted to the Chairmen of House Appropriations and Senate Finance Committees, and Director, Department of Planning and Budget.

M. The Department of Medical Assistance Services, in collaboration with the departments of Behavioral Health and Developmental Services, Aging and Rehabilitative Services and Health, shall convene a work group with community stakeholders to: (i) recommend methods to improve data capture on the annual incidence of brain injury as defined in the Code of Virginia, and (ii) review expenditure data on Virginians with brain injury receiving care outside of the state, and evaluate options for providing for their care in the Commonwealth. The department shall report on efforts of the workgroup and any recommendations to the Chairmen of the House Appropriations and Senate Finance Committees by December 1, 2016.

N. The Department of Medical Assistance Services shall report on the estimated number of Virginians who are eligible but not enrolled in the Virginia Medicaid program as of September 1 of each year.

O.1. The Department of Medical Assistance Services, in collaboration with the Department of Social Services, shall require Medicaid eligibility workers to search for unreported assets at the time of initial eligibility determination and renewal, using all currently available sources of electronic data, including local real estate property databases and the Department of Motor Vehicles for all Medicaid applicants and recipients whose assets are subject to an asset limit under Medicaid eligibility requirements.

2. The Department of Medical Assistance Services, in collaboration with the Department of Social Services, shall develop a plan to improve the Medicaid estate recovery program in the Commonwealth. The department shall evaluate all public and private resources and data sources available to proactively identify assets, including but not limited to real estate and financial assets, including those identified during the eligibility determination process and those that may not have been reported, of Medicaid recipients and all methods available to initiate recovery from estates for which the value of the assets is likely to exceed the cost of recovery. The department shall also include the cost of initiating and operating such a program with options that include developing an in-house program or contracting with a third party vendor to perform some or all of the identification and recovery. The study shall examine both the cost benefit and legal implications of the various options and also evaluate and propose changes, as may be needed, to the Code of Virginia that may assist in maximizing the recovery of assets of deceased Medicaid beneficiaries.

3. The department shall submit its findings and recommendations for developing an improved estate recovery program to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by December 1, 2016.

P. The Director, Department of Medical Assistance Services shall analyze pharmacy claims data from the past biennium in order to assess the value of payments made to the Medicaid program's contracted managed care plans, and the value of payments made by the contracted managed care plans to their contracted prescription benefit managers (PBMs). Additionally, the Director shall request and, if made available, analyze the value of payments made by the Medicaid program's managed care plans' contracted PBMs to network pharmacies for the same set of pharmacy claims. The Director shall identify and report any difference in value in payments made to the contracted PBMs, payments made to the contracted managed care plans, and if available, to network pharmacies and shall make recommendations to the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2016.

Q. Out of this appropriation, \$400,000 the second year from the general fund and \$400,000 the second year from nongeneral funds is provided to fund cost increases associated with contracts for actuarial and audit services. The Department of Planning and Budget shall unallot these funds on July 1 of each fiscal year, and shall not allot the funds until the Department of Medical Assistance Services provides documentation on the contract award amounts.

R. The Department of Medical Assistance Services, in collaboration with the Department of Behavioral Health and Developmental Services, shall convene a stakeholder workgroup, to meet at least once annually, with representatives of the Virginia Association of Community Services Boards, the Virginia Network of Private Providers, the Virginia Association of Centers for Independent Living, Virginia Association of Community Rehabilitation Programs (VaACCSES), the disAbility Law Center of Virginia, the ARC of Virginia, and other stakeholders including representative family members, as deemed appropriate by the Department of Medical Assistance Services. The workgroup shall: (i) review data from the previous year on the distribution of the SIS levels and tiers by region and by waiver; (ii) review the process, information considered, scoring, and calculations used to assign individuals to their levels and reimbursement tiers; (iii) review the communication which informs individuals, families, providers, case managers and other appropriate parties about the SIS tool, the administration, and the opportunities for review to ensure transparency; and (iv) review other information as deemed necessary by the workgroup. The department shall report on the results and recommendations of the workgroup to the General Assembly by October 1 of each year.

S. The Department of Medical Assistance Services shall notify the Director, Department of Planning and Budget, and the Chairmen of the House Appropriations and Senate Finance Committees at least 30 days prior to any change in capitated rates for managed care companies. The notification shall include the amount of the rate increase or decrease, and the projected impact on the state budget.

T.1. The Department of Medical Assistance Services (DMAS) shall take actions to improve the reliability of Medicaid eligibility screenings for long-term services and supports, including: (i) validation of the children's criteria used with the Uniform Assessment Instrument to determine eligibility for Medicaid long-term services and supports, and (ii) design and implementation of an inter-rater reliability test for the pre-admission screening process.

2. The department shall work with relevant stakeholders to (i) assess whether hospital screening teams are making appropriate recommendations regarding placement in institutional care or home and community-based care; (ii) determine whether hospitals should have a role in the screening process; and (iii) determine what steps must be taken to ensure the Uniform Assessment Instrument is implemented consistently and does not lead to unnecessary institutional placements.

3. The department shall report to the General Assembly by December 1 on steps taken to address the risks associated with hospital screenings, including any statutory or regulatory changes needed to improve such screenings.

U.1. Effective January 1, 2018, the Department of Medical Assistance Services shall include in all its contracts with managed care organizations (MCOs) the following:

a. A provision requiring the MCOs to return one-half of the underwriting gain in excess of three percent of Medicaid premium income up to 10 percent. The MCOs shall return 100 percent of the underwriting gain above 10 percent.

b. A requirement for detailed financial and utilization reporting. The reported data shall include: (i) income statements that show expenses by service category; (ii) balance sheets; (iii) information about related-party transactions; and (iv) information on service utilization metrics.

c. Upon the inclusion of behavioral health care in managed care, behavioral health-specific metrics to identify undesirable trends in service utilization.

d. Upon the inclusion of behavioral health care in managed care, a report on their policies and processes for identifying behavioral health providers who provide inappropriate services and the number of such providers that

are disenrolled.

2. For rate periods effective January 1, 2018 and thereafter, the Department of Medical Assistance Services shall direct its actuary as part of the rate setting process to:

- a. Identify potential inefficiencies in the Medallion program and adjust capitation rates for expected efficiencies. The department is authorized to phase-in this adjustment over time based on the portion of identified inefficiencies that MCOs can reasonably reduce each year.
- b. Monitor medical spending for related-party arrangements and adjust historical medical spending when deemed necessary to ensure that capitation rates do not cover excessively high spending as compared to benchmarks. Related-party arrangements shall mean those in which there is common ownership or control between the entities, and shall not include Medicaid payments otherwise authorized in this item.
- c. Adjust capitation rates in the Medallion program to account for a portion of expected savings from required initiatives.
- d. Allow negative historical trends in medical spending to be carried forward when setting capitation rates.
- e. Annually rebase administrative expenses per member per month for projected enrollment changes.
- f. Annually incorporate findings on unallowable administrative expenses from audits of MCOs into its calculations of underwriting gain and administrative loss ratios for the purposes of ongoing financial monitoring, including enforcement of the underwriting gain cap.
- g. Adjust calculations of underwriting gain and medical loss ratio by classifying as profit medical spending that is excessively high due to related-party arrangements.

3. The Department of Medical Assistance Services shall report to the General Assembly on spending and utilization trends within Medicaid managed care, with detailed population and service information and include an analysis and report on the underlying reasons for these trends, the agency's and MCOs' initiatives to address undesirable trends, and the impact of those initiatives. The report shall be submitted each year by September 1.

4. The Department of Medical Assistance Services shall develop a proposal for cost sharing requirements based on family income for individuals eligible for long-term services and supports through the optional 300 percent of Supplemental Security Income eligibility category and submit the proposal to the Centers for Medicare and Medicaid Services to determine if such a proposal is feasible. No cost sharing requirements shall be implemented unless approved by the General Assembly.

5. The Department of Medical Assistance Services shall assess and report on additional or different resources needed to implement recommendations in the Joint Legislative Audit and Review Committee (JLARC) report Managing Spending in Virginia's Medicaid Program. The department shall submit its report to the Chairmen of the House Appropriations and Senate Finance Committees no later than November 1, 2017.

6. The Department of Medical Assistance Services shall ensure that the capitation rates for the Commonwealth Coordinated Care Plus program for fiscal year 2018 are budget neutral and do not exceed the cost of care for the enrolled population than that which would have been incurred in the Medicaid fee-for-service program.

V. The Director, the Department of Medical Assistance Services, shall include language in all managed care contracts, for all department programming, requiring the plan sponsor to report quarterly, for all quarters through the one ending June 30, 2019, to the department for all pharmacy claims; the amount paid to the pharmacy provider per claim, including but not limited to cost of drug reimbursement; dispensing fees; copayments; and the

amount charged to the plan sponsor for each claim by its pharmacy benefit manager. In the event there is a difference between these amounts, the plan sponsor shall report an itemization of all administrative fees, rebates, or processing charges associated with the claim. All data and information provided by the plan sponsor shall be kept secure; and notwithstanding any other provision of law, the department shall maintain the confidentiality of the proprietary information and not share or disclose the proprietary information contained in the report or data collected with persons outside the department. Only those department employees involved in collecting, securing and analyzing the data for the purpose of preparing the report shall have access to the proprietary data. The department shall provide a report using aggregated data only to the Chairmen of the House Appropriations and Senate Finance Committees on the implementation of this initiative and its impact on program expenditures by December 1, 2017. Nothing in the report to the Chairmen of the House Appropriations and Senate Finance Committees shall contain confidential or proprietary information.

*W. Out of this appropriation, \$3,500,000 from the general fund and \$3,500,000 from nongeneral funds the second year is provided for the Department of Medical Assistance Services to obtain services to assist in the transformation of the Medicaid program for newly eligible individuals pursuant to 42 U.S.C. § 1396d(y)(1)[2010] of the Patient Protection and Affordable Care Act. Such services shall include, but not be limited to, assistance in the development and implementation of necessary § 1115 demonstration waiver applications including actuarial services, project management consultation, DMAS systems changes, and services necessary to operationalize reforms. The department shall ensure each vendor selected has had experience in designing or assisting in the development and implementation of similar activities. The department shall report on the vendors selected to the Chairmen of the House Appropriations and Senate Finance Committees within 15 days of making the selection. Unexpended funds for this procurement shall be carried forward into fiscal year 2019 for such purpose.*