



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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March 4, 2021

MEMORANDUM

TO: The Honorable Janet D. Howell
Chair, Senate Finance Committee

The Honorable Luke E. Torian
Chair, House Appropriations Committee

The Honorable Mark D. Sickles
Vice Chair, House Appropriations Committee

FROM: Karen Kimsey
Director, Virginia Department of Medical Assistance Services

SUBJECT: Health Benefit Exchange and Medicaid Costs Analysis

This report is submitted in compliance with the Virginia Acts of the Assembly – HB30 (Chapter 1289), Item 317.Y, which states:

“The Department of Medical Assistance Services shall conduct a fiscal analysis of the provisions of House Bill 1428 / Senate Bill 732 passed in the 2020 Session that creates the Virginia Health Benefits Exchange and requires the department to affirm using income tax data from the Department of Taxation if the individual or a dependent meets the income eligibility for its medical assistance programs. The department shall report to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by September 15, 2020, on the fiscal impact to the department of that provision.”

Should you have any questions or need additional information, please feel free to contact me at (804) 786-8099.

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Enclosure

Pc: The Honorable Daniel Carey, M.D., Secretary of Health and Human Resources

Health Benefit Exchange and Medicaid Costs Analysis

A Report to the Virginia General Assembly

December 15, 2020

Report Mandate:

The 2020 Appropriation Act, Item 317.Y. The Department of Medical Assistance Services shall conduct a fiscal analysis of the provisions of House Bill 1428 / Senate Bill 732 passed in the 2020 Session that creates the Virginia Health Benefits Exchange and requires the department to affirm using income tax data from the Department of Taxation if the individual or a dependent meets the income eligibility for its medical assistance programs. The department shall report to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by September 15, 2020, on the fiscal impact to the department of that provision.

Background

Pursuant to the 2020 Appropriations Act, the Department of Taxation (DOT) will share information with DMAS to help connect uninsured Virginians to free or low-cost health insurance coverage. Ultimately, a consumer-centered, streamlined, experience between state tax filing and Medicaid coverage is the goal. This will be accomplished by a phased-in approach, which recognizes the need for new resources, business processes, and system developments.

This facilitated enrollment proposal was crafted by the Facilitated Enrollment Workgroup (the Workgroup) that began meeting in September 2020. The Workgroup was comprised of the following state agencies and organizations:

- Virginia State Corporation Commission, Health Benefit Exchange and the Bureau of Insurance
- Department of Medical Assistance Services
- Department of Taxation
- Department of Social Services
- Enroll Virginia
- The Commonwealth Institute

Pursuant to [SB 732/HB 1428](#), The Virginia Health Benefit Exchange, Enactment Clause number three, the Workgroup produced a report entitled “*Report of the Virginia Facilitated Work Group.*” The report recommends a phased-in approach to develop systems, policies, and practices to leverage state income tax returns to facilitate the enrollment of eligible individuals in insurance affordability programs. This report, *Health Benefit Exchange and Medicaid Cost Analysis*, outlines the fiscal impact the recommendations outlined in the Facilitated Enrollment Workgroup’s report will have on the Department of Medical Assistance Services (DMAS).

About DMAS and Medicaid

DMAS’s mission is to improve the health and well-being of Virginians through access to high-quality health care coverage.

DMAS administers Virginia’s Medicaid and CHIP programs for more than 1.6 million Virginians. Members have access to primary and specialty health services, inpatient care, behavioral health as well as addiction and recovery treatment services. In addition, Medicaid long-term services and supports enable thousands of Virginians to remain in their homes or to access residential and nursing home care.

Medicaid members historically have included children, pregnant women, parents and caretakers, older adults, and individuals with disabilities. In 2019, Virginia expanded the Medicaid eligibility rules to make health care coverage available to more than 400,000 newly eligible, low-income adults.

Medicaid and CHIP (known in Virginia as Family Access to Medical Insurance Security, or FAMIS) are jointly funded by Virginia and the federal government under Title XIX and Title XXI of the Social Security Act. Virginia generally receives a dollar-for-dollar federal spending match in the Medicaid program. Medicaid expansion qualifies the Commonwealth for a federal funding match of no less than 90 percent for newly eligible adults, generating cost savings that benefit the overall state budget.

Fiscal Analysis

A Fiscal Impact Statement (FIS) was submitted by DMAS on November 6, 2020 outlining the agency's budget request for this implementation.

Costs for year one include printing, mailing, and contractor expenses to conduct outreach. The outreach costs in year one will be a one-time cost. DMAS would continue its outreach in subsequent years on a smaller scale. Changes to DSS' VaCMS to implement the new application flow would be funded with 90% federal funds and 10% general funds as a one-time cost.

The Cover Virginia Central Processing Unit and the Cover Virginia Call Center will require additional staffing to handle the anticipated increase in application workload, as well as handling special circumstance calls associated with the new application process. A total of eight new staff members will be required between the two units. Costs will also be incurred for infrastructure expenses (e.g., technology, supplies, facility, and rent). DMAS will need four new full-time positions to oversee and ensure compliance of the Exchange and the Medicaid program.

Estimated costs include:

- Personnel costs (salaries and benefits) for 4 full-time employees (FTE) with an average annual cost of \$111,539 per FTE and estimated annual indirect costs of \$23,234 per FTE
- One-time VaCMS eligibility and determination system changes of \$6,000,000 (\$568,350 general funds)
- Enhanced call center operations of \$1,049,030 (\$189,109 general funds)
- Outreach and member communications of \$730,765 (\$235,924 general funds)

Next Steps and Conclusion

DMAS submitted a budget package seeking authority and funding for needed expenses associated with the recommendations in the Workgroup's report. If the request is approved, DMAS will move forward with targeted outreach in January of 2022.