

## Department of Planning and Budget 2022 Fiscal Impact Statement

1. **Bill Number:** HB1106

**House of Origin**     Introduced     Substitute     Engrossed  
**Second House**     In Committee     Substitute     Enrolled

2. **Patron:**    McQuinn

3. **Committee:** Health, Welfare and Institutions

4. **Title:**    Produce Rx Program established; report.

5. **Summary:** Directs the Department of Social Services to establish a Produce Rx Program as a three-year pilot program to incentivize consumption of qualifying fruits and vegetables by eligible individuals for whom increased consumption of fruits and vegetables is recommended by a qualified care provider, as such terms are defined in the bill, and to report to the Governor and the General Assembly by December 1 of each year on the operation of the Program.

The second enactment clause requires the Department of Social Services to convene a work group that shall include representatives of the Virginia Academy of Nutrition and Dietetics, the American Heart Association, the Virginia Farmers Market Association, the Virginia Chapter of the American Academy of Pediatrics, and the Virginia Association of Free and Charitable Clinics to advise the Department on the design of the Produce Rx Program established pursuant to this act.

6. **Budget Amendment Necessary:** Yes. Item 340 (contractor costs) and Item 341 (voucher program; DSS will need a new subprogram created)

7. **Fiscal Impact Estimates:** Indeterminate. See Item 8.

8. **Fiscal Implications:** This legislation establishes a three year pilot program to incentivize consumption of fruits and vegetables by persons receiving medical assistance through the Commonwealth's medical assistance program or the Family Access to Medical Insurance Security (FAMIS) program. An enactment clause requires the Department of Social Services (DSS) to convene a workgroup of stakeholders to advise the agency on the design of the program established by the legislation.

Legislation passed during the 2021 General Assembly Special Session I (Chapter 212) required the Department of Social Services to convene a workgroup to develop a plan for a three-year pilot Produce Rx Program. The plan was supposed to include: (i) eligibility criteria for participation in the Program, including criteria for eligible individuals and qualified care providers; (ii) a process for enrolling eligible individuals in the Program; (iii) a process for

the issuance by qualified care providers to eligible individuals of Program vouchers that may be redeemed for the purchase of qualifying fruits and vegetables; (iv) reporting requirements for qualified care providers who issue Program vouchers; and (v) a description of the role of the Department of Social Services and the Department of Medical Assistance Services and local government agencies in administering and overseeing the implementation of the Program. Additionally, the workgroup was to develop a detailed estimate of the cost of implementing the Program as a three-year pilot program, including state and local administrative costs, and identify sources of funding for such Program.

The Department of Social Services reported its activities and the elements of the plan to the Governor and the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance and Appropriations on January 3, 2022. As part of this report, DSS estimated that a program administered by the agency and serving 1,000 participants yearly would cost approximately \$800,000 annually for the three years of the pilot. However, the estimated costs in the report miscalculated the annual costs of the monthly vouchers. The cost to administer the program DSS lays out in the report is actually approximately \$3.6 million annually. In the report, under the “Benefit Calculation” section, DSS estimates a yearly cost of \$250,000; however, the agency did not multiply the monthly benefit amount (\$250) by the number of months in a year (12). If that is calculated, the annual benefit amount per participant would be \$3,000, for a total of \$3,000,000 (\$3,000 annual benefit x 1,000 program participants) annually in benefit/voucher costs. The rest of the pilot costs DSS lays out in the report add up to approximately \$600,000 annually. These costs include: contracted positions, administrative costs, benefit delivery system costs, marketing and outreach, nutrition education support costs, local produce and farmer’s market support, access assistance and delivery costs, peer supports costs, and exercise support. These administrative costs remain relatively constant, regardless of the size of the pilot program. Some portions of the pilot program, as designed in the report provided by DSS, may be scalable; variables include the amount of the monthly voucher and the number of pilot program participants.

The legislation does not put limitations on the number of participants in the pilot, nor on the amount of the monthly voucher. Therefore, for illustrative purposes, using the program size and costs in the DSS report, a pilot program of this nature would cost approximately \$3.6 million annually. This program would provide 1,000 participants with a \$250 voucher each month for three years. It is assumed at this time, that the vouchers will have to be funded through the general fund. In the future, the Department of Social Services may be able to pursue federal funding opportunities, as well.

If the pilot program proves successful, and the program is implemented statewide, up to all individuals enrolled in Medicaid or FAMIS may be deemed eligible for the benefit. The current average yearly enrollment in these programs is 1,906,969 individuals. Assuming the same benefit level from the pilot of \$250 in vouchers monthly, each qualifying individual would receive \$3,000 in vouchers annually. If all of these individuals are deemed eligible and fully participate, at the \$3,000 annual benefit level the total cost of a fully implemented program would be approximately \$5.7 billion per year. There is no information presently available to determine the administrative costs of rolling out such a program statewide.

**9. Specific Agency or Political Subdivisions Affected:** Department of Social Services, local departments of social services, Department of Medical Assistance Services

**10. Technical Amendment Necessary:** The bill contains an enactment clause that creates a workgroup charged with advising the Department of Social Services on the design of the Produce Rx Program. However, Chapter 212, 2021 Special Session I, charged a workgroup with a very similar make up of organizations to develop a similar plan for a three year Produce Rx pilot. The outcome of that workgroup is the DSS report mentioned above in Item 8 and sent to the Governor and General Assembly on January 3, 2022.

**11. Other Comments:** None.