



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

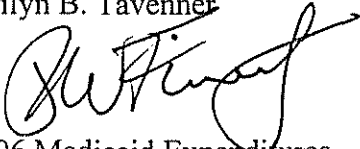
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September 18, 2006

MEMORANDUM

TO: The Honorable Jody Wagner
The Honorable Marilyn B. Tavenner

FROM: Patrick W. Finnerty 

SUBJECT: July and August 2006 Medicaid Expenditures

Summary

Medicaid expenditures in July and August were 2.5 percent less than expenditures in the same months last year. Factors contributing to this decrease include the reduction in pharmacy expenditures as a result of the implementation of Medicare Part D, billing delays associated with implementation of DMAS' new prior authorization contract, as well as the fact that there were only four remittance processing cycles in July 2006 compared to five cycles in 2005. Although overall expenditures have decreased compared to last year, it should be noted that state fund expenditures have actually increased by 1.2 percent while federal fund expenditures decreased by 6.1 percent. The shift in expenditures is a result of the implementation of the Medicare Part D program, which decreases pharmacy expenditures reimbursed at the current 50/50 Medicaid match rate, and offsets those reductions with Medicare Part D premium "clawback" payments paid with 100 percent state funds.

General Medicaid (Acute Care) Services

Expenditures for acute care services are currently running 7.5% less than expenditures at this time last year. Decreases in expenditures in several of the fee-for-service line items (i.e., inpatient hospital, outpatient hospital, physician, etc...) reflect the September and December 2005 managed care expansions and are offset by the increase in managed care capitation payments. Delays in obtaining prior authorizations affected the provider community's ability to bill timely especially in late June through mid August. These delays have been resolved and the backlogged claims are expected to be reflected in September's expenditures. Reduced pharmacy expenditures associated with the new Medicare Part D program and the fact that there was one less remittance processing cycle in July compared to last year have also contributed to the decrease in expenditures. The August Medicare Part D premium was processed early and the payment is reflected in the July expenditures.

Long-Term Care Services

Expenditures for long-term care services are currently 6.2% above expenditures at this time last year. The higher nursing facility expenditures primarily reflect the annual rate adjustment, as opposed to increases in utilization. An additional 335 MR waiver slots and 65 DD waiver slots were funded in the 2006 Appropriation Act and added effective July 1, 2006 contributing to the increase in home and community-based waiver services; however, the full effect of these additional slots will likely not be seen for several months. The prior authorization delays have also affected claims submission for home and community-based waiver services; expenditures may increase as the backlog in processing authorizations is resolved over the coming months. Growth in rates and utilization has led to increased expenditures for private ICF/MR facilities in the other long-term care category.

Mental Health Services

The significant increases and decreases in the subcategories reflect the changes in the classification structure of mental health services which was not fully implemented until September of last year. Overall, expenditures for mental health services are currently 12.1% above expenditures at this time last year.

Medicaid Recoveries

Normal prior-year recoveries are 84 percent higher than recoveries at this time last year, slightly above the funding in the current Appropriation Act which assumed a 78.2 percent increase in prior-year recoveries. The transactions for prior-year pharmacy rebates and revenues generated from revenue maximization efforts have not occurred yet.

cc: Ric Brown, Department of Planning and Budget
Joe Flores, Senate Finance Committee
Susan Massart, House Appropriations Committee
Seta Vandegrift/file

**Department of Medical Assistance Services
Summary Report on Medicaid Expenditures / Recoveries
For State Fiscal Year 2007**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Expense	Official Forecast	Funding Adjustments	Current Appropriation	FY 2007	July FY 2006	% Change	FY 2007	Year-To-Date FY 2006	% Change	Funded Growth Current Approp
Managed Care	1,209,530,906	0	1,209,530,906	98,467,385	81,661,435	20.6%	98,467,385	81,661,435	20.6%	10.9%
Inpatient Hospital	741,166,594	15,079,016	756,245,610	25,953,936	36,683,225	-29.2%	25,953,936	36,683,225	-29.2%	9.7%
Outpatient Hospital	123,797,561	0	123,797,561	7,481,988	19,568,784	-61.8%	7,481,988	19,568,784	-61.8%	7.6%
Physician Services	158,294,231	5,807,846	164,102,077	10,718,443	15,033,321	-28.7%	10,718,443	15,033,321	-28.7%	6.6%
Pharmacy	548,891,859	(340,134,995)	208,756,864	9,583,331	49,396,843	-80.6%	9,583,331	49,396,843	-80.6%	-36.5%
Medicare Premiums Part A & B	202,302,128	0	202,302,128	15,738,456	14,128,848	11.4%	15,738,456	14,128,848	11.4%	14.9%
Medicare Premiums Part D	0	179,055,951	179,055,951	25,123,250	0	0.0%	25,123,250	0	0.0%	202.4%
Dental Services	51,694,667	0	51,694,667	5,797,071	1,426,243	306.5%	5,797,071	1,426,243	306.5%	-7.1%
Transportation Services	62,714,904	0	62,714,904	5,219,109	5,097,097	2.4%	5,219,109	5,097,097	2.4%	-0.7%
All Other Services	176,841,150	1,282,323	178,123,473	12,229,073	15,906,367	-23.1%	12,229,073	15,906,367	-23.1%	1.8%
Total General Medicaid (45609)	\$3,275,234,001	(\$138,909,859)	\$3,136,324,142	\$216,312,042	\$238,902,165	-9.5%	\$216,312,042	\$238,902,165	-9.5%	7.9%
Nursing Facility	717,159,138	7,808,300	724,967,438	57,687,995	56,198,596	2.7%	57,687,995	56,198,596	2.7%	3.9%
Home/Community Waiver Services	581,519,175	60,012,103	641,531,278	42,374,101	42,309,702	0.2%	42,374,101	42,309,702	0.2%	23.9%
Other Long-Term Care	45,181,358	1,500,000	46,681,358	5,332,660	3,726,308	43.1%	5,332,660	3,726,308	43.1%	-4.5%
Total Long-Term Care (45610)	\$1,343,859,671	\$69,320,403	\$1,413,180,074	\$105,394,755	\$102,234,606	3.1%	\$105,394,755	\$102,234,606	3.1%	11.7%
State Plan Option Services	137,515,498	0	137,515,498	12,189,643	9,713,224	25.5%	12,189,643	9,713,224	25.5%	1.5%
Mental Illness Services	36,849,000	0	36,849,000	2,175,474	8,105,322	-73.2%	2,175,474	8,105,322	-73.2%	4.9%
MH/MR Case Management	95,040,079	0	95,040,079	8,461,411	1,679,114	403.9%	8,461,411	1,679,114	403.9%	7.5%
Total Mental Health (45608)	\$269,404,577	\$0	\$269,404,577	\$22,826,528	\$19,497,660	17.1%	\$22,826,528	\$19,497,660	17.1%	4.0%
Total Medicaid Expenditures	\$4,888,498,249	(\$69,589,456)	\$4,818,908,793	\$344,533,325	\$360,634,430	-4.5%	\$344,533,325	\$360,634,430	-4.5%	8.8%
Federal Funding	\$2,436,289,657	(117,792,586)	\$2,318,497,071	\$159,436,981	\$180,151,886	-11.5%	159,436,981	180,151,886	-11.5%	5.5%
State Appropriation (11)	\$2,452,208,592	48,203,130	\$2,500,411,722	\$185,096,344	\$180,482,544	2.6%	185,096,344	180,482,544	2.6%	12.0%
Medicaid Recoveries										
Prior Year Recoveries	(27,302,000)	0	(27,302,000)	(2,321,296)	(851,601)	172.6%	(2,321,296)	(851,601)	172.6%	78.2%
Prior Year Pharmacy Rebates	(10,967,578)	0	(10,967,578)	0	0		0	0		-62.4%
Revenue Maximization	(8,225,000)	0	(8,225,000)	0	0		0	0		-19.8%
Total Medicaid Recoveries	(\$46,494,578)	\$0	(\$46,494,578)	(\$2,321,296)	(\$851,601)	172.6%	(\$2,321,296)	(\$851,601)	172.6%	-15.1%

(1) Official Medicaid Consensus Forecast, November 15, 2005.

(2) Include actions taken during the 2006 General Assembly session and administrative FATS transfers. See Appendix A for details.

(3) Equals Official Forecast (1) plus/minus Funding Adjustments (2). The current appropriation reconciles to Chapter 3 plus/minus all FATS transactions, excluding CSA transfers. The current appropriation also reflects an administrative adjustment for the shift of private ICFMR facilities from the mental illness services to other long-term care services. The official appropriation will be adjusted through the 2007 budget amendment process.

(4) Expenditures for July 2006, per CARS database.

(5) Expenditures for July 2005, per CARS database.

(6) Percent increase/(decrease) in monthly expenditures from fiscal year 2006 (5) to fiscal year 2007 (4).

(7) Expenditures through July 2006, per CARS database. The Revenue Maximization recoveries are reported on a monthly basis on the prior year recoveries line and reclassified at year-end.

(8) Expenditures through July 2005, per CARS database.

(9) Percent increase/(decrease) in year-to-date expenditures from fiscal year 2006 (8) to fiscal year 2007 (7).

(10) Percent increase/(decrease) in current funding (3) over total FY 2006 expenditures.

**Department of Medical Assistance Services
Summary Report on Medicaid Expenditures / Recoveries
For State Fiscal Year 2007**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Expense	Official Forecast	Funding Adjustments	Current Appropriation	FY 2007	August FY 2006	% Change	FY 2007	Year-To-Date FY 2006	% Change	Funded Growth Current Approp
Managed Care	1,209,530,906	0	1,209,530,906	98,333,130	82,806,400	18.8%	196,800,516	164,467,835	19.7%	10.9%
Inpatient Hospital	741,166,594	15,079,016	756,245,610	33,367,994	32,441,320	2.9%	59,321,930	69,124,546	-14.2%	9.7%
Outpatient Hospital	123,797,561	0	123,797,561	8,096,174	9,961,683	-18.7%	15,578,161	29,530,467	-47.2%	7.6%
Physician Services	158,294,231	5,807,846	164,102,077	11,207,328	12,397,268	-9.6%	21,925,771	27,430,588	-20.1%	6.6%
Pharmacy	548,891,859	(340,134,995)	208,756,864	16,196,706	46,982,320	-65.5%	25,780,037	96,379,164	-73.3%	-36.5%
Medicare Premiums Part A & B	202,302,128	0	202,302,128	15,708,086	14,015,542	12.1%	31,446,542	28,144,391	11.7%	14.9%
Medicare Premiums Part D	0	179,055,951	179,055,951	0	0	0.0%	25,123,250	0	0.0%	202.4%
Dental Services	51,694,667	0	51,694,667	6,105,308	3,187,477	91.5%	11,902,379	4,613,720	158.0%	-7.1%
Transportation Services	62,714,904	0	62,714,904	5,255,384	4,952,774	6.1%	10,474,493	10,049,871	4.2%	-0.7%
All Other Services	176,841,150	1,282,323	178,123,473	13,511,020	12,828,896	5.3%	25,740,093	28,735,263	-10.4%	1.8%
Total General Medicaid (45609)	\$3,275,234,001	(\$138,909,859)	\$3,136,324,142	\$207,781,130	\$219,573,680	-5.4%	\$424,093,172	\$458,475,845	-7.5%	7.9%
Nursing Facility	717,159,138	7,808,300	724,967,438	59,279,347	54,860,878	8.1%	116,967,342	111,059,473	5.3%	3.9%
Home/Cmnty Waiver Services	581,519,175	60,012,103	641,531,278	43,766,343	39,204,692	11.6%	86,140,444	81,514,394	5.7%	23.9%
Other Long-Term Care	45,181,358	1,500,000	46,681,358	4,099,184	3,744,086	9.5%	9,431,844	7,470,395	26.3%	-4.5%
Total Long-Term Care (45610)	\$1,343,859,671	\$69,320,403	\$1,413,180,074	\$107,144,874	\$97,809,656	9.5%	\$212,539,629	\$200,044,262	6.2%	11.7%
State Plan Option Services	137,515,498	0	137,515,498	11,307,990	9,940,586	13.8%	23,497,633	19,653,809	19.6%	1.5%
Mental Illness Services	36,849,000	0	36,849,000	2,007,368	2,273,180	-11.7%	4,182,842	10,378,502	-59.7%	4.9%
MH/MR Case Management	95,040,079	0	95,040,079	7,911,055	7,591,217	4.2%	16,372,466	9,270,331	76.6%	7.5%
Total Mental Health (45608)	\$269,404,577	\$0	\$269,404,577	\$21,226,412	\$19,804,982	7.2%	\$44,052,940	\$39,302,642	12.1%	4.0%
Total Medicaid Expenditures	\$4,888,498,249	(\$69,589,456)	\$4,818,908,793	\$336,152,417	\$337,188,318	-0.3%	\$680,685,742	\$697,822,749	-2.5%	8.8%
Federal Funding	\$2,436,289,657	(117,792,586)	\$2,318,497,071	\$167,648,069	\$168,217,579	-0.3%	327,085,050	348,369,465	-6.1%	5.5%
State Appropriation (11)	\$2,452,208,592	48,203,130	\$2,500,411,722	\$168,504,348	\$168,970,740	-0.3%	353,600,692	349,453,284	1.2%	12.0%
Medicaid Recoveries										
Prior Year Recoveries	(27,302,000)	0	(27,302,000)	(1,948,544)	(1,468,439)	32.7%	(4,269,840)	(2,320,040)	84.0%	78.2%
Prior Year Pharmacy Rebates	(10,967,578)	0	(10,967,578)	0	0		0	0		-62.4%
Revenue Maximization	(8,225,000)	0	(8,225,000)	0	0		0	0		-19.8%
Total Medicaid Recoveries	(\$46,494,578)	\$0	(\$46,494,578)	(\$1,948,544)	(\$1,468,439)	32.7%	(\$4,269,840)	(\$2,320,040)	84.0%	-15.1%

(1) Official Medicaid Consensus Forecast, November 15, 2005.

(2) Include actions taken during the 2006 General Assembly session and administrative FATS transfers. See Appendix A for details.

(3) Equals Official Forecast (1) plus/minus Funding Adjustments (2). The current appropriation reconciles to Chapter 3 plus/minus all FATS transactions, excluding CSA transfers. The current appropriation also reflects an administrative adjustment for the shift of private ICF/MR facilities from the mental illness services to other long-term care services. The official appropriation will be adjusted through the 2007 budget amendment process.

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(8) Expenditures through August 2005, per CARS database.

(9) Percent increase/(decrease) in year-to-date expenditures from fiscal year 2006 (8) to fiscal year 2007 (7).

(10) Percent increase/(decrease) in current funding (3) over total FY 2006 expenditures.

Department of Medical Assistance Services
Appendix A

Summary of FY 2007 Funding Adjustments to November 2005 Consensus Medicaid Forecast

Managed Care			\$0
Inpatient Hospital Services	Governor's Introduced Budget	Increase hospital adjustment factor to 78%	\$15,079,016
Outpatient Hospital Services			\$0
Physician Services	Conference Cmte Amendment #302 22c	5% rate increase - pediatric services	\$5,807,846
Pharmacy Services	Governor's Introduced Budget	Fund impact of Medicare Part D	(\$338,774,221)
	Governor's Introduced Budget	Fund speciality drug program	(\$1,701,346)
	Conference Cmte Amendment #302 18c	Implement Medicaid Buy-in program	<u>\$340,572</u>
			(\$340,134,995)
Medicare Premiums Part A & B			\$0
Medicare Premiums Part D	Governor's Introduced Budget	Fund impact of Medicare Part D	\$198,961,396
	Conference Cmte Amendment #302 10c	Reduce Medicare Part D "Clawback" payment	<u>(\$19,905,445)</u>
			\$179,055,951
Dental Services			\$0
Transportation Services			\$0
All Other Services	Governor's Introduced Budget	Outsource compliance audits	(\$1,400,000)
	Governor's Introduced Budget	Fund Medicaid costs of expanded BCC screenings	<u>\$2,682,323</u>
			\$1,282,323
Nursing Facility Services	Governor's Introduced Budget	Increase nursing facility reimbursement ceilings	\$7,808,300
Home/Community Waiver Services	Governor's Introduced Budget	Increase the personal maintenance allowance from 100% - 150%	\$2,085,846
	Governor's Introduced Budget	Increase reimbursement rate for adult day care services	\$96,952
	Governor's Introduced Budget	Additional slots for MR waiver	\$4,876,190
	Conference Cmte Amendment #302 12c	5% rate increase for skilled nursing services	\$1,444,354
	Conference Cmte Amendment #302 19c	Increase the personal maintenance allowance from 150% - 165%	\$500,000
	Conference Cmte Amendment #302 17c	5% rate increase for MR/DD/DS waiver services	\$34,710,014
	Conference Cmte Amendment #302 15c	Additional slots for MR waiver	\$14,986,329
	Conference Cmte Amendment #302 19c	Additional slots for DD waiver	<u>\$1,312,418</u>
			\$60,012,103
Other Long-Term Care Services	Conference Cmte Amendment #302 21c	Fund PACE program start-up costs	\$1,500,000
Mental Illness Services			\$0
State Plan Option Services			\$0
Total Medicaid Expenditure Adjustments			(\$69,589,456)
Prior Year Recoveries			\$0
Prior Year Pharmacy Rebates			\$0
Revenue Maximization			\$0
Total Medicaid Recoveries Adjustments			\$0