



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

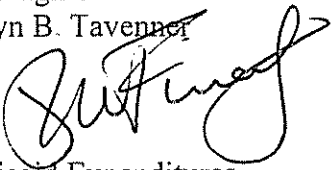
PATRICK W. FINNERTY
DIRECTOR

SUITE 1300
600 EAST BROAD STREET
RICHMOND, VA 23219
804/786-7933
800/343-0634 (TDD)

October 24, 2006

MEMORANDUM

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

FROM: Patrick W. Finnerty 

SUBJECT: September 2006 Medicaid Expenditures

Summary

Medicaid expenditures in September were 9.6 percent above expenditures in the same month last year. Temporary delays in obtaining prior authorizations following implementation of DMAS' new prior authorization contract 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 have begun to process and are reflected in September's expenditures. In addition, expenditures for outpatient hospital services in September 2005 were artificially low as they reflected an \$11.8 million refund received from the University of Virginia Medical Center that offset an overpayment charged in July 2005.

General Medicaid (Acute Care) Services

Expenditures for acute care services are currently running 0.9% less than expenditures at this time last year. Factors contributing to this decrease include reduced pharmacy expenditures associated with the new Medicare Part D program and the fact that there was one less remittance processing cycle in the first quarter compared to last year. There may also be additional backlogged claims from the prior authorization billing delays in July and August that will be reflected in October's expenditures.

Long-Term Care Services

Expenditures for long-term care services are currently 6.0% 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. Growth in rates and utilization has led to increased expenditures for private ICF/MR facilities in the other long-term care category.

Jody Wagner
Marilyn B. Tavenner
October 24, 2006
Page 2

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 13.4% above expenditures at this time last year.

Medicaid Recoveries

Normal prior-year recoveries are 77 percent higher than recoveries at this time last year, slightly below 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**

Expense	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Official Forecast	Funding Adjustments	Current Appropriation	FY 2007	September FY 2006	% Change	FY 2007	Year-To-Date FY 2006	% Change	Funded Growth Current Approp
Managed Care	1,209,530,906	10,128,973	1,219,659,879	102,875,665	88,471,047	16.3%	299,676,180	252,938,881	18.5%	11.8%
Inpatient Hospital	741,166,594	8,749,505	749,916,099	87,866,351	84,987,800	3.4%	147,188,281	154,112,346	-4.5%	8.8%
Outpatient Hospital	123,797,561	0	123,797,561	9,646,837	640,973	1405.0%	25,224,998	30,171,440	-16.4%	7.6%
Physician Services	158,294,231	2,008,384	160,302,615	12,039,388	14,762,260	-18.4%	34,513,115	42,192,848	-18.2%	4.2%
Pharmacy	548,891,859	(340,134,995)	208,756,864	12,999,224	27,371,016	-52.5%	38,779,261	123,750,180	-68.7%	-36.5%
Medicare Premiums Part A & B	202,302,128	0	202,302,128	15,720,472	14,198,261	10.7%	47,167,014	42,342,652	11.4%	14.9%
Medicare Premiums Part D	0	179,055,951	179,055,951	12,225,501	0	0.0%	37,348,751	0	0.0%	202.4%
Dental Services	51,694,667	0	51,694,667	7,869,912	4,342,073	81.2%	19,772,292	8,955,793	120.8%	-7.1%
Transportation Services	62,714,904	0	62,714,904	5,422,816	5,014,511	8.1%	15,897,310	15,064,383	5.5%	-0.7%
All Other Services	176,841,150	1,282,323	178,123,473	15,987,088	15,268,683	4.7%	41,727,181	44,003,946	-5.2%	1.8%
Total General Medicaid (45609)	\$3,275,234,001	(\$138,909,859)	\$3,136,324,142	\$282,653,255	\$255,056,624	10.8%	\$707,294,383	\$713,532,469	-0.9%	7.9%
Nursing Facility	717,159,138	7,808,300	724,967,438	65,031,906	64,539,683	0.8%	181,999,248	175,599,157	3.6%	3.9%
Home/Cmmtly Waiver Services	581,519,175	60,012,103	641,531,278	51,682,009	45,200,090	14.3%	137,822,453	126,714,484	8.8%	23.9%
Other Long-Term Care	45,181,358	1,500,000	46,681,358	3,922,502	4,439,581	-11.6%	13,354,345	11,909,976	12.1%	-4.5%
Total Long-Term Care (45610)	\$1,343,859,671	\$69,320,403	\$1,413,180,074	\$120,636,417	\$114,179,354	5.7%	\$333,176,046	\$314,223,616	6.0%	11.7%
State Plan Option Services	137,515,498	0	137,515,498	13,428,304	9,976,946	34.6%	36,925,936	29,630,756	24.6%	1.5%
Mental Illness Services	36,849,000	0	36,849,000	2,119,583	2,880,933	-26.4%	6,302,425	13,259,435	-52.5%	4.9%
MH/MR Case Management	95,040,079	0	95,040,079	7,907,357	7,353,390	7.5%	24,279,822	16,623,721	46.1%	7.5%
Total Mental Health (45608)	\$269,404,577	\$0	\$269,404,577	\$23,455,244	\$20,211,269	16.1%	\$67,508,184	\$59,513,911	13.4%	4.0%
Total Medicaid Expenditures	\$4,888,498,249	(\$69,589,456)	\$4,818,908,793	\$426,744,916	\$389,447,248	9.6%	\$1,107,978,613	\$1,087,269,996	1.9%	8.8%
Federal Funding	\$2,436,289,657	(117,792,586)	\$2,318,497,071	\$210,654,445	\$198,673,928	6.0%	538,023,513	547,043,392	-1.6%	5.5%
State Appropriation (11)	\$2,452,208,592	48,203,130	\$2,500,411,722	\$216,090,471	\$190,773,320	13.3%	569,955,100	540,226,604	5.5%	12.0%
Medicaid Recoveries										
Prior Year Recoveries	(27,302,000)	0	(27,302,000)	(1,648,359)	(1,023,154)	61.1%	(5,918,199)	(3,343,194)	77.0%	78.2%
Prior Year Pharmacy Rebates	(10,967,578)	0	(10,967,578)		0		0	0		-62.4%
Revenue Maximization	(8,225,000)	0	(8,225,000)		0		0	0		-19.8%
Total Medicaid Recoveries	(\$46,494,578)	\$0	(\$46,494,578)	(\$1,648,359)	(\$1,023,154)	61.1%	(\$5,918,199)	(\$3,343,194)	77.0%	-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.

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

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

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

(7) Expenditures through September 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 September 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	Governor's Introduced Budget	Increase hospital adjustment factor to 78%	\$6,329,511
	Conference Cmte Amendment #302 22c	5% rate increase - pediatric services	<u>\$3,799,462</u>
			\$10,128,973
Inpatient Hospital Services	Governor's Introduced Budget	Increase hospital adjustment factor to 78%	\$8,749,505
Outpatient Hospital Services			\$0
Physician Services	Conference Cmte Amendment #302 22c	5% rate increase - pediatric services	\$2,008,384
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			<u>(\$69,589,456)</u>
Prior Year Recoveries			\$0
Prior Year Pharmacy Rebates			\$0
Revenue Maximization			\$0
Total Medicaid Recoveries Adjustments			<u>\$0</u>