



# COMMONWEALTH of VIRGINIA

## *Department of Medical Assistance Services*

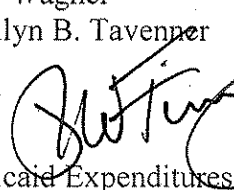
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March 14, 2007

### **MEMORANDUM**

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

FROM: Patrick W. Finnerty 

SUBJECT: February 2007 Medicaid Expenditures

#### **Summary**

Medicaid expenditures through February are currently 6.0 percent above expenditures through the same period last year. Current funding, based on the November 2005 Official Medicaid forecast and budget amendments enacted during the 2006 General Assembly session, provides for 8.8 percent annual growth. The updated Official Medicaid forecast and budget amendments included in Governor Kaine's Introduced Budget, projects 8.9 percent annual growth for FY 2007.

At the fund level, Medicaid general fund expenditures are currently running at 9.1 percent annual growth rate. DMAS' current appropriation provides for 12.0 percent annual general fund growth; the Governor's Introduced Budget provides for 11.6 percent annual general fund growth.

#### **General Medicaid (Acute Care) Services**

Expenditures for acute care services are currently running 3.4% more than expenditures at this time last year. Factors contributing to the slow growth include larger than projected decreases in pharmacy expenditures associated with the new Medicare Part D program. Dental services, on the other hand, have increased at a higher rate than projected.

#### **Long-Term Care Services**

Expenditures for long-term care services are currently 9.8% above expenditures at this time last year. The higher nursing facility expenditures primarily reflect the annual rate adjustment, as opposed to increases in utilization. The additional 335 MR waiver slots and 65 DD waiver slots funded in the 2006 Appropriation Act and added effective July 1, 2006 are contributing significantly to the growth in home and community-based waiver services.

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**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 16.4% above expenditures at this time last year.

**Medicaid Recoveries**

Normal prior-year recoveries, including revenues generated from revenue maximization efforts, are 54.9 percent higher than recoveries at this time last year, significantly above the funding in the current Appropriation Act which assumed a 38.9 percent increase in prior-year recoveries or the projections and budget amendments reflected in the Governor's Introduced Budget which revise that assumption to 28.2 percent. The transactions for prior-year pharmacy rebates 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)	(11)
	Official Forecast	Funding Adjustments	Current Appropriation	FY 2007	February 2007 FY 2006	% Change	FY 2007	Year-To-Date FY 2006	% Change	Funded Growth Current Approp	Funded Growth Gov Intro Budget
<b>Expense</b>											
Managed Care	1,209,530,906	10,128,973	1,219,659,879	100,044,651	94,543,771	5.8%	793,858,881	713,351,704	11.3%	11.8%	10.1%
Inpatient Hospital	741,166,584	8,749,505	749,916,089	55,272,727	50,379,826	9.7%	448,742,367	425,757,697	5.4%	8.8%	10.7%
Outpatient Hospital	123,797,561	0	123,797,561	8,795,054	8,025,993	9.6%	66,789,084	73,660,184	-9.3%	7.6%	-4.9%
Physician Services	158,294,231	2,008,384	160,302,615	12,568,778	11,327,386	11.0%	93,325,491	99,594,522	-6.3%	4.2%	-0.5%
Pharmacy	548,891,859	(340,134,995)	208,756,864	16,881,361	21,638,986	-22.0%	101,475,897	267,205,402	-62.0%	-36.5%	-45.1%
Medicare Premiums Part A & B	202,302,128	0	202,302,128	15,103,344	11,894,183	27.0%	127,065,099	112,329,717	13.1%	14.9%	13.6%
Medicare Premiums Part D	0	179,055,951	179,055,951	12,528,419	0	0.0%	99,567,248	0	0.0%	202.4%	163.0%
Dental Services	51,694,667	0	51,694,667	7,109,005	4,349,349	63.4%	51,359,945	31,165,821	64.8%	-7.1%	42.7%
Transportation Services	62,714,904	0	62,714,904	5,454,146	5,104,284	6.9%	42,440,548	41,547,057	2.2%	-0.7%	6.3%
All Other Services	176,841,150	1,282,323	178,123,473	14,909,730	12,897,208	15.6%	114,908,132	111,961,450	2.6%	1.8%	7.2%
<b>Total General Medicaid (45609)</b>	<b>\$3,275,234,001</b>	<b>(\$138,909,859)</b>	<b>\$3,136,324,142</b>	<b>\$248,667,216</b>	<b>\$220,160,986</b>	<b>12.9%</b>	<b>\$1,939,432,692</b>	<b>\$1,876,473,554</b>	<b>3.4%</b>	<b>7.9%</b>	<b>6.5%</b>
Nursing Facility	717,159,138	7,808,300	724,967,438	57,740,232	55,897,756	3.3%	492,904,399	468,630,282	5.2%	3.9%	7.7%
Home/Community Waiver Services	581,519,175	60,012,103	641,531,278	48,727,513	40,659,679	19.8%	387,808,483	334,789,196	15.8%	23.9%	18.9%
Other Long-Term Care	45,181,358	1,500,000	46,681,358	3,810,388	3,575,905	6.6%	35,861,260	31,674,124	13.2%	-4.5%	17.9%
<b>Total Long-Term Care (45610)</b>	<b>\$1,343,859,671</b>	<b>\$69,320,403</b>	<b>\$1,413,180,074</b>	<b>\$110,278,133</b>	<b>\$100,133,340</b>	<b>10.1%</b>	<b>\$916,574,162</b>	<b>\$835,093,602</b>	<b>9.8%</b>	<b>11.7%</b>	<b>12.7%</b>
State Plan Option Services	137,515,498	0	137,515,498	14,095,438	11,263,744	25.1%	105,191,274	82,495,378	27.5%	1.5%	7.7%
Mental Illness Services	36,849,000	0	36,849,000	2,589,539	2,093,479	23.7%	18,671,454	23,897,711	-21.9%	4.9%	18.9%
MH/MR Case Management	95,040,079	0	95,040,079	7,435,734	8,310,537	-10.5%	65,281,600	56,176,974	16.2%	7.5%	17.9%
<b>Total Mental Health (45608)</b>	<b>\$269,404,577</b>	<b>\$0</b>	<b>\$269,404,577</b>	<b>\$24,120,712</b>	<b>\$21,667,760</b>	<b>11.3%</b>	<b>\$189,144,328</b>	<b>\$162,560,062</b>	<b>16.4%</b>	<b>4.0%</b>	<b>17.3%</b>
<b>Total Medicaid Expenditures</b>	<b>\$4,888,498,249</b>	<b>(\$69,589,456)</b>	<b>\$4,818,908,793</b>	<b>\$383,066,060</b>	<b>\$341,962,086</b>	<b>12.0%</b>	<b>\$3,045,151,183</b>	<b>\$2,874,127,218</b>	<b>6.0%</b>	<b>8.8%</b>	<b>8.9%</b>
Federal Funding	\$2,436,289,657	(117,792,586)	\$2,318,497,071	\$184,875,667	\$169,540,069	9.0%	1,475,622,725	1,435,948,327	2.8%	5.5%	6.2%
State Appropriation (12)	\$2,452,208,592	48,203,130	\$2,500,411,722	\$198,190,393	\$172,422,017	14.9%	1,569,528,457	1,438,178,891	9.1%	12.0%	11.6%
<b>Medicaid Recoveries</b>											
Prior Year Recoveries/Rev Max	(35,527,000)	0	(35,527,000)	(\$5,811,253)	(2,262,367)	156.9%	(24,206,111)	(15,622,010)	54.9%	38.9%	28.2%
Prior Year Pharmacy Rebates	(10,967,578)	0	(10,967,578)	0	0		0	0		-62.4%	-33.4%
<b>Total Medicaid Recoveries</b>	<b>(\$46,494,578)</b>	<b>\$0</b>	<b>(\$46,494,578)</b>	<b>(\$5,811,253)</b>	<b>(\$2,262,367)</b>	<b>156.9%</b>	<b>(\$24,206,111)</b>	<b>(\$15,622,010)</b>	<b>54.9%</b>	<b>-15.1%</b>	<b>-4.6%</b>

(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 February 2007, per CARS database.

(5) Expenditures for February 2006, per CARS database.

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

(7) Expenditures through February 2007, 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 February 2006, 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.

(11) Percent increase/(decrease) in funding in the Governor's Introduced Budget over total FY 2006 expenditures.

(12) Includes appropriation from the General Fund, Virginia Health Care Fund, and Dedicated Special Revenue.

**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	\$3,799,462
			<u>\$10,128,973</u>
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	\$340,572
			<u>(\$340,134,995)</u>
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	(\$19,905,445)
			<u>\$179,055,951</u>
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	\$2,682,323
			<u>\$1,282,323</u>
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	\$1,312,418
			<u>\$60,012,103</u>
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
<b>Total Medicaid Expenditure Adjustments</b>			<b>(\$69,589,456)</b>
Prior Year Recoveries			\$0
Prior Year Pharmacy Rebates			\$0
Revenue Maximization			\$0
<b>Total Medicaid Recoveries Adjustments</b>			<b>\$0</b>