



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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April 17, 2007

MEMORANDUM

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

FROM: Patrick W. Finnerty

SUBJECT: March 2007 Medicaid Expenditures

A handwritten signature in black ink, appearing to read "P. Finnerty", written over the printed name in the "FROM" field.

Summary

Medicaid expenditures through March are currently 5.3 percent above expenditures through the same period last year. Current funding, based on the November 2006 Official Medicaid forecast and budget amendments enacted during the 2007 General Assembly session, provides for 8.8 percent annual growth. At the fund level, Medicaid general fund expenditures are currently running at 8.5 percent annual growth rate. DMAS' current appropriation provides for 11.5 percent annual general fund growth.

General Medicaid (Acute Care) Services

Expenditures for acute care services are currently running 2.4% more than expenditures at this time last year, but less than the 6.5% increase projected. The slower than projected growth is consistent across all the fee-for-service categories with the most significant factor being larger than expected decreases in pharmacy expenditures associated with the new Medicare Part D program.

Long-Term Care Services

Expenditures for long-term care services are currently 9.8% above expenditures at this time last year. The growth in nursing facility expenditures primarily reflects 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.

Mental Health Services

Following the trend seen for the past several years, expenditures for mental health services continue to grow and are currently 15.9% above expenditures at this time last year, however still slightly below the projected increase of 17.3 percent.

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Medicaid Recoveries

Prior-year recoveries, including revenues generated from revenue maximization efforts, are currently 33.1 percent higher than recoveries at this time last year. The funding in the current Appropriation Act (Chapter 847) assumes a 28.2 percent increase in prior-year recoveries. The initial reclassification of prior-year pharmacy rebates occurred in March last year; this year's initial reclassification has not occurred yet but is expected to be processed during the month of April and reflected in next month's report.

cc: Ric Brown, Department of Planning and Budget
Joe Flores, Senate Finance Committee
Susan Massart, House Appropriations Committee
Seta Vandegrif/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)
	Official Forecast	Funding Adjustments	Current Appropriation	FY 2007	March 2007 FY 2006	% Change	FY 2007	Year-To-Date FY 2006	% Change	Funded Growth Current Approp
Expense										
Managed Care	1,201,338,848	0	1,201,338,848	98,202,556	93,352,453	5.2%	892,061,438	806,704,157	10.6%	10.1%
Inpatient Hospital	763,086,074	0	763,086,074	88,841,792	84,306,899	5.4%	537,584,159	510,064,596	5.4%	10.7%
Outpatient Hospital	109,437,225	0	109,437,225	11,036,711	10,741,003	2.8%	77,825,795	84,401,187	-7.8%	-4.9%
Physician Services	153,169,528	0	153,169,528	16,085,620	15,816,942	1.7%	109,411,112	115,411,464	-5.2%	-0.5%
Pharmacy	181,226,856	(718,654)	180,508,202	11,334,901	49,618,763	-77.2%	112,810,799	316,824,166	-64.4%	-45.1%
Medicare Premiums Part A & B	200,027,671	0	200,027,671	17,191,866	18,059,461	-4.8%	144,256,965	130,389,178	10.6%	13.6%
Medicare Premiums Part D	155,714,873	0	155,714,873	12,976,223	0	0.0%	112,543,472	0	0.0%	163.0%
Dental Services	79,360,886	0	79,360,886	7,583,480	6,860,639	10.5%	58,943,425	38,026,460	55.0%	42.7%
Transportation Services	67,143,569	0	67,143,569	5,654,378	5,482,432	3.1%	48,094,926	47,029,490	2.3%	6.3%
All Other Services	187,891,990	(190,000)	187,701,990	19,760,526	14,419,785	37.0%	134,568,658	126,281,234	6.6%	7.2%
Total General Medicaid (45609)	\$3,098,397,521	(\$908,654)	\$3,097,488,867	\$288,668,054	\$298,658,378	-3.3%	\$2,228,100,746	\$2,175,131,932	2.4%	6.5%
Nursing Facility	751,823,298	0	751,823,298	56,818,661	57,808,336	-1.7%	549,723,060	526,438,618	4.4%	7.7%
Home/Community Waiver Services	620,627,785	(8,689,696)	611,938,089	58,707,048	47,494,533	23.6%	446,515,531	382,283,728	16.8%	18.2%
Other Long-Term Care	57,613,720	0	57,613,720	4,332,036	3,779,867	14.6%	40,193,316	35,453,991	13.4%	17.9%
Total Long-Term Care (45610)	\$1,430,064,803	(\$8,689,696)	\$1,421,375,107	\$119,857,745	\$109,082,735	9.9%	\$1,036,431,907	\$944,176,337	9.8%	12.4%
State Plan Option Services		\$0	\$303,873,461	16,806,837	13,671,504	22.9%	121,998,111	96,156,882	26.9%	17.3%
Mental Illness Services				2,474,247	2,703,299	-8.5%	21,145,701	26,601,010	-20.5%	8.8%
MH/MR Case Management				8,838,170	8,455,247	4.5%	74,119,771	64,632,221	14.7%	6.1%
Total Mental Health (45608) (11)	\$303,873,461	\$0	\$303,873,461	\$28,119,254	\$24,830,050	13.2%	\$217,263,582	\$187,390,112	15.9%	11.5%
Total Medicaid Expenditures	\$4,832,335,785	(\$9,598,350)	\$4,822,737,435	\$436,645,054	\$432,571,163	0.9%	\$3,481,796,236	\$3,306,698,382	5.3%	8.8%
Federal Funding	\$2,338,376,193	(5,571,675)	\$2,332,804,518	\$211,711,020	\$217,218,778	-2.5%	1,687,333,746	1,653,167,105	2.1%	6.1%
State Appropriation (12)	\$2,493,959,592	(4,026,675)	\$2,489,932,917	\$224,934,033	\$215,352,385	4.4%	1,794,462,490	1,653,531,276	8.5%	11.5%
Medicaid Recoveries										
Prior Year Recoveries/Rev Max	(32,285,858)	(500,000)	(32,785,858)	(\$2,185,673)	(4,203,640)	-48.0%	(26,391,784)	(19,825,650)	33.1%	28.2%
Prior Year Pharmacy Rebates	(19,439,739)	0	(19,439,739)	0	0	0.0%	0	(30,000,000)	-33.4%	-33.4%
Total Medicaid Recoveries	(\$51,725,597)	(\$500,000)	(\$52,225,597)	(\$2,185,673)	(\$4,203,640)	-48.0%	(\$26,391,784)	(\$49,825,650)	-47.0%	-4.6%

(1) Official Medicaid Consensus Forecast, November 15, 2006.

(2) Include actions taken during the 2007 General Assembly session and administrative FATS transfers. See Appendix A for details.

(3) Equals Official Forecast (1) plus/minus Funding Adjustments (2).

(4) Expenditures for March 2007, per CARS database.

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

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

(7) Expenditures through March 2007, per CARS database.

(8) Expenditures through March 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) The November 2006 consensus forecast was done at the aggregate level this year for the Mental Health category.

(12) Includes appropriation from the General Fund and Virginia Health Care Fund.

Department of Medical Assistance Services
Appendix A

Summary of FY 2007 Funding Adjustments to November 2006 Consensus Medicaid Forecast

Managed Care			\$0
Inpatient Hospital Services			\$0
Outpatient Hospital Services			\$0
Physician Services			\$0
Pharmacy Services	Governor's Introduced Budget	Modify the specialty drug program	(\$718,654)
Medicare Premiums Part A & B			\$0
Medicare Premiums Part D			\$0
Dental Services			\$0
Transportation Services			\$0
All Other Services	Governor's Introduced Budget	Correct funding to reflect proper accounting for family planning waiver	(\$190,000)
Nursing Facility Services			\$0
Home/Community Waiver Services	Conference Cmte Amendment #302 4c	Align funding for Alzheimer waiver Reclassification of funding to the proper service category	(\$3,510,000) (\$5,179,696) (\$8,689,696)
Other Long-Term Care Services			\$0
Mental Health Services	Governor's Introduced Budget	Adjust funding for MR waiver to reflect slower than expected discharges from DMHMRSAS transformation initiatives Reclassification of funding to the proper service category	(\$5,179,696) \$5,179,696 \$0
Total Medicaid Expenditure Adjustments			(\$9,598,350)
Prior Year Recoveries / Revenue Maximization	Governor's Introduced Budget	Revenue assumption adjustment	\$1,000,000
	Governor's Introduced Budget	Revenues generated from modifications of Specialty Drug program	(\$1,500,000) (\$500,000)
Prior Year Pharmacy Rebates			\$0
Total Medicaid Recoveries Adjustments			(\$500,000)