



COMMONWEALTH of VIRGINIA  
*Department of Medical Assistance Services*

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May 16, 2007

**MEMORANDUM**

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

FROM: Patrick W. Finnerty 

SUBJECT: April 2007 Medicaid Expenditures

**Summary**

Medicaid expenditures through April are currently 6.8 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 10.1 percent annual growth rate. DMAS' current appropriation provides for 11.5 percent annual general fund growth.

This month's report also includes a year-to-date analysis of FAMIS, Medicaid Expansion (M-SCHIP) and Temporary Detention Order (TDO) expenditures. FAMIS and M-SCHIP expenditures are currently running over funded growth, while TDO payments to date are less than projected.

**General Medicaid (Acute Care) Services**

Expenditures for acute care services are currently running 4.6 percent more than expenditures at this time last year, but less than the 6.5 percent increase projected. The slower than projected growth is consistent across all the major 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 9.6 percent 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.

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**Mental Health Services**

Following the trend seen for the past several years, expenditures for mental health services continue to grow and are currently 16.9 percent above expenditures at this time last year, however still slightly below the projected increase of 17.3 percent.

**Medicaid Recoveries**

Prior-year recoveries, including revenues generated from revenue maximization efforts, are currently 29.0 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 this month and was 50.7 percent less than the reclassification last year due to the implementation of Medicare Part D;

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	April 2007 FY 2006	% Change	FY 2007	Year-To-Date FY 2006	% Change	Funded Growth Current Approp.
Managed Care	1,201,338,848	0	1,201,338,848	100,037,665	94,295,276	6.1%	992,099,102	900,999,433	10.1%	10.1%
Inpatient Hospital	763,086,074	0	763,086,074	31,119,774	28,308,812	9.9%	568,703,933	538,373,409	5.6%	10.7%
Outpatient Hospital	109,437,225	0	109,437,225	8,931,565	9,477,639	-5.8%	86,757,360	93,878,827	-7.6%	-4.9%
Physician Services	153,169,528	0	153,169,528	11,252,616	12,103,567	-7.0%	120,663,728	127,515,030	-5.4%	-0.5%
Pharmacy	181,226,856	(718,654)	180,508,202	39,679,737	10,392,825	281.8%	152,490,536	327,216,991	-53.4%	-47.0%
Medicare Premiums Part A & B	200,027,671	0	200,027,671	16,744,704	14,001,928	19.6%	161,001,668	144,391,106	11.5%	13.6%
Dental Services	155,714,873	0	155,714,873	13,008,651	0	0.0%	125,552,123	0	0.0%	226.4%
Medical Care	79,360,886	0	79,360,886	7,079,340	5,457,610	29.7%	66,022,765	43,484,070	51.8%	42.7%
Transportation Services	67,143,569	0	67,143,569	5,613,216	5,346,985	5.0%	53,708,142	52,376,475	2.5%	6.3%
All Other Services	187,891,990	(190,000)	187,701,990	15,133,986	12,946,054	16.9%	149,702,644	139,227,289	7.5%	7.2%
<b>Total General Medicaid (45609)</b>	<b>\$3,098,397,521</b>	<b>(\$908,654)</b>	<b>\$3,097,488,867</b>	<b>\$248,601,255</b>	<b>\$192,330,897</b>	<b>29.3%</b>	<b>\$2,476,702,001</b>	<b>\$2,367,462,629</b>	<b>4.6%</b>	<b>6.5%</b>
Nursing Facility	751,823,298	0	751,823,298	54,164,214	54,326,040	-0.3%	603,887,274	580,764,658	4.0%	7.7%
Home/Commy Waiver Services	620,627,785	(8,689,696)	611,938,089	47,623,342	40,939,654	16.3%	494,138,873	423,223,383	16.8%	18.2%
Other Long-Term Care	57,613,720	0	57,613,720	4,697,115	3,621,555	29.7%	44,890,431	39,075,545	14.9%	17.9%
<b>Total Long-Term Care (45610)</b>	<b>\$1,430,064,803</b>	<b>(\$8,689,696)</b>	<b>\$1,421,375,107</b>	<b>\$106,484,671</b>	<b>\$98,887,249</b>	<b>7.7%</b>	<b>\$1,142,916,579</b>	<b>\$1,043,063,586</b>	<b>9.6%</b>	<b>12.4%</b>
State Plan Option Services				14,849,644	11,704,614	26.9%	136,847,755	107,861,496	26.9%	
Mental Illness Services				5,796,610	3,411,701	69.9%	26,942,310	30,012,710	-10.2%	
MH/MR Case Management				7,995,598	7,905,114	1.1%	82,115,369	72,537,335	13.2%	
<b>Total Mental Health (45608) (11)</b>	<b>\$303,873,461</b>	<b>\$0</b>	<b>\$303,873,461</b>	<b>\$28,641,852</b>	<b>\$23,021,429</b>	<b>24.4%</b>	<b>\$245,905,434</b>	<b>\$210,411,541</b>	<b>16.9%</b>	<b>17.3%</b>
<b>Total Medicaid Expenditures</b>	<b>\$4,832,335,785</b>	<b>(\$9,595,350)</b>	<b>\$4,822,737,435</b>	<b>\$383,727,778</b>	<b>\$314,239,375</b>	<b>22.1%</b>	<b>\$3,865,524,014</b>	<b>\$3,620,937,757</b>	<b>6.8%</b>	<b>8.8%</b>
Federal Funding	\$2,338,376,193	(5,571,675)	\$2,332,804,518	\$185,512,138	\$157,231,692	18.0%	1,872,845,884	1,810,398,797	3.4%	6.1%
State Appropriation (12)	\$2,493,959,592	(4,026,675)	\$2,489,932,917	\$198,215,640	\$157,007,683	26.2%	1,992,678,130	1,810,538,959	10.1%	11.5%
Prior Year Recoveries/Rev Max	(32,285,858)	(500,000)	(32,785,858)	(2,721,716)	(2,748,486)	-1.0%	(29,113,500)	(22,574,136)	29.0%	28.2%
Prior Year Pharmacy Rebates	(19,439,739)	0	(19,439,739)	(14,800,000)	0	0.0%	(14,800,000)	(30,000,000)	-50.7%	-33.4%
<b>Total Medicaid Recoveries</b>	<b>(\$51,725,597)</b>	<b>(\$500,000)</b>	<b>(\$52,225,597)</b>	<b>(\$17,521,716)</b>	<b>(\$2,748,486)</b>	<b>537.5%</b>	<b>(\$43,913,500)</b>	<b>(\$52,574,136)</b>	<b>-16.5%</b>	<b>-4.6%</b>
<b>FAMIS Expenditures (44602)</b>	<b>\$82,938,843</b>	<b>\$0</b>	<b>\$82,938,843</b>	<b>\$7,364,176</b>	<b>\$6,353,333</b>	<b>15.9%</b>	<b>\$68,479,599</b>	<b>\$59,890,679</b>	<b>14.3%</b>	<b>12.7%</b>
Federal Funding	\$53,910,248	0	\$53,910,248	\$4,798,555	\$4,143,951	15.8%	44,611,739	39,020,084	14.3%	12.4%
State Appropriation	\$29,028,595	0	\$29,028,595	\$2,565,621	\$2,209,382	16.1%	23,867,859	20,870,595	14.4%	13.2%
<b>M-SCHIP Expenditures (46601)</b>	<b>\$65,504,510</b>	<b>\$0</b>	<b>\$65,504,509</b>	<b>\$5,984,300</b>	<b>\$4,943,101</b>	<b>21.1%</b>	<b>\$55,845,532</b>	<b>\$47,796,662</b>	<b>16.8%</b>	<b>12.5%</b>
Federal Funding	\$42,577,931	0	\$42,577,931	\$3,890,052	\$3,213,246	21.1%	36,303,024	31,069,834	16.8%	12.5%
State Appropriation	\$22,926,578	0	\$22,926,578	\$2,094,248	\$1,729,855	21.1%	19,542,508	16,726,828	16.8%	12.5%
<b>TDO Expenditures (32107)</b>	<b>\$9,437,495</b>	<b>\$0</b>	<b>\$9,437,494</b>	<b>\$1,134,040</b>	<b>\$669,085</b>	<b>69.5%</b>	<b>\$7,553,919</b>	<b>\$7,397,930</b>	<b>2.1%</b>	<b>10.7%</b>
State Appropriation	\$9,437,495	0	\$9,437,494	\$1,134,040	\$669,085	69.5%	7,553,919	7,397,930	2.1%	10.7%

(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 April 2007, per CARS database.  
(5) Expenditures for April 2006, per CARS database.  
(6) Percent increase/(decrease) in monthly expenditures from fiscal year 2006 (5) to fiscal year 2007 (4).  
(7) Expenditures through April 2007, per CARS database.  
(8) Expenditures through April 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 DMHRSAS transformation initiatives Reclassification of funding to the proper service category	(\$5,179,696) \$5,179,696 \$0
<b>Total Medicaid Expenditure Adjustments</b>			<b>(\$9,698,350)</b>
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
<b>Total Medicaid Recoveries Adjustments</b>			<b>(\$500,000)</b>