



COMMONWEALTH of VIRGINIA  
*Department of Medical Assistance Services*

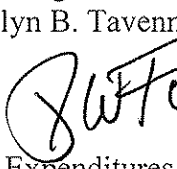
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June 20, 2007

**MEMORANDUM**

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

FROM: Patrick W. Finnerty 

SUBJECT: May 2007 Medicaid Expenditures

**Summary**

Medicaid expenditures through May are currently 6.5 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 8.6 percent annual growth. At the fund level, Medicaid general fund expenditures are currently running at 9.8 percent annual growth rate. DMAS' current appropriation provides for 11.4 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. As FAMIS, M-SCHIP and TDO payments were running higher than funded growth, funds were transferred from the Medicaid program to cover payments through year-end.

**General Medicaid (Acute Care) Services**

Expenditures for acute care services are currently running 4.7 percent more than expenditures at this time last year, but less than the 6.2 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 8.7 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.

Jody Wagner  
Marilyn B. Tavenner  
June 20, 2007  
Page 2

**Mental Health Services**

Following the trend seen for the past several years, expenditures for mental health services continue to grow and are currently 16.4 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 34.8 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 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	May 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	100,094,786	95,254,318	5.1%	1,092,193,889	996,253,751	9.6%	10.1%
Inpatient Hospital	763,086,074	0	763,086,074	35,792,884	33,652,140	6.4%	604,496,816	572,025,549	5.7%	10.7%
Outpatient Hospital	109,437,225	0	109,437,225	8,746,261	10,634,392	-17.8%	95,503,621	104,513,218	-8.6%	-4.9%
Physician Services	153,169,528	0	153,169,528	11,402,419	12,310,652	-7.4%	132,066,147	139,825,682	-5.5%	-0.5%
Pharmacy	181,226,856	(718,654)	180,508,202	16,423,473	16,919,321	-2.9%	168,914,009	344,136,311	-50.9%	-47.0%
Medicare Premiums Part A & B	200,027,671	0	200,027,671	16,805,639	15,868,168	5.9%	177,807,307	160,259,274	10.9%	13.6%
Medicare Premiums Part D	155,714,873	0	155,714,873	13,064,577	0	0.0%	138,616,700	0	0.0%	226.4%
Dental Services	79,360,886	0	79,360,886	6,652,218	5,339,540	24.6%	72,674,993	48,823,610	48.9%	42.7%
Transportation Services	67,143,569	0	67,143,569	5,611,347	5,306,930	5.7%	59,319,489	57,683,405	2.8%	6.3%
All Other Services	187,891,990	(9,010,064)	178,881,926	14,783,465	22,210,536	-33.4%	164,480,729	161,437,824	1.9%	2.2%
<b>Total General Medicaid (45609)</b>	<b>\$3,098,397,521</b>	<b>(\$9,728,718)</b>	<b>\$3,088,668,803</b>	<b>\$229,377,069</b>	<b>\$217,495,996</b>	<b>5.5%</b>	<b>\$2,706,073,691</b>	<b>\$2,584,958,626</b>	<b>4.7%</b>	<b>6.2%</b>
Nursing Facility	751,823,298	0	751,823,298	54,213,456	55,854,013	-2.9%	658,100,730	636,618,671	3.4%	7.7%
Home/Crmyty Waiver Services	620,627,786	(8,689,696)	611,938,089	49,232,005	45,549,849	8.1%	543,370,878	468,773,232	15.9%	18.2%
Other Long-Term Care	57,613,720	0	57,613,720	3,574,119	5,032,887	-29.0%	48,464,550	44,108,433	9.9%	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>\$107,019,580</b>	<b>\$106,436,750</b>	<b>0.5%</b>	<b>\$1,249,936,159</b>	<b>\$1,149,500,336</b>	<b>8.7%</b>	<b>12.4%</b>
State Plan Option Services		\$0	\$303,873,461	\$26,060,211	\$23,317,573	11.8%	\$271,971,024	\$233,729,114	16.4%	17.3%
Mental Illness Services		(500,000)	(32,785,858)	15,802,337	12,457,750	26.8%	152,650,093	120,319,246	26.9%	26.9%
MH/MR Case Management		0	(19,439,739)	2,309,497	2,681,627	-13.9%	29,251,807	32,694,337	-10.5%	17.9%
<b>Total Mental Health (45608) (11)</b>	<b>(\$51,725,597)</b>	<b>(\$500,000)</b>	<b>(\$52,225,597)</b>	<b>(\$2,146,815)</b>	<b>(\$613,251)</b>	<b>250.1%</b>	<b>(\$46,060,315)</b>	<b>(\$53,187,387)</b>	<b>-13.4%</b>	<b>-4.6%</b>
<b>Total Medicaid Expenditures</b>	<b>\$4,832,335,785</b>	<b>(\$18,418,414)</b>	<b>\$4,813,917,371</b>	<b>\$362,456,859</b>	<b>\$347,250,319</b>	<b>4.4%</b>	<b>\$4,227,980,873</b>	<b>\$3,968,188,076</b>	<b>6.5%</b>	<b>8.6%</b>
Federal Funding	\$2,338,376,193	(10,881,707)	\$2,327,494,486	\$174,264,402	\$171,955,399	1.3%	2,047,110,286	1,982,354,196	3.3%	5.9%
State Appropriation (12)	\$2,493,959,592	(7,536,707)	\$2,486,422,885	\$188,192,457	\$175,294,920	7.4%	2,180,870,587	1,985,833,879	9.8%	11.4%
Prior Year Recoveries/Rev Max	(32,285,858)	(500,000)	(32,785,858)	(2,146,815)	(613,251)	250.1%	(31,260,315)	(23,187,387)	34.8%	28.2%
Prior Year Pharmacy Rebates	(19,439,739)	0	(19,439,739)	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>(\$2,146,815)</b>	<b>(\$613,251)</b>	<b>250.1%</b>	<b>(\$46,060,315)</b>	<b>(\$53,187,387)</b>	<b>-13.4%</b>	<b>-4.6%</b>
<b>FAMIS Expenditures (44602)</b>	<b>\$82,938,843</b>	<b>\$2,300,000</b>	<b>\$85,238,843</b>	<b>\$7,328,878</b>	<b>\$6,849,970</b>	<b>7.0%</b>	<b>\$75,808,477</b>	<b>\$66,740,649</b>	<b>13.6%</b>	<b>15.8%</b>
Federal Funding	\$53,910,248	1,600,000	\$55,510,248	\$4,775,444	\$4,468,318	6.9%	49,387,184	43,468,403	13.6%	15.8%
State Appropriation	\$29,028,595	700,000	\$29,728,595	\$2,553,434	\$2,381,652	7.2%	26,421,293	23,252,246	13.6%	16.0%
<b>M-SCHIP Expenditures (46601)</b>	<b>\$65,504,510</b>	<b>\$3,800,000</b>	<b>\$69,304,510</b>	<b>\$5,753,640</b>	<b>\$5,071,372</b>	<b>13.5%</b>	<b>\$61,599,172</b>	<b>\$52,868,034</b>	<b>16.5%</b>	<b>19.0%</b>
Federal Funding	\$42,577,931	2,500,000	\$45,077,931	\$3,740,328	\$3,296,667	13.5%	40,043,352	34,366,500	16.5%	19.1%
State Appropriation	\$22,926,578	1,300,000	\$24,226,578	\$2,013,312	\$1,774,705	13.4%	21,555,820	18,501,533	16.5%	18.9%
<b>TDO Expenditures (32107)</b>	<b>\$9,437,495</b>	<b>\$300,000</b>	<b>\$9,737,495</b>	<b>\$1,444,631</b>	<b>\$488,204</b>	<b>195.9%</b>	<b>\$8,998,550</b>	<b>\$7,886,135</b>	<b>14.1%</b>	<b>14.2%</b>
State Appropriation	\$9,437,495	300,000	\$9,737,495	\$1,444,631	\$488,204	195.9%	8,998,550	7,886,135	14.1%	14.2%

(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 May 2007, per CARS database.  
(5) Expenditures for May 2006, per CARS database.  
(6) Percent increase/(decrease) in monthly expenditures from fiscal year 2006 (5) to fiscal year 2007 (4).  
(7) Expenditures through May 2007, per CARS database.  
(8) Expenditures through May 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 Transfer funds from Medicaid to Administration cover the service costs of contractors related to Disease State Management Transfer of funds from Medicaid to cover shortfall in Title XXI Programs Transfer of funds from Medicaid to cover shortfall in TDO	(\$190,000) (\$2,420,064) (\$6,100,000) (\$300,000) (\$9,010,064)
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
<b>Total Medicaid Expenditure Adjustments</b>			<b>(\$18,418,414)</b>
Prior Year Recoveries / Revenue Maximization	Governor's Introduced Budget	Revenue assumption adjustment	\$1,000,000
Prior Year Pharmacy Rebates	Governor's Introduced Budget	Revenues generated from modifications of Specialty Drug program	(\$1,500,000) (\$500,000)
<b>Total Medicaid Recoveries Adjustments</b>			<b>(\$500,000)</b>