



# COMMONWEALTH of VIRGINIA

## *Department of Medical Assistance Services*

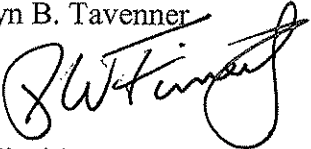
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August 3, 2007

### MEMORANDUM

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

FROM: Patrick W. Finnerty 

SUBJECT: Fiscal Year 2007 Medicaid Expenditures

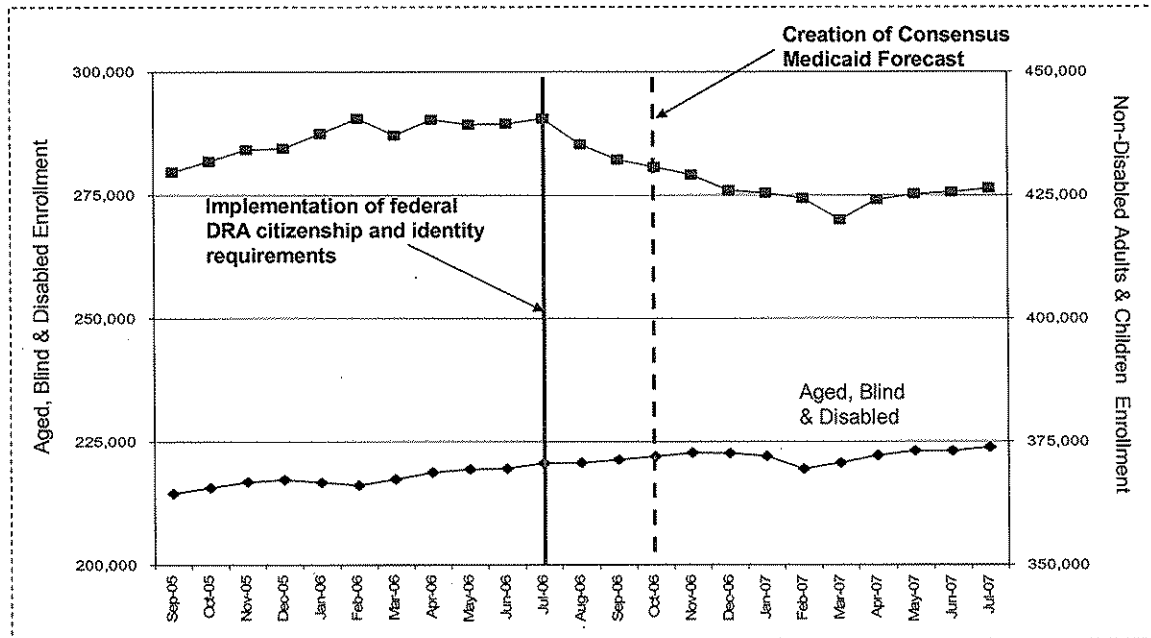
#### Medicaid Expenditures

Medicaid expenditures in FY 2007 were \$4.70 billion, an increase of 6.0 percent over the \$4.43 billion spent last year. Final funding, based on the November 2006 Official Medicaid forecast and budget amendments enacted during the 2006 and 2007 General Assembly sessions in addition to administrative transfers, provided for 8.6 percent annual growth. At the fund level, Medicaid general fund expenditures experienced 8.4 percent annual growth rate. DMAS' final appropriation provided for 11.4 percent annual general fund growth.

The growth in expenditures reflects the annual rate increases built into health care facility and nursing home rates, increased utilization of community mental health services, as well as spending initiatives enacted in the 2006 Appropriation Act increasing the number of slots in the MR and DD waivers and providing reimbursement increases for hospitals, nursing facilities, physicians, and providers of adult day care and skilled nursing services.

While there was significant overall growth in the Medicaid program, actual expenditures were \$112 million (2.3 percent) lower than funded. The lower than projected growth is due largely to reductions in the average monthly Medicaid enrollment resulting from the federal citizenship and identification (C&I) requirements implemented July 1, 2006. The following graph illustrates monthly Medicaid enrollment with respect to the development of the FY 2007 Medicaid expenditure projections.

**Monthly Medicaid Enrollment: Sept 2005 – July 2007**



As can be seen, the projections for FY 2007 were developed only two months after implementation of the C&I requirements. At this point in time, there was significant uncertainty surrounding the continued impact of these requirements. Information from Medicaid eligibility specialists indicated that the downturn in enrollment was not a result of an increase in the number individuals determined ineligible for services, but rather reflected increased application processing timeframes and that an upturn in enrollment could be expected. As illustrated by the graph above, the upturn did occur, however enrollment has not returned to the July 2006 level.

**Medicaid Recoveries**

Medicaid recoveries, including revenues generated from revenue maximization efforts, were projected to decrease by 4.6 percent this year; however actual recoveries collected by DMAS in FY 2007 represent an increase of 1.6 percent over FY 2006. Normal prior-year recoveries were 72.2 percent higher than last year; prior-year pharmacy rebate recoveries were 51.4 percent lower than last year due to the implementation of Medicare Part D.

**FAMIS, SCHIP and TDO Expenditures**

This month's report also includes a yearend analysis of FAMIS, Medicaid Expansion (M-SCHIP) and Temporary Detention Order (TDO) expenditures. As FAMIS, M-SCHIP and TDO payments were running higher than original funded growth, funds were transferred from the Medicaid program to cover payments through year-end. The attached report reflects funded growth that includes funding adjustment transfers from the Medicaid program.

Jody Wagner  
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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)		Funded Growth Final Approp
	Official Forecast	Funding Adjustments	Current Appropriation	FY 2007	June 2007 FY 2006	% Change	FY 2007	Year-To-Date FY 2006	% Change										
Managed Care	1,201,338,848	0	1,201,338,848	98,765,689	94,766,398	4.2%	1,190,959,577	1,091,040,149	9.2%	10.1%									
Inpatient Hospital	763,086,074	0	763,086,074	131,828,823	117,349,038	12.3%	736,324,587	689,374,587	6.8%	10.7%									
Outpatient Hospital	109,437,225	0	109,437,225	10,511,430	10,511,430	-4.5%	105,546,509	115,024,648	-8.2%	-4.9%									
Physician Services	153,169,528	0	153,169,528	11,244,558	14,066,138	-20.1%	143,310,705	153,891,820	-6.9%	-0.5%									
Pharmacy	181,226,866	(718,654)	180,508,202	6,951,304	15,873,547	-291.3%	175,865,313	340,502,448	-48.4%	-47.0%									
Medicare Premiums Part A & B	200,027,671	0	200,027,671	16,500,067	15,873,547	3.9%	194,307,374	176,132,821	10.3%	13.6%									
Medicare Premiums Part D	155,714,873	0	155,714,873	12,988,679	47,704,174	-72.8%	151,605,379	47,704,174	217.8%	226.4%									
Dental Services	79,360,866	0	79,360,866	8,023,309	6,801,162	18.0%	80,698,293	55,624,772	45.1%	42.7%									
Transportation Services	67,143,569	0	67,143,569	7,734,639	5,481,760	41.1%	67,054,128	63,165,164	6.2%	6.3%									
All Other Services	187,891,990	(12,010,064)	175,881,926	14,536,931	13,608,002	6.8%	179,022,939	175,045,826	2.3%	0.5%									
<b>Total General Medicaid (45609)</b>	<b>\$3,098,397,521</b>	<b>(\$12,728,718)</b>	<b>\$3,085,668,803</b>	<b>\$318,916,785</b>	<b>\$322,547,785</b>	<b>-1.2%</b>	<b>\$3,024,695,855</b>	<b>\$2,907,506,410</b>	<b>4.0%</b>	<b>6.1%</b>									
Nursing Facility	751,823,298	0	751,823,298	60,274,394	61,365,598	-1.8%	718,375,124	697,984,269	2.9%	7.7%									
Home/Crmyly Waiver Services	620,627,785	(3,510,000)	617,117,785	56,798,335	48,994,571	15.9%	600,169,213	517,767,803	15.9%	19.2%									
Other Long-Term Care	57,613,720	0	57,613,720	4,991,042	4,755,876	4.9%	53,455,592	48,864,309	9.4%	17.9%									
<b>Total Long-Term Care (45610)</b>	<b>\$1,430,064,803</b>	<b>(\$3,510,000)</b>	<b>\$1,426,554,803</b>	<b>\$122,063,772</b>	<b>\$115,116,045</b>	<b>6.0%</b>	<b>\$1,371,999,930</b>	<b>\$1,264,616,381</b>	<b>8.5%</b>	<b>12.8%</b>									
State Plan Option Services				20,486,003	15,142,413	35.3%	173,136,096	135,461,658	27.8%	28.2%									
Mental Illness Services				2,277,859	2,437,166	-6.5%	31,529,666	35,131,503	-10.3%	-10.3%									
MH/MR Case Management				7,254,527	7,732,558	-6.2%	97,318,272	88,448,090	10.0%	10.0%									
<b>Total Mental Health (45608) (11)</b>	<b>\$303,673,461</b>	<b>(\$5,179,696)</b>	<b>\$298,693,765</b>	<b>\$30,018,388</b>	<b>\$25,312,137</b>	<b>18.6%</b>	<b>\$301,984,033</b>	<b>\$259,041,251</b>	<b>16.6%</b>	<b>15.3%</b>									
<b>Total Medicaid Expenditures</b>	<b>\$4,832,335,785</b>	<b>(\$21,418,414)</b>	<b>\$4,810,917,371</b>	<b>\$470,698,945</b>	<b>\$462,975,967</b>	<b>1.7%</b>	<b>\$4,698,679,819</b>	<b>\$4,431,164,042</b>	<b>6.0%</b>	<b>8.6%</b>									
Federal Funding	\$2,338,976,193	(13,881,707)	\$2,324,994,486	\$231,974,420	\$215,963,750	7.4%	2,279,084,706	2,198,317,946	3.7%	5.7%									
State Appropriation (12)	\$2,493,959,592	(7,536,707)	\$2,486,422,885	\$238,724,525	\$247,012,216	-3.4%	2,419,595,113	2,232,846,095	8.4%	11.4%									
Prior Year Recoveries/Rev Max	(32,285,856)	(500,000)	(32,785,856)	(8,535,326)	82,587	-10435.0%	(39,797,415)	(23,104,800)	72.2%	28.2%									
Prior Year Pharmacy Rebates	(19,439,739)	0	(19,439,739)	(183,625)	(817,860)	-77.5%	(14,983,625)	(30,817,860)	-51.4%	-33.4%									
<b>Total Medicaid Recoveries</b>	<b>(\$51,725,597)</b>	<b>(\$500,000)</b>	<b>(\$52,225,597)</b>	<b>(\$8,718,951)</b>	<b>(\$735,273)</b>	<b>1085.8%</b>	<b>(\$54,781,040)</b>	<b>(\$53,922,660)</b>	<b>1.6%</b>	<b>-4.6%</b>									
<b>FAMS Expenditures (44602)</b>	<b>\$82,938,843</b>	<b>\$2,300,000</b>	<b>\$85,238,843</b>	<b>\$8,229,769</b>	<b>\$6,847,817</b>	<b>20.2%</b>	<b>\$84,038,246</b>	<b>\$73,588,466</b>	<b>14.2%</b>	<b>15.8%</b>									
Federal Funding	\$53,910,248	1,600,000	\$55,510,248	\$5,370,220	\$4,463,908	20.3%	\$4,757,404	47,952,311	14.2%	15.8%									
State Appropriation	\$29,028,595	700,000	\$29,728,595	\$2,859,549	\$2,383,909	20.0%	\$29,280,842	25,636,155	14.2%	16.0%									
<b>M-SCHIP Expenditures (46601)</b>	<b>\$65,504,510</b>	<b>\$3,800,000</b>	<b>\$69,304,510</b>	<b>\$6,223,616</b>	<b>\$5,362,302</b>	<b>16.1%</b>	<b>\$67,822,788</b>	<b>\$58,230,336</b>	<b>16.5%</b>	<b>19.0%</b>									
Federal Funding	\$42,677,931	2,500,000	\$45,077,931	\$4,045,857	\$3,468,824	16.1%	\$44,089,209	37,852,324	16.5%	19.1%									
State Appropriation	\$22,926,578	1,300,000	\$24,226,578	\$2,177,758	\$1,893,479	16.1%	\$23,733,578	20,378,012	16.5%	18.9%									
<b>TDO Expenditures (32107)</b>	<b>\$9,437,495</b>	<b>\$300,000</b>	<b>\$9,737,495</b>	<b>\$657,146</b>	<b>\$638,846</b>	<b>2.9%</b>	<b>\$9,655,696</b>	<b>\$8,524,981</b>	<b>13.3%</b>	<b>14.2%</b>									
State Appropriation	\$9,437,495	300,000	\$9,737,495	\$657,146	\$638,846	2.9%	\$9,655,696	\$8,524,981	13.3%	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 June 2007, per CARS database.  
(5) Expenditures for June 2006, per CARS database.  
(6) Percent increase/(decrease) in monthly expenditures from fiscal year 2006 (5) to fiscal year 2007 (4).  
(7) Expenditures through June 2007, per CARS database.  
(8) Expenditures through June 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)
	FATS #0022, 0024, 0030, 0032		Transfer funds from Medicaid to Administration cover the service costs of contractors related to Disease State Management		(\$2,420,064)
	FATS #0036, 0040		Transfer of funds from Medicaid to cover shortfall in Title XXI Programs		(\$6,100,000)
	FATS #0047		Transfer of funds from Medicaid to cover shortfall in TDO		(\$300,000)
	FATS #0045		Transfer of federal funds from Medicaid to CSA		(\$3,000,000)
					(\$12,010,064)
Nursing Facility Services					\$0
Home/Community Waiver Services	Conference Cmte Amendment #302 4c		Align funding for Alzheimer waiver		(\$3,510,000)
			Reclassification of funding to the proper service category		(\$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 DMH/MRSAS transformation initiatives		(\$5,179,696)
			Reclassification of funding to the proper service category		\$0
					\$0
<b>Total Medicaid Expenditure Adjustments</b>					<b>(\$21,418,414)</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>
FAMIS Expenditures	FATS# 0038, 0041		Transfer of funds from Medicaid to cover shortfall in Title XXI Programs		\$2,300,000
<b>Total FAMIS Expenditure Adjustments</b>					<b>\$2,300,000</b>
M-SCHIP Expenditures	FATS# 0039, 0042		Transfer of funds from Medicaid to cover shortfall in Title XXI Programs		\$3,800,000
<b>Total M-SCHIP Expenditure Adjustments</b>					<b>\$3,800,000</b>
TDO Expenditures	FATS# 0037		Transfer of funds from Medicaid to cover shortfall in TDO		\$300,000
<b>Total TDO Expenditure Adjustments</b>					<b>\$300,000</b>