



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

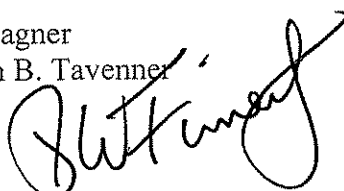
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October 5, 2007

MEMORANDUM

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

FROM: Patrick W. Finnerty 

SUBJECT: July and August 2007 Medicaid Expenditures

Summary

Medicaid expenditures in July and August were 12.8 percent higher than expenditures in the same months last year. Factors contributing to this increase include billing delays associated with implementation of DMAS' new prior authorization contract at this time last year, as well as the fact that there were nine remittance processing cycles in July/August 2007 compared to only eight cycles in 2006. For these reasons, the year-to-date increase over FY 2007 is somewhat misleading. The increase from last year is large now, relative to the funded increase, but is expected to decline over the next few months.

General Medicaid (Acute Care) Services

Expenditures for acute care services are currently running 8.4% above expenditures at this time last year. The decrease in managed care capitation payments reflects the 2.6 percent average rate reduction that went into effect July 1. Delays in obtaining prior authorizations affected the provider community's ability to bill timely especially in late June through mid August of last year and contribute to the high annual percent increase in several of the fee-for-service acute care categories.

Long-Term Care Services

Expenditures for long-term care services are currently 16.3% above expenditures at this time last year. The higher nursing facility expenditures primarily reflect the annual rate adjustment, as opposed to increases in utilization. An additional 468 MR waiver slots and 100 DD waiver slots were funded in the 2007 Appropriation Act and added effective July 1, 2007 contributing to the increase in home and community-based waiver services; however, the full effect of these additional slots will likely not be seen for several months. The prior authorization delays also affected claims submission for home and community-based waiver services last year.

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Mental Health Services

Expenditures for mental health services continue to grow and are currently 38.8% above expenditures at this time last year.

Medicaid Recoveries

Normal prior-year recoveries are 15.7 percent higher than recoveries at this time last year. The funding in the current Appropriation Act assumed a decrease in overall annual recoveries of 4.9 percent. The transactions for prior-year pharmacy rebates and revenues generated from revenue maximization efforts 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 2008**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Official Forecast	Funding Adjustments	Current Appropriation	FY 2008	July 2007 FY 2007	% Change	FY 2008	Year-to-Date FY 2007	% Change	Funded Growth Current Approp
Expense										
Managed Care	1,290,932,081	0	1,290,932,081	97,000,449	98,467,385	-1.5%	97,000,449	98,467,385	-1.5%	8.4%
Inpatient Hospital	821,515,075	4,449,868	825,964,943	32,783,254	25,953,936	26.3%	32,783,254	25,953,936	26.3%	12.2%
Outpatient Hospital	113,483,813	0	113,483,813	8,016,280	7,481,988	7.1%	8,016,280	7,481,988	7.1%	7.5%
Physician Services	165,358,405	6,995,518	172,353,923	9,949,841	10,718,443	-7.2%	9,949,841	10,718,443	-7.2%	20.3%
Pharmacy	196,075,628	1,159,422	197,235,050	10,667,903	9,583,331	11.3%	10,667,903	9,583,331	11.3%	12.2%
Medicare Premiums Part A & B	225,392,978	0	225,392,978	16,432,562	15,738,456	4.4%	16,432,562	15,738,456	4.4%	13.0%
Medicare Premiums Part D	172,366,727	0	172,366,727	12,989,570	25,123,250	-48.3%	12,989,570	25,123,250	-48.3%	16.7%
Dental Services	82,740,543	0	82,740,543	6,574,479	5,797,071	13.4%	6,574,479	5,797,071	13.4%	2.5%
Transportation Services	70,831,084	0	70,831,084	5,728,718	5,219,109	9.8%	5,728,718	5,219,109	9.8%	5.6%
All Other Services	207,309,741	(2,372,702)	204,937,039	12,770,637	12,229,073	4.4%	12,770,637	12,229,073	4.4%	14.5%
Total General Medicaid (45609)	\$3,346,006,074	\$10,232,106	\$3,356,238,180	\$212,913,694	\$216,312,042	-1.6%	\$212,913,694	\$216,312,042	-1.6%	11.0%
Nursing Facility	798,756,485	1,850,470	800,606,955	56,730,391	57,687,995	-1.7%	56,730,391	57,687,995	-1.7%	11.4%
Home/Community Waiver Services	669,673,317	20,061,166	689,734,483	52,993,510	42,374,101	25.1%	52,993,510	42,374,101	25.1%	14.9%
Other Long-Term Care	57,860,998	250,000	58,110,998	3,026,726	5,332,660	-43.2%	3,026,726	5,332,660	-43.2%	8.7%
Total Long-Term Care (45610)	\$1,526,290,700	\$22,161,636	\$1,548,452,336	\$112,750,627	\$105,394,755	7.0%	\$112,750,627	\$105,394,755	7.0%	12.9%
State Plan Option Services				16,772,730	12,189,643	37.6%	16,772,730	12,189,643	37.6%	
Mental Illness Services				1,964,777	2,175,474	-9.7%	1,964,777	2,175,474	-9.7%	
MH/MR Case Management				8,813,868	8,461,411	4.2%	8,813,868	8,461,411	4.2%	
Total Mental Health (45608) (11)	\$332,884,377	\$10,494,916	\$343,379,293	\$27,551,375	\$22,826,528	20.7%	\$27,551,375	\$22,826,528	20.7%	13.7%
Total Medicaid Expenditures	\$5,205,181,150	\$42,888,658	\$5,248,069,808	\$353,215,696	\$344,533,325	2.5%	\$353,215,696	\$344,533,325	2.5%	11.7%
Federal Funding	\$2,517,613,343	20,766,829	\$2,538,370,172	\$169,722,799	\$159,436,981	6.5%	\$169,722,799	\$159,436,981	6.5%	11.4%
State Appropriation (12)	\$2,687,567,806	22,131,829	\$2,709,699,635	\$183,492,897	\$185,096,344	-0.9%	\$183,492,897	\$185,096,344	-0.9%	12.0%
Prior Year Recoveries/Rev Max	(34,270,015)		(34,270,015)	(3,259,463)	(2,321,297)	40.4%	(3,259,463)	(2,321,297)	40.4%	-13.9%
Prior Year Pharmacy Rebates	(17,911,314)		(17,911,314)	0	0		0	0		19.5%
Total Medicaid Recoveries	(\$52,181,329)	\$0	(\$52,181,329)	(\$3,259,463)	(\$2,321,297)	40.4%	(\$3,259,463)	(\$2,321,297)	40.4%	-4.7%
FAMIS Expenditures (44602)	\$95,462,765	\$4,408,672	\$99,871,437	\$7,299,073	\$6,463,023	12.9%	\$7,299,073	\$6,463,023	12.9%	18.8%
Federal Funding	62,050,797	2,892,991	\$64,943,788	\$4,755,374	\$4,223,700	12.6%	\$4,755,374	\$4,223,700	12.6%	18.6%
State Appropriation	\$33,411,968	1,515,681	\$34,927,649	\$2,543,698	\$2,239,323	13.6%	\$2,543,698	\$2,239,323	13.6%	19.3%
M-SCHIP Expenditures (46601)	\$73,959,989	\$186,216	\$74,146,205	\$5,439,425	\$4,863,217	11.8%	\$5,439,425	\$4,863,217	11.8%	9.3%
Federal Funding	48,073,993	124,142	\$48,198,135	\$3,535,901	\$3,161,561	11.8%	\$3,535,901	\$3,161,561	11.8%	9.3%
State Appropriation	\$25,885,996	62,074	\$25,948,070	\$1,903,524	\$1,701,655	11.9%	\$1,903,524	\$1,701,655	11.9%	9.3%
TDO Expenditures (32107)	\$9,910,055	\$1,639,635	\$11,549,690	\$466,976	\$1,135,247	-58.9%	\$466,976	\$1,135,247	-58.9%	19.6%
State Appropriation	\$9,910,055	1,639,635	\$11,549,690	\$466,976	\$1,135,247	-58.9%	\$466,976	\$1,135,247	-58.9%	19.6%

(1) Official Medicaid Consensus Forecast, November 15, 2006.
 (2) Include actions taken during the 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 847 plus/minus all FATS transactions, excluding CSA transfers. The current appropriation also reflects an administrative adjustment in expenditures between Mental Health, Long-Term Care, and General Medicaid. The official appropriation will be adjusted through the 2008 budget amendment process.
 (4) Expenditures for SFY2008, July 2007, per CARS database.
 (5) Expenditures for SFY2007, July 2006, per CARS database.
 (6) Percent increase/(decrease) in monthly expenditures from fiscal year 2007 (5) to fiscal year 2008 (4).
 (7) Expenditures through SFY2008, July 2007, per CARS database.
 (8) Expenditures through SFY2007, July 2006, per CARS database.
 (9) Percent increase/(decrease) in year-to-date expenditures from fiscal year 2007 (8) to fiscal year 2008 (7).
 (10) Percent increase/(decrease) in year-to-date expenditures from fiscal year 2007 (8) over total FY 2007 expenditures.
 (11) The November 2008 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
Summary Report on Medicaid Expenditures / Recoveries
For State Fiscal Year 2008**

Expense	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Official Forecast	Funding Adjustments	Current Appropriation	FY 2008	August 2007	% Change	FY 2008	Year-To-Date FY 2007	% Change	Funded Growth Current Approp.
Inpatient Care	1,290,932,081	0	1,290,932,081	97,765,168	98,333,130	-0.6%	194,765,617	196,800,516	-1.0%	8.4%
Managed Care	821,515,075	4,449,868	825,964,943	42,374,554	33,367,994	27.0%	75,157,808	59,321,930	26.7%	12.2%
Outpatient Hospital	113,483,813	0	113,483,813	9,905,318	8,096,174	22.3%	17,921,598	15,578,161	15.0%	7.5%
Physician Services	165,353,405	6,995,518	172,353,923	14,401,430	11,755,284	22.5%	24,351,272	22,473,727	8.4%	20.3%
Pharmacy	196,075,628	1,159,422	197,235,050	20,458,666	16,196,706	26.3%	31,126,569	25,780,037	20.7%	12.2%
Medicare Premiums Part A & B	225,392,978	0	225,392,978	16,704,879	15,708,086	6.3%	33,137,442	31,446,542	5.4%	16.0%
Medicare Premiums Part D	172,366,727	0	172,366,727	12,918,010	0	0	25,907,580	25,123,250	3.1%	13.7%
Dental Services	82,740,543	0	82,740,543	9,476,351	6,105,308	55.2%	16,050,930	11,902,379	34.9%	2.5%
Transportation Services	70,831,084	0	70,831,084	6,044,739	5,255,384	15.0%	11,773,457	10,474,493	12.4%	5.6%
All Other Services	207,309,741	(2,372,702)	204,937,039	17,470,936	13,511,020	29.3%	30,241,574	25,740,093	17.5%	14.5%
Total General Medicaid (45609)	\$3,346,006,074	\$10,232,106	\$3,356,238,180	\$247,520,053	\$208,329,086	18.8%	\$460,433,747	\$424,641,128	8.4%	11.0%
Nursing Facility	798,756,485	1,850,470	800,606,955	64,664,046	59,279,347	9.1%	121,394,437	116,967,342	3.8%	11.4%
Home/Crmtty Waiver Services	669,673,317	20,061,166	689,734,483	64,100,685	43,766,343	46.5%	117,094,196	86,140,444	35.9%	14.9%
Other Long-Term Care	57,860,898	250,000	58,110,898	5,653,234	4,099,184	37.9%	8,679,960	9,431,844	-8.0%	8.7%
Total Long-Term Care (45610)	\$1,526,290,700	\$22,161,636	\$1,548,452,336	\$134,417,965	\$107,144,874	25.5%	\$247,168,592	\$212,539,629	16.3%	12.9%
State Plan Option Services				20,642,546	11,307,990	82.5%	37,415,276	23,497,633	59.2%	
Mental Illness Services				2,973,867	2,007,368	48.1%	4,938,844	4,182,842	18.1%	
MH/MR Case Management				9,990,378	7,911,055	26.3%	18,804,246	16,372,466	14.9%	
Total Mental Health (45608) (11)	\$332,884,377	\$10,494,916	\$343,379,293	\$33,606,791	\$21,226,412	58.3%	\$61,158,165	\$44,052,940	38.8%	13.7%
Total Medicaid Expenditures	\$5,205,181,450	\$42,888,658	\$5,248,069,808	\$415,544,809	\$336,700,373	23.4%	\$768,760,505	\$681,233,698	12.8%	11.7%
Federal Funding	\$2,517,613,343	20,756,829	\$2,538,370,172	189,336,220	167,932,087	12.7%	359,059,019	327,369,068	9.7%	11.4%
State Appropriation (12)	\$2,687,567,806	22,131,829	\$2,709,699,635	226,208,589	168,768,285	34.0%	409,701,486	353,864,630	15.8%	12.0%
Prior Year Recoveries/Rev Max	(34,270,015)		(34,270,015)	(1,678,202)	(1,948,916)	-13.9%	(4,940,022)	(4,270,213)	15.7%	-13.9%
Prior Year Pharmacy Rebates	(17,911,314)		(17,911,314)	0	0	0	0	0	0	19.5%
Total Medicaid Recoveries	(\$52,181,329)	\$0	(\$52,181,329)	(\$1,678,202)	(\$1,948,916)	-13.9%	(\$4,940,022)	(\$4,270,213)	15.7%	-4.7%
FAMIS Expenditures (44602)	\$95,462,765	\$4,408,672	\$99,871,437	\$8,409,794	\$5,637,837	49.2%	\$15,708,867	\$12,100,860	29.8%	18.8%
Federal Funding	62,050,797	2,892,991	64,943,788	\$5,470,695	\$3,668,844	49.1%	10,226,069	7,892,544	29.6%	18.6%
State Appropriation	\$33,411,968	1,515,681	\$34,927,649	\$2,939,099	\$1,968,993	49.3%	5,482,798	4,208,316	30.3%	19.3%
M-SCHIP Expenditures (46601)	\$73,959,989	\$186,216	\$74,146,205	\$6,412,271	\$5,076,158	26.3%	\$11,851,696	\$9,939,375	19.2%	9.3%
Federal Funding	48,073,993	124,142	48,198,135	\$4,168,516	\$3,299,798	26.3%	7,704,417	6,461,360	19.2%	9.3%
State Appropriation	\$25,885,996	62,074	\$25,948,070	\$2,243,756	\$1,776,360	26.3%	4,147,280	3,478,015	19.2%	9.3%
TDO Expenditures (32107)	\$9,910,055	\$1,639,635	\$11,549,690	\$760,124	\$688,356	10.4%	\$1,227,100	\$1,823,602	-32.7%	19.6%
State Appropriation	\$9,910,055	1,639,635	\$11,549,690	\$760,124	\$688,356	10.4%	1,227,100	1,823,602	-32.7%	19.6%

(1) Official Medicaid Consensus Forecast, November 15, 2006.
(2) Include actions taken during the 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 847 plus/minus all FATS transactions, excluding CSA transfers. The current appropriation also reflects an administrative adjustment for the shift between mental illness services, long-term care services, and general Medicaid. The official appropriation will be adjusted through the 2008 budget amendment process.
(4) Expenditures for SFY2007 August 2006, per CARS database.
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(9) Percent increase/(decrease) in year-to-date expenditures from fiscal year 2007 (8) to fiscal year 2008 (7).
(10) Percent increase/(decrease) in current funding (3) over total FY 2007 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 2008 Funding Adjustments to November 2006 Consensus Medicaid Forecast**

Report Expense Categories	Source of Action	Reason for Action	Total
Managed Care			\$0
Inpatient Hospital Services	Chapter 847 Appropriation Act: 302-RRR Page 345 Chapter 847 Appropriation Act: 302-JJJ	Medicaid Rate Increase for Rural Hospitals Maintain inpatient hospital psychiatric services	\$1,166,284 \$3,281,594 \$4,449,868
Outpatient Hospital Services			\$0
Physician Services	Chapter 847 Appropriation Act: 302-KK Chapter 847 Appropriation Act: 302-KK Page 337	Pediatric services rate increase (15 instead of 8 percent) 2% Medicaid physician rate increase	\$9,353,076 (\$2,357,558) \$6,995,518
Pharmacy Services	Chapter 847 Appropriation Act: 302-JJ.1	Modify specialty drug program	\$1,159,422
Medicare Premiums Part A & B			\$0
Medicare Premiums Part D			\$0
Dental Services			\$0
Transportation Services			\$0
All Other Services	Chapter 847 Appropriation Act: 302-FFF Chapter 847 Appropriation Act: 302-DDD Chapter 847 Appropriation Act Chapter 847 Appropriation Act: 302-CCC2	Include Chronic Obstructive Pulmonary Disease in disease management Improve participation in the high-risk maternity program Fund outsource compliance audits Align funding to property account for the family planning waiver	\$114,500 \$987,998 (\$3,375,000) (\$100,000) (\$2,372,702)
Nursing Facility Services	Chapter 847 Appropriation Act: 302-NNN	Increase the personal needs allowance for nursing home residents	\$1,850,470
Home/Community Waiver Services	Chapter 847 Appropriation Act: 302-10c Chapter 847 Appropriation Act: 302-11c Chapter 847 Appropriation Act: 302-8c Chapter 847 Appropriation Act: 302-4c Chapter 847 Appropriation Act: 302-LLL Chapter 847 Appropriation Act: 302-LLL	Phase in 100 additional DD Waivers Add 160 MR Waiver Slots 15% MR Waiver Rate Differential for Northern Virginia Align funding for Alzheimer Waiver Adjust funding for the MR waiver Increase community mental retardation waiver slots	\$2,624,726 \$4,557,968 \$10,594,276 (\$2,895,500) (\$5,408,884) \$10,598,580 \$20,061,166
Other Long-Term Care Services	Chapter 847 Appropriation Act: 302-AAA	Establish a PACE site in Northern Virginia	\$250,000
Mental Health Services	Chapter 847 Appropriation Act: 302-6c	Add coverage of substance abuse services	\$10,494,916 \$10,494,916
Total Medicaid Expenditure Adjustments			\$42,888,658
Prior Year Recoveries / Revenue Maximization	Chapter 847 Appropriation Act	Fund outsource compliance audits	\$1,125,000
Prior Year Pharmacy Rebates			\$0
Total Medicaid Recoveries Adjustments			\$1,125,000
FAMIS Expenditures	Chapter 847 Appropriation Act: 301	Expand FAMIS prenatal coverage to 200 percent of poverty	\$7,207,368
FAMIS Expenditures	Chapter 847 Appropriation Act: 302-KK	Pediatric services rate increase (15 instead of 8 percent)	\$1,261,292
FAMIS Expenditures	Chapter 847 Appropriation Act: 301-1c	FAMIS MOMS Eligibility from 166% to 185% of FPL	(\$3,274,664)
FAMIS Expenditures	Chapter 847 Appropriation Act: 302-7c	2% Medicaid physician rate increase	(\$785,324)
Total FAMIS Expenditure Adjustments			\$4,408,672
M-SCHIP Expenditures	Chapter 847 Appropriation Act: 302-KK	Pediatric services rate increase (15 instead of 8 percent)	\$361,433
M-SCHIP Expenditures	Chapter 847 Appropriation Act: 302-7c	2% Medicaid physician rate increase	(\$175,217)
Total M-SCHIP Expenditure Adjustments			\$186,216
TDO Expenditures	Chapter 847 Appropriation Act: 302-JJJ	Maintain inpatient hospital psychiatric services	\$1,639,635
Total TDO Expenditure Adjustments			\$1,639,635