



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

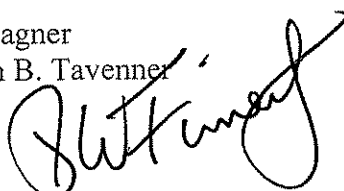
PATRICK W. FINNERTY
DIRECTOR

SUITE 1300
600 EAST BROAD STREET
RICHMOND, VA 23219
804/786-7933
800/343-0634 (TDD)

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% | 16.0% |
| 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% | 13.7% |
| 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 | 20,786,829 | \$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 | \$196,216 | \$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 (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
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 | | \$10,494,916 | \$343,379,293 | | | | | | | |
| Mental Illness Services | | \$42,888,658 | \$5,248,069,808 | | | | | | | |
| MH/MR Case Management | | 20,756,829 | \$2,538,370,172 | | | | | | | |
| Total Mental Health (45608) (11) | \$332,884,377 | | \$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 | | \$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.
(5) Expenditures for SFY2007 August 2007, per CARS database.
(6) Percent increase/(decrease) in monthly expenditures from fiscal year 2007 (5) to fiscal year 2008 (4).
(7) Expenditures through SFY2008 August 2007, per CARS database.
(8) Expenditures through SFY2007 August 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 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 <u>\$4,449,868</u> |
| 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 <u>(\$2,357,558)</u> <u>\$6,995,518</u> |
| 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) <u>(\$2,372,702)</u> |
| 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 <u>\$20,061,166</u> |
| 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 <u>\$10,494,916</u> |
| 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 |