



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

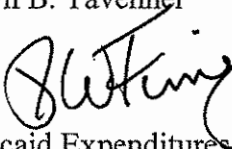
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October 25, 2007

MEMORANDUM

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

FROM: Patrick W. Finnerty 

SUBJECT: September 2007 Medicaid Expenditures

Summary

Medicaid expenditures through September are currently 8.5 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 11.7 percent annual growth. At the fund level, Medicaid general fund expenditures are currently running at 11.0 percent annual growth rate. DMAS' current appropriation provides for 12.0 percent annual general fund growth.

General Medicaid (Acute Care) Services

Expenditures for acute care services are currently running 6.3% 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. The increase in inpatient hospital expenditures are primarily a result of higher quarterly medical education and disproportionate share (DSH) payments to hospitals.

Long-Term Care Services

Expenditures for long-term care services are currently 9.0% above expenditures at this time last year. The increase is driven by the additional 468 MR waiver slots and 100 DD waiver slots funded in the 2007 Appropriation Act and added effective July 1, 2007. The decrease in nursing home expenditures is directly related to the timing of cost settlements. There were 116 settlements completed during the first quarter last year compared to 105 settlements completed first quarter this year.

Mental Health Services

Expenditures for mental health services continue to grow and are currently 29.7% above expenditures at this time last year.

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Medicaid Recoveries

Normal prior-year recoveries are 47.0 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