



COMMONWEALTH of VIRGINIA
Department of Medical Assistance Services

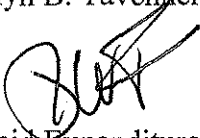
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November 19, 2007

MEMORANDUM

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

FROM: Patrick W. Finnerty 

SUBJECT: October 2007 Medicaid Expenditures

Summary

Medicaid expenditures through October are currently 6.2 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, as well as Governor Kaine's 2008 Budget Reduction Initiatives, provides for 9.1 percent annual growth. At the fund level, Medicaid general fund expenditures are currently running at 8.1 percent annual growth rate. DMAS' current appropriation provides for 9.5 percent annual general fund growth.

General Medicaid (Acute Care) Services

Expenditures for acute care services are currently running 3.6% 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. This was one of the items included in the Governor's Budget Reduction plan and is reflected in the current appropriation.

Long-Term Care Services

Expenditures for long-term care services are currently 7.6% 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 26.8% above expenditures at this time last year.

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Medicaid Recoveries

Normal prior-year recoveries are 33.7 percent higher than recoveries at this time last year. The funding in the current Appropriation Act assumed a decrease in overall annual recoveries of 5.1 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**

Expense	(1)	(2)	(3)	(4) (5) (6)			(7) (8) (9)			(10)
	Official Forecast	Funding Adjustments	Current Appropriation	October 2007 FY 2008 FY 2007 % Change			Year-To-Date FY 2008 FY 2007 % Change			Funded Growth Current Approp
Managed Care	1,290,932,081	(120,232,314)	1,170,699,767	101,373,539	99,065,710	2.3%	393,639,465	398,741,890	-1.3%	-1.7%
Inpatient Hospital	821,515,075	4,449,868	825,964,943	31,866,557	54,562,209	-41.6%	213,981,634	201,750,490	6.1%	12.2%
Outpatient Hospital	113,483,813	0	113,483,813	8,689,136	7,972,444	9.0%	35,174,677	33,197,442	6.0%	7.5%
Physician Services	165,358,405	6,995,518	172,353,923	12,770,398	11,802,726	8.2%	48,517,083	46,315,841	4.8%	20.3%
Pharmacy	196,075,628	103,591	196,179,219	8,910,746	5,922,003	50.5%	48,687,782	44,701,264	8.9%	11.6%
Medicare Premiums Part A & B	225,392,978	0	225,392,978	16,829,104	15,444,331	9.0%	66,768,151	62,611,345	6.6%	16.0%
Medicare Premiums Part D	172,366,727	0	172,366,727	13,040,502	12,371,558	5.4%	51,989,221	49,720,309	4.6%	13.7%
Dental Services	82,740,543	0	82,740,543	7,570,698	6,400,558	18.3%	30,377,903	26,172,850	16.1%	2.5%
Transportation Services	70,831,084	0	70,831,084	5,845,156	5,320,448	9.9%	23,477,862	21,217,757	10.7%	5.6%
All Other Services	207,309,741	(2,372,702)	204,937,039	15,373,748	14,012,018	9.7%	61,290,932	55,739,199	10.0%	14.5%
Total General Medicaid (45609)	\$3,346,006,074	(\$111,058,039)	\$3,234,950,035	\$222,269,582	\$232,874,003	-4.6%	\$973,904,710	\$940,168,386	3.6%	7.0%
Nursing Facility	798,756,485	1,850,470	800,606,955	55,471,892	61,612,438	-10.0%	236,607,589	243,611,686	-2.9%	11.4%
Home/Cmmty Waiver Services	669,673,317	20,455,185	690,128,502	57,665,846	47,578,810	21.2%	226,949,982	185,401,263	22.4%	15.0%
Other Long-Term Care	57,860,898	250,000	58,110,898	4,021,776	4,158,679	-3.3%	16,781,948	17,513,025	-4.2%	8.7%
Total Long-Term Care (45610)	\$1,526,290,700	\$22,555,655	\$1,548,846,355	\$117,159,514	\$113,349,927	3.4%	\$480,339,519	\$446,525,973	7.6%	12.9%
State Plan Option Services				18,409,351	13,005,420	41.6%	70,912,265	49,931,356	42.0%	
Mental Illness Services				2,271,940	2,513,276	-9.6%	9,680,418	8,815,702	9.8%	
MH/MR Case Management				8,234,104	8,787,153	-6.3%	35,861,588	33,066,975	8.5%	
Total Mental Health (45608) (11)	\$332,884,377	\$9,274,120	\$342,158,497	\$28,915,396	\$24,305,849	19.0%	\$116,454,271	\$91,814,033	26.8%	13.3%
Total Medicaid Expenditures	\$5,205,181,150	(\$79,226,264)	\$5,125,954,886	\$368,344,492	\$370,529,779	-0.6%	\$1,570,698,500	\$1,478,508,392	6.2%	9.1%
Federal Funding	\$2,517,613,343	(40,373,926)	\$2,477,239,417	177,075,209	178,541,626	-0.8%	746,806,153	716,565,139	4.2%	8.7%
State Appropriation (12)	\$2,687,567,806	(38,852,339)	\$2,648,715,467	191,269,283	191,988,153	-0.4%	823,892,347	761,943,254	8.1%	9.5%
Prior Year Recoveries/Rev Max	(32,970,015)	(1,125,000)	(34,095,015)	(1,635,636)	(1,808,742)	-9.6%	(10,334,634)	(7,726,942)	33.7%	-14.3%
Prior Year Pharmacy Rebates	(17,911,314)	0	(17,911,314)	0	0		0	0		19.5%
Total Medicaid Recoveries	(\$50,881,329)	(\$1,125,000)	(\$52,006,329)	(\$1,635,636)	(\$1,808,742)	-9.6%	(\$10,334,634)	(\$7,726,942)	33.7%	-5.1%
FAMIS Expenditures (44602)	\$95,462,765	\$4,408,672	\$99,871,437	\$7,921,463	\$5,862,232	35.1%	\$31,274,424	\$25,256,869	23.8%	18.8%
Federal Funding	62,050,797	2,892,991	\$64,943,788	\$5,151,209	\$3,810,903	35.2%	20,346,449	16,448,773	23.7%	18.6%
State Appropriation	\$33,411,968	1,515,681	\$34,927,649	\$2,770,254	\$2,051,329	35.0%	10,927,975	8,808,096	24.1%	19.3%
M-SCHIP Expenditures (46601)	\$73,959,989	\$186,216	\$74,146,205	\$5,735,107	\$4,789,567	19.7%	\$23,039,450	\$20,910,769	10.2%	9.3%
Federal Funding	48,073,993	124,142	\$48,198,135	\$3,728,098	\$3,113,455	19.7%	14,976,913	13,593,367	10.2%	9.3%
State Appropriation	\$25,885,996	62,074	\$25,948,070	\$2,007,009	\$1,676,112	19.7%	8,062,537	7,317,402	10.2%	9.3%
TDO Expenditures (32107)	\$9,910,055	\$1,639,635	\$11,549,690	\$693,616	\$597,998	16.0%	\$2,541,202	\$3,273,632	-22.4%	19.6%
State Appropriation	\$9,910,055	1,639,635	\$11,549,690	\$693,616	\$597,998	16.0%	2,541,202	3,273,632	-22.4%	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

(4) Expenditures for SFY2008 October 2007, per CARS database.

(5) Expenditures for SFY2007 October 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 October 2007, per CARS database.

(8) Expenditures through SFY2007 October 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	Governor's 2008 base budget reduction strategies	Actual medicaid managed care organization rates below projections	(\$120,232,314)
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	\$1,168,284 \$3,281,584 \$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 Governor's 2008 base budget reduction strategies	Modify specialty drug program implement pharmacy savings initiatives	\$1,159,422 (\$1,055,831) \$103,591
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 properly account for the family planning waiver	\$114,500 \$987,798 (\$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	\$1,860,470
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 Governor's 2008 base budget reduction strategies	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 Implement the MFP (Money Follows the Person) grant	\$2,624,726 \$4,557,968 \$10,594,276 (\$2,895,500) (\$5,408,884) \$10,588,580 \$394,019 \$20,465,185
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 Governor's 2008 base budget reduction strategies	Add coverage of substance abuse services Improve management of mental health rehabilitation services	\$10,494,916 (\$1,220,796) \$9,274,120
Total Medicaid Expenditure Adjustments			(\$79,226,264)
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 FMAIS 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