



COMMONWEALTH of VIRGINIA  
*Department of Medical Assistance Services*

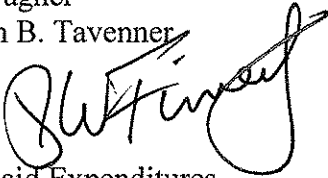
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December 28, 2007

**MEMORANDUM**

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

FROM: Patrick W. Finnerty 

SUBJECT: November 2007 Medicaid Expenditures

**Summary**

Medicaid expenditures through November are currently 7.7 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. The updated Official Medicaid forecast projects 7.1 percent annual growth for FY 2008. This will be resolved by year-end.

At the fund level, Medicaid general fund expenditures are currently running at 9.1 percent annual growth rate. DMAS' current appropriation provides for 9.4 percent annual general fund growth; the updated Official Medicaid forecast projects 7.4 percent annual growth for FY 2008.

**General Medicaid (Acute Care) Services**

Expenditures for acute care services are currently running 5.0 percent 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 9.2 percent 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 during the first quarter this year.

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**Mental Health Services**

Expenditures for mental health services continue to grow and are currently 28.0% above expenditures at this time last year.

**Medicaid Recoveries**

Normal prior-year recoveries are 35.2 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	November 2007 FY 2008 FY 2007 % Change			Year-To-Date FY 2008 FY 2007 % Change			Funded Growth Current Approp
Managed Care	1,290,932,081	(120,515,451)	1,170,416,630	102,511,894	100,005,079	2.5%	496,151,359	498,746,969	-0.5%	-1.7%
Inpatient Hospital	821,515,075	4,449,868	825,964,943	44,291,229	40,490,221	9.4%	258,272,863	242,240,711	6.6%	12.2%
Outpatient Hospital	113,483,813	0	113,483,813	10,435,124	7,275,767	43.4%	45,609,801	40,473,209	12.7%	7.5%
Physician Services	165,358,405	6,995,518	172,353,923	14,501,570	11,369,693	27.5%	63,018,653	57,685,534	9.2%	20.3%
Pharmacy	196,075,628	103,591	196,179,219	21,451,919	17,877,711	20.0%	70,139,701	62,578,975	12.1%	11.6%
Medicare Premiums Part A & B	225,392,978	0	225,392,978	16,832,553	15,949,034	5.5%	83,600,705	78,560,379	6.4%	16.0%
Medicare Premiums Part D	172,366,727	0	172,366,727	12,994,408	12,299,926	5.6%	64,983,629	62,020,235	4.8%	13.7%
Dental Services	82,740,543	0	82,740,543	9,447,828	6,197,807	52.4%	39,825,731	32,370,657	23.0%	2.5%
Transportation Services	70,831,084	0	70,831,084	6,160,386	5,196,259	18.6%	29,638,248	26,414,016	12.2%	5.6%
All Other Services	207,309,741	(2,372,702)	204,937,039	18,406,959	15,190,857	21.2%	79,697,891	70,930,056	12.4%	14.5%
<b>Total General Medicaid (45609)</b>	<b>\$3,346,006,074</b>	<b>(\$111,339,176)</b>	<b>\$3,234,666,898</b>	<b>\$257,033,870</b>	<b>\$231,852,355</b>	<b>10.9%</b>	<b>\$1,230,938,581</b>	<b>\$1,172,020,741</b>	<b>5.0%</b>	<b>6.9%</b>
Nursing Facility	798,756,485	1,850,470	800,606,955	64,899,070	62,167,867	4.4%	301,506,659	305,779,553	-1.4%	11.4%
Home/Cmnty Waiver Services	669,673,317	20,455,185	690,128,502	61,810,109	46,364,598	33.3%	288,760,090	231,765,861	24.6%	15.0%
Other Long-Term Care	57,860,898	250,000	58,110,898	5,293,347	5,608,196	-5.6%	22,075,295	23,121,221	-4.5%	8.7%
<b>Total Long-Term Care (45610)</b>	<b>\$1,526,290,700</b>	<b>\$22,555,655</b>	<b>\$1,548,846,355</b>	<b>\$132,002,525</b>	<b>\$114,140,662</b>	<b>15.6%</b>	<b>\$612,342,045</b>	<b>\$560,666,635</b>	<b>9.2%</b>	<b>12.9%</b>
State Plan Option Services				20,538,475	13,609,363	50.9%	91,450,739	63,540,719	43.9%	
Mental Illness Services				2,585,640	2,502,601	3.3%	12,266,058	11,318,303	8.4%	
MH/MR Case Management				8,904,915	8,040,072	10.8%	44,766,503	41,107,047	8.9%	
<b>Total Mental Health (45608) (11)</b>	<b>\$332,884,377</b>	<b>\$9,274,120</b>	<b>\$342,158,497</b>	<b>\$32,029,029</b>	<b>\$24,152,035</b>	<b>32.6%</b>	<b>\$148,483,300</b>	<b>\$115,966,068</b>	<b>28.0%</b>	<b>13.3%</b>
<b>Total Medicaid Expenditures</b>	<b>\$5,205,181,150</b>	<b>(\$79,509,401)</b>	<b>\$5,125,671,749</b>	<b>\$421,065,425</b>	<b>\$370,145,051</b>	<b>13.8%</b>	<b>\$1,991,763,925</b>	<b>\$1,848,653,444</b>	<b>7.7%</b>	<b>9.1%</b>
Federal Funding	\$2,517,613,343	(40,162,451)	\$2,477,450,892	203,510,400	177,251,683	14.8%	950,316,553	893,816,822	6.3%	8.7%
State Appropriation (12)	\$2,687,567,806	(39,346,951)	\$2,648,220,855	217,555,025	192,893,368	12.8%	1,041,447,372	954,836,622	9.1%	9.4%
Prior Year Recoveries/Rev Max	(32,970,015)	(1,125,000)	(34,095,015)	(1,328,442)	(2,241,048)	-40.7%	(13,479,311)	(9,967,990)	35.2%	-14.3%
Prior Year Pharmacy Rebates	(17,911,314)	0	(17,911,314)	0	0		0	0		19.5%
<b>Total Medicaid Recoveries</b>	<b>(\$50,881,329)</b>	<b>(\$1,125,000)</b>	<b>(\$52,006,329)</b>	<b>(\$1,328,442)</b>	<b>(\$2,241,048)</b>	<b>-40.7%</b>	<b>(\$13,479,311)</b>	<b>(\$9,967,990)</b>	<b>35.2%</b>	<b>-5.1%</b>
<b>FAMIS Expenditures (44602)</b>	<b>\$95,462,765</b>	<b>\$4,408,672</b>	<b>\$99,871,437</b>	<b>\$8,913,019</b>	<b>\$6,871,171</b>	<b>29.7%</b>	<b>\$40,187,443</b>	<b>\$32,128,040</b>	<b>25.1%</b>	<b>18.8%</b>
Federal Funding	62,050,797	2,892,991	\$64,943,788	\$5,801,628	\$4,470,494	29.8%	26,148,076	20,919,267	25.0%	18.6%
State Appropriation	\$33,411,968	1,515,681	\$34,927,649	\$3,111,391	\$2,400,677	29.6%	14,039,367	11,208,773	25.3%	19.3%
<b>M-SCHIP Expenditures (46601)</b>	<b>\$73,959,989</b>	<b>\$186,216</b>	<b>\$74,146,205</b>	<b>\$6,561,493</b>	<b>\$5,353,648</b>	<b>22.6%</b>	<b>\$29,600,942</b>	<b>\$26,264,418</b>	<b>12.7%</b>	<b>9.3%</b>
Federal Funding	48,073,993	124,142	\$48,198,135	\$4,265,229	\$3,480,104	22.6%	19,242,142	17,073,472	12.7%	9.3%
State Appropriation	\$25,885,996	62,074	\$25,948,070	\$2,296,263	\$1,873,544	22.6%	10,358,800	9,190,946	12.7%	9.3%
<b>TDO Expenditures (32107)</b>	<b>\$9,910,055</b>	<b>\$1,722,948</b>	<b>\$11,633,003</b>	<b>\$800,325</b>	<b>\$879,742</b>	<b>-9.0%</b>	<b>\$3,341,527</b>	<b>\$4,153,374</b>	<b>-19.5%</b>	<b>20.5%</b>
State Appropriation	\$9,910,055	1,722,948	\$11,633,003	\$800,325	\$879,742	-9.0%	3,341,527	4,153,374	-19.5%	20.5%

(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 November 2007, per CARS database.

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

(8) Expenditures through SFY2007 November 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	(\$120,515,461)
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 \$3,261,584 <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 (\$2,357,558) <u>\$6,995,518</u>
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) <u>\$103,591</u>
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) <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 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 <u>\$20,455,185</u>
Other Long-Term Care Services	Chapter 847 Appropriation Act: 302.AAA	Establish a PACE site in Northern Virginia	\$260,000
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) <u>\$9,274,120</u>
<b>Total Medicaid Expenditure Adjustments</b>			<b>(\$79,609,401)</b>
Prior Year Recoveries / Revenue Maximization	Chapter 847 Appropriation Act	Fund outsource compliance audits	\$1,125,000
Prior Year Pharmacy Rebates			\$0
<b>Total Medicaid Recoveries Adjustments</b>			<b>\$1,125,000</b>
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)
<b>Total FAMIS Expenditure Adjustments</b>			<b>\$4,408,672</b>
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)
<b>Total M-SCHIP Expenditure Adjustments</b>			<b>\$186,216</b>
TDO Expenditures	Chapter 847 Appropriation Act: 302.JJJ Department Planning & Budget	Maintain inpatient hospital psychiatric services Mandatory carryforward from FY 07 to FY 08	\$1,639,635 \$63,313
<b>Total TDO Expenditure Adjustments</b>			<b>\$1,722,948</b>