

COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

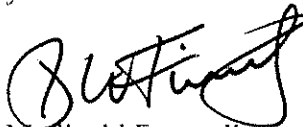
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January 12, 2007

MEMORANDUM

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

FROM: Patrick W. Finnerty 

SUBJECT: FY 2007 2nd Quarter Medicaid Expenditures

Summary

Medicaid expenditures through December were 4.4 percent above expenditures through the same period last year. Current funding, based on the November 2005 Official Medicaid forecast and budget amendments enacted during the 2006 General Assembly session, provides for 8.8 percent annual growth. The updated Official Medicaid forecast, completed in November 2006 and reflected in Governor Kaine's Introduced Budget, projects 9.1% annual growth for FY 2007.

General Medicaid (Acute Care) Services

Expenditures for acute care services are currently running 1.4% more than expenditures at this time last year. Factors contributing to the slow growth include larger than projected decreases in pharmacy expenditures associated with the new Medicare Part D program.

Long-Term Care Services

Expenditures for long-term care services are currently 9.4% 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 335 MR waiver slots and 65 DD waiver slots were funded in the 2006 Appropriation Act and added effective July 1, 2006 contributing to the increase in home and community-based waiver services. Growth in rates and utilization has led to increased expenditures for private ICF/MR facilities in the other long-term care category.

Mental Health Services

The significant increases and decreases in the subcategories reflect the changes in the classification structure of mental health services which was not fully implemented until September of last year. Overall, expenditures for mental health services are currently 15.1% above expenditures at this time last year.

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Medicaid Recoveries

Normal prior-year recoveries are 24 percent higher than recoveries at this time last year, significantly below the funding in the current Appropriation Act which assumed a 78.2 percent increase in prior-year recoveries. The projections reflected in the Governor's Introduced Budget are reduced downward to a 43.5% increase. 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 2007**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Official Forecast	Funding Adjustments	Current Appropriation	FY 2007	October FY 2006	% Change	FY 2007	Year-To-Date FY 2006	% Change	Funded Growth Current Approp.
Expense										
Managed Care	1,209,530,906	10,128,973	1,219,659,879	99,065,710	88,497,567	11.9%	398,741,890	341,436,448	16.8%	11.8%
Inpatient Hospital	741,166,594	8,749,505	749,916,099	54,562,209	48,275,362	13.0%	201,750,490	202,387,708	-0.3%	8.8%
Outpatient Hospital	123,797,561	0	123,797,561	7,972,444	9,168,953	-13.0%	33,197,442	39,339,793	-15.6%	7.6%
Physician Services	158,294,231	2,008,384	160,302,615	11,802,726	12,510,449	-5.7%	46,315,841	54,703,298	-15.3%	4.2%
Pharmacy	548,891,859	(340,134,995)	208,756,864	5,922,003	25,870,518	-77.1%	44,701,264	149,620,698	-70.1%	-36.5%
Medicare Premiums Part A & B	202,302,128	0	202,302,128	15,444,331	13,912,353	11.0%	62,611,345	56,255,005	11.3%	14.9%
Medicare Premiums Part D	0	179,055,951	179,055,951	12,371,558	0	0.0%	49,720,309	0	0.0%	202.4%
Dental Services	51,694,667	0	51,694,667	6,400,558	4,211,064	52.0%	26,172,850	13,166,857	98.8%	-7.1%
Transportation Services	62,714,904	0	62,714,904	5,320,448	5,330,789	-0.2%	21,217,757	20,395,172	4.0%	-0.7%
All Other Services	176,841,150	1,282,323	178,123,473	14,012,018	23,225,827	-39.7%	55,739,199	67,229,773	-17.1%	1.8%
Total General Medicaid (45609)	\$3,275,234,001	(\$138,909,859)	\$3,136,324,142	\$232,874,003	\$231,002,282	0.8%	\$940,168,386	\$944,534,751	-0.5%	7.9%
Nursing Facility	717,159,138	7,808,300	724,967,438	61,612,438	55,839,296	10.3%	243,611,686	231,438,453	5.3%	3.9%
Home/Community Waiver Services	581,519,175	60,012,103	641,531,278	47,578,810	41,199,169	15.5%	185,401,263	167,913,653	10.4%	23.9%
Other Long-Term Care	45,181,358	1,500,000	46,681,358	4,158,679	3,763,678	10.5%	17,513,025	15,673,654	11.7%	-4.5%
Total Long-Term Care (45610)	\$1,343,859,671	\$69,320,403	\$1,413,180,074	\$113,349,927	\$100,802,144	12.4%	\$446,525,973	\$415,025,760	7.6%	11.7%
State Plan Option Services	137,515,498	0	137,515,498	13,005,420	10,359,256	25.5%	49,931,356	39,990,012	24.9%	1.5%
Mental Illness Services	36,849,000	0	36,849,000	2,513,276	2,284,296	10.0%	8,815,702	15,543,731	-43.3%	4.9%
MH/MR Case Management	95,040,079	0	95,040,079	8,787,153	7,895,087	11.3%	33,066,975	24,518,808	34.9%	7.5%
Total Mental Health (45608)	\$269,404,577	\$0	\$269,404,577	\$24,305,849	\$20,538,639	18.3%	\$91,814,033	\$80,052,551	14.7%	4.0%
Total Medicaid Expenditures	\$4,888,498,249	(\$69,589,456)	\$4,818,908,793	\$370,529,779	\$352,343,065	5.2%	\$1,478,508,392	\$1,439,613,061	2.7%	8.8%
Federal Funding	\$2,436,289,657	(117,792,586)	\$2,318,497,071	\$178,541,626	\$175,605,042	1.7%	716,565,139	722,648,434	-0.8%	5.5%
State Appropriation (11)	\$2,452,208,592	48,203,130	\$2,500,411,722	\$191,988,153	\$176,738,023	8.6%	761,943,254	716,964,627	6.3%	12.0%
Medicaid Recoveries										
Prior Year Recoveries	(27,302,000)	0	(27,302,000)	(1,808,742)	(2,385,478)	-24.2%	(7,726,941)	(5,728,672)	34.9%	78.2%
Prior Year Pharmacy Rebates	(10,967,578)	0	(10,967,578)	0	0	0.0%	0	0	0.0%	-62.4%
Revenue Maximization	(8,225,000)	0	(8,225,000)	0	0	0.0%	0	0	0.0%	-19.8%
Total Medicaid Recoveries	(\$46,494,578)	\$0	(\$46,494,578)	(\$1,808,742)	(\$2,385,478)	-24.2%	(\$7,726,941)	(\$5,728,672)	34.9%	-15.1%

(1) Official Medicaid Consensus Forecast, November 15, 2005.

(2) Include actions taken during the 2006 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 3 plus/minus all FATS transactions, excluding CSA transfers. The current appropriation also reflects an administrative adjustment for the shift of private ICF/MR facilities from the mental illness services to other long-term care services. The official appropriation will be adjusted through the 2007 budget amendment process.

(4) Expenditures for October 2006, per CARS database.

(5) Expenditures for October 2005, per CARS database.

(6) Percent increase/(decrease) in monthly expenditures from fiscal year 2006 (5) to fiscal year 2007 (4).

(7) Expenditures through October 2006, per CARS database. The Revenue Maximization recoveries are reported on a monthly basis on the prior year recoveries line and reclassified at year-end.

(8) Expenditures through October 2005, per CARS database.

(9) Percent increase/(decrease) in year-to-date expenditures from fiscal year 2006 (8) to fiscal year 2007 (7).

(10) Percent increase/(decrease) in current funding (3) over total FY 2006 expenditures.

(11) Includes appropriation from the General Fund, Virginia Health Care Fund, FAMIS Trust Fund, and Dedicated Special Revenue.