

COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

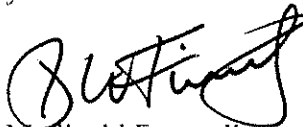
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January 12, 2007

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 Medicaid 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	November 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	100,005,079	88,739,821	12.7%	498,746,969	430,176,069	15.9%	11.8%
Inpatient Hospital	741,166,594	8,749,505	749,916,099	40,490,221	49,789,265	-18.7%	242,240,711	252,176,973	-3.9%	8.8%
Outpatient Hospital	123,797,561	0	123,797,561	7,275,767	8,131,549	-10.5%	40,473,209	47,471,342	-14.7%	7.6%
Physician Services	158,294,231	2,008,384	160,302,615	11,369,693	11,571,666	-1.7%	57,685,534	66,274,964	-13.0%	4.2%
Pharmacy	548,891,859	(340,134,995)	208,756,864	17,877,711	47,673,745	-62.5%	62,578,975	197,294,443	-68.3%	-36.5%
Medicare Premiums Part A & B	202,302,128	0	202,302,128	15,949,034	13,833,666	15.3%	78,560,379	70,088,671	12.1%	14.9%
Medicare Premiums Part D	0	179,055,951	179,055,951	12,299,926	0	0.0%	62,020,235	0	0.0%	202.4%
Dental Services	51,694,667	0	51,694,667	6,197,807	4,359,247	42.2%	32,370,657	17,526,104	84.7%	-7.1%
Transportation Services	62,714,904	0	62,714,904	5,196,259	5,410,982	-4.0%	26,414,016	25,806,154	2.4%	-0.7%
All Other Services	176,841,150	1,282,323	178,123,473	15,190,857	13,663,665	11.2%	70,930,056	80,893,438	-12.3%	1.8%
Total General Medicaid (45609)	\$3,275,234,001	(\$138,909,859)	\$3,136,324,142	\$231,852,355	\$243,173,405	-4.7%	\$1,172,020,741	\$1,187,708,156	-1.3%	7.9%
Nursing Facility	717,159,138	7,808,300	724,967,438	62,167,867	60,575,444	2.6%	305,779,553	292,013,896	4.7%	3.9%
Home/Community Waiver Services	581,519,175	60,012,103	641,531,278	46,364,598	40,849,199	13.5%	231,765,861	208,762,852	11.0%	23.9%
Other Long-Term Care	45,181,358	1,500,000	46,681,358	5,698,196	3,684,350	52.2%	23,121,221	19,358,004	19.4%	-4.5%
Total Long-Term Care (45610)	\$1,343,859,671	\$69,320,403	\$1,413,180,074	\$114,140,662	\$105,108,993	8.6%	\$560,666,635	\$520,134,753	7.8%	11.7%
State Plan Option Services	137,515,498	0	137,515,498	13,609,363	11,189,591	21.6%	63,540,719	51,179,603	24.2%	1.5%
Mental Illness Services	36,849,000	0	36,849,000	2,502,601	2,125,989	17.7%	11,318,303	17,669,720	-35.9%	4.9%
MH/MR Case Management	95,040,079	0	95,040,079	8,040,072	7,550,674	6.5%	41,107,047	32,069,481	28.2%	7.5%
Total Mental Health (45608)	\$269,404,577	\$0	\$269,404,577	\$24,152,035	\$20,866,254	15.7%	\$115,966,068	\$100,918,804	14.9%	4.0%
Total Medicaid Expenditures	\$4,888,498,249	(\$69,589,456)	\$4,818,908,793	\$370,145,051	\$369,148,652	0.3%	\$1,848,653,444	\$1,808,761,713	2.2%	8.8%
Federal Funding	\$2,436,289,657	(117,792,586)	\$2,318,497,071	\$177,223,342	\$183,977,488	-3.7%	893,788,480	906,625,922	-1.4%	5.5%
State Appropriation (11)	\$2,452,208,592	48,203,130	\$2,500,411,722	\$192,921,710	\$185,171,164	4.2%	954,864,963	902,135,792	5.8%	12.0%
Medicaid Recoveries										
Prior Year Recoveries	(27,302,000)	0	(27,302,000)	(2,241,048)	(1,398,544)	60.2%	(9,967,989)	(7,127,216)	39.9%	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)	(\$2,241,048)	(\$1,398,544)	60.2%	(\$9,967,989)	(\$7,127,216)	39.9%	-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 November 2006, per CARS database.

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

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

(7) Expenditures through November 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 November 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.