

COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

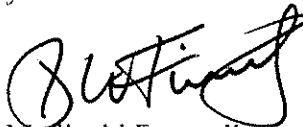
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January 12, 2007

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	December 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	98,577,975	94,239,771	4.6%	597,324,944	524,415,841	13.9%	11.8%
Inpatient Hospital	741,166,594	8,749,505	749,916,099	122,504,036	94,323,409	29.9%	364,744,747	346,500,382	5.3%	8.6%
Outpatient Hospital	123,797,561	0	123,797,561	10,334,139	10,546,835	-2.0%	50,807,348	58,018,177	-12.4%	7.6%
Physician Services	158,294,231	2,008,384	160,302,615	13,414,069	13,181,801	1.8%	71,099,603	79,456,765	-10.5%	4.2%
Pharmacy	548,891,859	(340,134,995)	208,756,864	14,341,570	27,891,860	-48.6%	76,920,545	225,186,302	-65.8%	-36.5%
Medicare Premiums Part A & B	202,302,128	0	202,302,128	16,822,635	15,499,848	8.5%	95,383,014	85,588,519	11.4%	14.9%
Medicare Premiums Part D	0	179,055,951	179,055,951	12,544,203	0	0.0%	74,564,437	0	0.0%	202.4%
Dental Services	51,694,667	0	51,694,667	5,584,449	4,227,861	32.1%	37,955,106	21,753,965	74.5%	-7.1%
Transportation Services	62,714,904	0	62,714,904	5,414,334	5,465,722	-0.9%	31,828,350	31,271,875	1.8%	-0.7%
All Other Services	176,841,150	1,282,323	178,123,473	17,287,583	15,004,742	15.1%	88,197,639	95,898,180	-8.0%	1.8%
Total General Medicaid (45609)	\$3,275,234,001	(\$138,909,859)	\$3,136,324,142	\$316,804,993	\$280,381,850	13.0%	\$1,488,825,734	\$1,468,090,006	1.4%	7.9%
Nursing Facility	717,159,138	7,808,300	724,967,438	70,338,204	63,953,084	10.0%	376,117,757	355,966,980	5.7%	3.9%
Home/Community Waiver Services	581,519,175	60,012,103	641,531,278	59,789,156	47,135,169	26.8%	291,555,018	255,898,021	13.9%	23.9%
Other Long-Term Care	45,181,358	1,500,000	46,681,358	4,737,400	4,828,619	-1.9%	27,858,621	24,186,623	15.2%	-4.5%
Total Long-Term Care (45610)	\$1,343,859,671	\$69,320,403	\$1,413,180,074	\$134,864,760	\$115,916,872	16.3%	\$695,531,395	\$636,051,625	9.4%	11.7%
State Plan Option Services	137,515,498	0	137,515,498	15,486,239	11,821,377	31.1%	79,036,958	63,000,980	25.5%	1.5%
Mental Illness Services	36,849,000	0	36,849,000	2,653,175	2,412,602	10.0%	13,971,477	20,082,322	-30.4%	4.9%
MH/MR Case Management	95,040,079	0	95,040,079	8,527,147	8,746,634	-2.5%	49,634,194	40,816,115	21.6%	7.5%
Total Mental Health (45608)	\$269,404,577	\$0	\$269,404,577	\$26,676,560	\$22,980,612	16.1%	\$142,642,628	\$123,899,417	15.1%	4.0%
Total Medicaid Expenditures	\$4,888,498,249	(\$69,589,456)	\$4,818,908,793	\$478,346,313	\$419,279,334	14.1%	\$2,326,999,757	\$2,228,041,047	4.4%	8.8%
Federal Funding	\$2,436,289,657	(117,792,586)	\$2,318,497,071	\$235,963,169	\$210,124,709	12.3%	1,129,751,650	1,116,750,631	1.2%	5.5%
State Appropriation (11)	\$2,452,208,592	48,203,130	\$2,500,411,722	\$242,383,144	\$209,154,624	15.9%	1,197,248,108	1,111,290,416	7.7%	12.0%
Medicaid Recoveries										
Prior Year Recoveries	(27,302,000)	0	(27,302,000)	(4,568,424)	(4,595,884)	-0.6%	(14,536,413)	(11,723,100)	24.0%	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)	(\$4,568,424)	(\$4,595,884)	-0.6%	(\$14,536,413)	(\$11,723,100)	24.0%	-15.1%

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

(2) Includes 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 December 2006, per CARS database.

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

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

(7) Expenditures through December 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 December 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.