



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

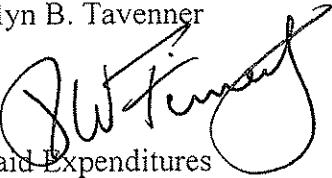
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February 14, 2007

MEMORANDUM

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

FROM: Patrick W. Finnerty 

SUBJECT: January 2007 Medicaid Expenditures

Summary

Medicaid expenditures through January are currently 5.1 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 and budget amendments included in Governor Kaine's Introduced Budget, projects 8.9 percent annual growth for FY 2007.

At the fund level, Medicaid general fund expenditures are currently running at 8.3 percent annual growth rate. DMAS' current appropriation provides for 12.0 percent annual general fund growth; the Governor's Introduced Budget provides for 11.6 percent annual general fund growth.

General Medicaid (Acute Care) Services

Expenditures for acute care services are currently running 2.1% 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 9.7% 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.

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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 17.1% above expenditures at this time last year.

Medicaid Recoveries

Normal prior-year recoveries are 37.7 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 and budget amendments reflected in the Governor's Introduced Budget revise that assumption downward to a 53.3 percent increase, which is more consistent with actual recoveries year-to-date. 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
~~Setia Vandegrift/file~~

Department of Medical Assistance Services

Appendix A

Summary of FY 2007 Funding Adjustments to November 2005 Consensus Medicaid Forecast

Managed Care	Governor's Introduced Budget Conference Cmte Amendment #302 22c	\$6,329,511 \$3,799,462 \$10,128,973
Inpatient Hospital Services	Governor's Introduced Budget	\$8,749,505 \$0
Outpatient Hospital Services	Conference Cmte Amendment #302 22c	\$2,0008,384 (\$338,774,221) (\$1,701,346) \$340,572 (\$340,134,995)
Physician Services	Governor's Introduced Budget Governor's Introduced Budget Conference Cmte Amendment #302 18c	5% rate increase - pediatric services Fund impact of Medicare Part D Fund specialty drug program Implement Medicaid Buy-in program \$0
Pharmacy Services		Fund impact of Medicare Part D Reduce Medicare Part D "Clawback" payment \$0
Medicare Premiums Part A & B	Governor's Introduced Budget Conference Cmte Amendment #302 10c	\$198,961,396 (\$19,905,445) \$179,055,951
Dental Services		
Transportation Services	Governor's Introduced Budget Governor's Introduced Budget	Outsource compliance audits Fund Medicaid costs of expanded BCC screenings \$0
All Other Services	Governor's Introduced Budget	\$7,808,300 (\$1,400,000) \$2,682,323 \$1,282,323
Nursing Facility Services	Governor's Introduced Budget	Increase nursing facility reimbursement ceilings \$2,085,846 \$96,952 \$4,876,190 \$1,444,354 \$500,000 \$34,710,014 \$14,986,329 \$1,312,418 \$60,012,103
Home/Community Waiver Services	Governor's Introduced Budget Governor's Introduced Budget Governor's Introduced Budget Conference Cmte Amendment #302 12c Conference Cmte Amendment #302 19c Conference Cmte Amendment #302 17c Conference Cmte Amendment #302 15c Conference Cmte Amendment #302 19c	Increase the personal maintenance allowance from 100% - 150% Increase reimbursement rate for adult day care services Additional slots for MR waiver 5% rate increase for skilled nursing services Increase the personal maintenance allowance from 150% - 165% 5% rate increase for MR/DD/DS waiver services Additional slots for MR waiver Additional slots for DD waiver \$0
Other Long-Term Care Services	Conference Cmte Amendment #302 21c	Fund PACE program start-up costs \$1,500,000 \$0
Mental Illness Services		
State Plan Option Services		
Total Medicaid Expenditure Adjustments		(\$69,589,456)
Prior Year Recoveries		\$0
Prior Year Pharmacy Rebates		\$0
Revenue Maximization		\$0
Total Medicaid Recoveries Adjustments		\$0