



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

PATRICK W. FINNERTY
DIRECTOR

SUITE 1300
600 EAST BROAD STREET
RICHMOND, VA 23219
804/786-7933
800/343-0634 (TDD)

February 14, 2007

MEMORANDUM

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

FROM: Patrick W. Finnerty

SUBJECT: January 2007 Medicaid Expenditures

A handwritten signature in black ink, appearing to read "P. W. Finnerty", written over the printed name in the "FROM:" field.

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.

Jody Wagner
Marilyn B. Tavenner
February 14, 2007
Page 2

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
~~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)	(11)
	Official Forecast	Funding Adjustments	Current Appropriation	FY 2007	January FY 2006	% Change	FY 2007	Year-To-Date FY 2006	% Change	Funded Growth Current Approp	Funded Growth Gov Intro Budget
Expense											
Managed Care	1,209,530,906	10,128,973	1,219,659,879	96,489,286	94,392,093	2.2%	693,814,231	618,807,933	12.1%	11.8%	10.1%
Inpatient Hospital	741,166,594	8,749,505	749,916,099	28,724,893	28,877,490	-0.5%	393,469,640	375,377,872	4.8%	8.8%	10.7%
Outpatient Hospital	123,797,561	0	123,797,561	7,186,356	7,616,014	-5.6%	57,994,029	65,634,192	-11.6%	7.6%	-4.9%
Physician Services	548,891,859	2,008,384	160,302,615	9,657,090	8,810,371	9.6%	80,756,713	88,267,136	-8.5%	4.2%	-0.5%
Pharmacy	202,302,128	(340,134,995)	208,756,864	7,673,977	20,380,114	-62.3%	84,594,536	245,566,416	-65.6%	-36.5%	-45.1%
Medicare Premiums Part A & B	0	0	202,302,128	16,578,740	14,847,015	11.7%	111,961,754	100,435,533	11.5%	14.9%	13.6%
Medicare Premiums Part D	0	179,055,951	179,055,951	12,474,392	0	0.0%	87,038,829	0	0.0%	202.4%	163.0%
Dental Services	51,694,667	0	51,694,667	6,295,833	5,062,507	24.4%	44,250,940	26,816,472	65.0%	-7.1%	42.7%
Transportation Services	62,714,904	0	62,714,904	5,158,052	5,170,897	-0.2%	36,986,402	36,442,773	1.5%	-0.7%	6.3%
All Other Services	176,841,150	1,282,323	178,123,473	11,669,422	3,066,062	280.6%	99,898,402	98,964,242	0.9%	1.8%	7.2%
Total General Medicaid (45609)	\$3,275,234,001	(\$138,909,859)	\$3,136,324,142	\$201,908,041	\$188,222,563	7.3%	\$1,690,765,476	\$1,656,312,568	2.1%	7.9%	6.5%
Nursing Facility	717,159,138	7,808,300	724,967,438	59,046,410	56,765,546	4.0%	435,164,167	412,732,526	5.4%	3.9%	7.7%
Home/Crmtly Waiver Services	581,519,175	60,012,103	641,531,278	47,525,953	38,231,495	24.3%	339,080,970	294,129,516	15.3%	23.9%	18.9%
Other Long-Term Care	45,181,358	1,500,000	46,681,358	4,192,271	3,911,596	7.2%	32,050,892	28,098,220	14.1%	-4.5%	17.9%
Total Long-Term Care (45610)	\$1,343,859,671	\$69,320,403	\$1,413,180,074	\$110,764,634	\$98,908,637	12.0%	\$806,296,029	\$734,960,262	9.7%	11.7%	12.7%
State Plan Option Services	137,515,498	0	137,515,498	12,058,878	8,220,654	46.7%	91,095,836	71,221,634	27.9%	1.5%	17.3%
Mental Illness Services	36,849,000	0	36,849,000	2,110,438	1,721,910	22.6%	16,081,915	21,804,232	-26.2%	4.9%	8.9%
MH/MR Case Management	95,040,079	0	95,040,079	8,211,672	7,050,321	16.5%	57,845,866	47,866,437	20.8%	7.5%	6.2%
Total Mental Health (45608)	\$269,404,577	\$0	\$269,404,577	\$22,380,988	\$16,992,885	31.7%	\$165,023,617	\$140,892,302	17.1%	4.0%	11.6%
Total Medicaid Expenditures	\$4,888,498,249	(\$69,589,456)	\$4,818,908,793	\$335,053,664	\$304,124,085	10.2%	\$2,662,085,122	\$2,532,165,132	5.1%	8.8%	8.9%
Federal Funding	\$2,436,289,657	(117,792,586)	\$2,318,497,071	\$160,966,880	\$149,657,627	7.6%	1,290,747,058	1,286,408,258	1.9%	5.5%	6.2%
State Appropriation (12)	\$2,452,208,592	48,203,130	\$2,500,411,722	\$174,086,784	\$154,466,458	12.7%	1,371,338,064	1,265,756,874	8.3%	12.0%	11.6%
Medicaid Recoveries											
Prior Year Recoveries	(27,302,000)	0	(27,302,000)	(4,568,424)	(1,636,543)	179.2%	(22,963,282)	(13,359,643)	71.9%	78.2%	53.3%
Prior Year Pharmacy Rebates	(10,967,578)	0	(10,967,578)	0	0	0.0%	0	0	0.0%	-62.4%	-33.4%
Revenue Maximization	(6,225,000)	0	(6,225,000)	0	0	0.0%	0	0	0.0%	-19.9%	-9.4%
Total Medicaid Recoveries	(\$46,494,578)	\$0	(\$46,494,578)	(\$4,568,424)	(\$1,636,543)	179.2%	(\$22,963,282)	(\$13,359,643)	71.9%	-15.1%	-4.6%

(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 January 2007, per CARS database.

(5) Expenditures for January 2006, per CARS database.

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

(7) Expenditures through January 2007, 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 January 2006, per CARS database.

(9) Percent increase/(decrease) in year-to-date expenditures from fiscal year 2006 (5) to fiscal year 2007 (7).

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

(11) Percent increase/(decrease) in funding in the Governor's Introduced Budget over total FY 2006 expenditures.

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

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	Increase hospital adjustment factor to 78% 5% rate increase - pediatric services	\$6,329,511 \$3,799,462 <u>\$10,128,973</u>
Inpatient Hospital Services	Governor's Introduced Budget	Increase hospital adjustment factor to 78%	\$8,749,505
Outpatient Hospital Services	Conference Cmte Amendment #302 22c	5% rate increase - pediatric services	\$0
Physician Services	Governor's Introduced Budget	Fund impact of Medicare Part D	\$2,008,384
Pharmacy Services	Governor's Introduced Budget Governor's Introduced Budget Conference Cmte Amendment #302 18c	Fund speciality drug program Implement Medicaid Buy-in program	(\$338,774,221) (\$1,701,346) \$340,572 <u>(\$340,134,995)</u>
Medicare Premiums Part A & B			\$0
Medicare Premiums Part D	Governor's Introduced Budget Conference Cmte Amendment #302 10c	Fund impact of Medicare Part D Reduce Medicare Part D "Clawback" payment	\$198,961,396 (\$19,905,445) <u>\$179,055,951</u>
Dental Services			\$0
Transportation Services			\$0
All Other Services	Governor's Introduced Budget Governor's Introduced Budget	Outsource compliance audits Fund Medicaid costs of expanded BCC screenings	(\$1,400,000) \$2,682,323 <u>\$1,282,323</u>
Nursing Facility Services	Governor's Introduced Budget	Increase nursing facility reimbursement ceilings	\$7,808,300
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	\$2,085,846 \$96,952 \$4,876,190 \$1,444,354 \$500,000 \$34,710,014 \$14,986,329 \$1,312,418 <u>\$60,012,103</u>
Other Long-Term Care Services	Conference Cmte Amendment #302 21c	Fund PACE program start-up costs	\$1,500,000
Mental Illness Services			\$0
State Plan Option Services			\$0
Total Medicaid Expenditure Adjustments			(\$69,589,456)
Prior Year Recoveries			\$0
Prior Year Pharmacy Rebates			\$0
Revenue Maximization			\$0
Total Medicaid Recoveries Adjustments			\$0