



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

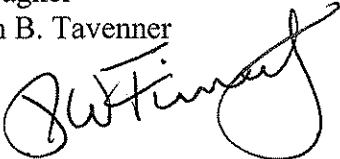
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March 3, 2008

MEMORANDUM

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

FROM: Patrick W. Finnerty 

SUBJECT: February 2008 Medicaid Expenditures

Summary

Medicaid expenditures through February are currently 7.3 percent above expenditures through the same period last year. The 2007 Official Medicaid forecast and budget amendments included in Governor Kaine's Introduced Budget provide for 7.1 percent annual growth for FY 2008. At the fund level, Medicaid general fund expenditures through February are 8.3 percent above expenditures through the same period last year. The Governor's Introduced Budget funds 7.5 percent annual general fund growth for FY 2008.

In the month-to-month comparison, expenditures for February 2008 appear high in part because February 2008 had five remittance cycles, whereas most months (including last February) have four. However, this does not affect managed care payments, which occur only once per month. If they continue at the level of February, they will equal or exceed the growth funded in the introduced budget.

General Medicaid (Acute Care) Services

Expenditures for acute care services are currently running 4.4 percent above expenditures at this time last year, in line with the revised forecast that projects 4.0 percent growth for the year.

Long-Term Care Services

Expenditures for long-term care services are currently 8.7 percent above expenditures at this time last year. The increase in home and community waiver service expenditures is driven by the additional 468 MR waiver slots and 100 DD waiver slots funded in the 2007 Appropriation Act and added effective July 1, 2007. The decrease in nursing home expenditures is related to cost settlements. While more settlements have been completed to date this year, the average add pay has been significantly lower than last year, which included the \$3.00 per day add-on that was in effect from 7/1/05 to 6/30/06.

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Mental Health Services

Outpatient and community-based mental health services continue to be one of the fastest growing service categories in the Medicaid program. Expenditures for mental health services are currently 29.2 percent above expenditures at this time last year. The updated forecast projects 26.1 percent growth for the year.

Medicaid Recoveries

Normal prior-year recoveries are currently 14.2 percent lower than recoveries at this time last year. The funding in the Governor's Introduced Budget assumes an increase in overall recoveries of 23.4 percent. Given the large fluctuation in recoveries from month to month, and the fact that the transactions for prior-year pharmacy rebates and revenues generated from revenue maximization efforts have not occurred yet, the variance between year-to-date recoveries and projected recoveries is not troublesome.

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 2008**

Expense	(1) Official Forecast	(2) Funding		(3) Current		(4) February 2008			(5) Year-To-Date			(9) % Change	(10) Funded Growth Current Appropriation	(11) Funded Growth Gov Intro Budget +/- Current FATS	
		Adjustments	Appropriation	FY 2008	FY 2007	% Change	FY 2008	FY 2007	% Change	FY 2008	FY 2007				% Change
Managed Care	1,290,932,081	(120,232,314)	1,170,699,767	105,626,649	100,044,651	5.6%	807,445,650	793,858,881	1.7%	807,445,650	793,858,881	1.7%	-1.7%	1,222,400,358	2.6%
Inpatient Hospital	821,515,075	4,449,868	825,964,943	49,480,124	55,272,727	-10.5%	459,797,376	448,742,367	2.5%	459,797,376	448,742,367	2.5%	12.2%	766,578,125	4.1%
Outpatient Hospital	113,483,813	0	113,483,813	10,774,200	8,795,054	22.5%	72,152,045	66,789,084	8.0%	72,152,045	66,789,084	8.0%	7.5%	108,365,212	2.7%
Physician Services	165,358,405	6,995,518	172,353,923	18,063,221	12,568,778	43.6%	103,754,499	93,325,491	11.2%	103,754,499	93,325,491	11.2%	20.3%	140,055,282	-2.3%
Pharmacy	196,075,628	103,591	196,179,219	21,626,509	16,881,361	28.1%	108,595,949	101,475,897	7.0%	108,595,949	101,475,897	7.0%	11.6%	168,212,852	-4.4%
Medicare Premiums Part A & B	225,392,978	0	225,392,978	15,103,344	15,103,344	4.5%	133,991,954	127,065,099	5.5%	133,991,954	127,065,099	5.5%	16.0%	208,468,340	7.3%
Medicare Premiums Part D	172,366,727	0	172,366,727	13,086,145	12,528,419	4.5%	104,398,758	99,567,248	4.9%	104,398,758	99,567,248	4.9%	13.7%	156,938,340	3.5%
Dental Services	82,740,543	0	82,740,543	8,864,017	7,109,005	24.7%	60,621,281	51,359,945	18.0%	60,621,281	51,359,945	18.0%	2.5%	89,416,885	10.8%
Transportation Services	70,931,084	0	70,931,084	6,252,874	5,454,146	14.6%	47,667,718	42,440,548	12.6%	47,667,718	42,440,548	12.6%	5.6%	73,220,215	9.2%
All Other Services	207,309,741	(2,372,702)	204,937,039	19,458,159	14,909,730	30.5%	126,937,670	114,808,132	10.6%	126,937,670	114,808,132	10.6%	14.5%	211,979,920	18.4%
Total General Medicaid (45609)	\$3,346,006,074	(\$111,056,039)	\$3,234,950,035	\$269,012,620	\$248,667,216	8.2%	\$2,025,462,899	\$1,939,432,692	4.4%	\$2,025,462,899	\$1,939,432,692	4.4%	7.0%	\$3,145,626,531	4.0%
Nursing Facility	798,756,485	1,850,470	800,606,955	65,340,866	57,740,232	13.2%	489,782,444	492,904,399	-0.6%	489,782,444	492,904,399	-0.6%	11.4%	738,753,258	2.8%
Home/Community Waiver Services	669,673,317	20,061,166	689,734,483	66,530,053	48,727,513	36.5%	471,179,232	387,808,483	21.5%	471,179,232	387,808,483	21.5%	14.9%	708,729,341	18.1%
Other Long-Term Care	57,860,898	250,000	58,110,898	4,356,245	3,810,388	14.3%	35,810,852	35,861,280	-0.1%	35,810,852	35,861,280	-0.1%	8.7%	56,864,077	6.4%
Total Long-Term Care (45610)	\$1,526,290,700	\$22,161,166	\$1,548,452,336	\$136,227,165	\$110,278,133	23.5%	\$996,772,527	\$916,574,162	8.7%	\$996,772,527	\$916,574,162	8.7%	12.9%	\$1,504,346,677	9.6%
State Plan Option Services		\$11,267,611	\$344,161,988	\$37,205,881	\$24,120,712	54.2%	\$244,349,302	\$189,144,328	29.2%	\$244,349,302	\$189,144,328	29.2%	14.0%	\$380,823,527	26.1%
Mental Illness Services		\$77,626,792	\$5,127,564,358	\$442,445,666	\$383,066,060	15.5%	\$3,266,584,727	\$3,045,151,183	7.3%	\$3,266,584,727	\$3,045,151,183	7.3%	9.1%	\$5,030,796,735	7.1%
MH/MR Case Management		(39,853,940)	\$2,477,769,403	213,792,839	184,875,667	15.6%	1,567,277,328	1,475,622,725	5.2%	1,567,277,328	1,475,622,725	5.2%	8.7%	2,431,422,236	6.7%
Total Mental Health (45608) (12)		\$1,222,853	\$2,649,794,964	228,652,827	198,190,393	15.4%	1,699,307,399	1,569,528,457	8.3%	1,699,307,399	1,569,528,457	8.3%	9.5%	2,600,080,587	7.5%
Prior Year Recoveries/Rev Max	(34,270,015)	(1,125,000)	(35,395,015)	(1,437,801)	(5,811,253)	-75.3%	(20,763,307)	(24,206,449)	-14.2%	(20,763,307)	(24,206,449)	-14.2%	-11.1%	(54,004,083)	35.7%
Prior Year Pharmacy Rebates	(17,911,314)	0	(17,911,314)	0	0	0	0	0	0	0	0	0	19.5%	(13,607,880)	-9.2%
Total Medicaid Recoveries	(\$52,181,329)	(\$1,125,000)	(\$53,306,329)	(\$1,437,801)	(\$5,811,253)	-75.3%	(\$20,763,307)	(\$24,206,449)	-14.2%	(\$20,763,307)	(\$24,206,449)	-14.2%	-2.7%	(\$67,611,963)	23.4%
FAMS Expenditures (44602)	\$95,462,765	\$4,408,672	\$99,871,437	\$9,577,380	\$7,318,154	30.9%	\$65,238,383	\$52,888,415	23.1%	\$65,238,383	\$52,888,415	23.1%	18.8%	\$103,796,280	23.5%
Federal Funding	\$62,050,797	2,892,991	\$64,943,788	\$6,236,418	\$4,764,817	30.9%	42,463,554	34,519,420	23.0%	42,463,554	34,519,420	23.0%	18.6%	67,441,292	23.2%
State Appropriation (14)	\$33,411,968	1,515,681	\$34,927,649	\$3,340,962	\$2,553,337	30.8%	22,784,830	18,468,996	23.4%	22,784,830	18,468,996	23.4%	19.3%	36,354,988	24.2%
M-SCHIP Expenditures (45601)	\$73,959,989	\$186,216	\$74,146,205	\$7,185,869	\$5,745,518	25.1%	\$48,953,844	\$43,646,705	12.2%	\$48,953,844	\$43,646,705	12.2%	9.3%	\$76,599,103	12.9%
Federal Funding	\$48,073,993	124,142	\$48,198,135	\$4,356,363	\$3,734,922	16.6%	\$1,822,367	\$2,373,231	12.2%	\$1,822,367	\$2,373,231	12.2%	9.3%	49,789,417	12.9%
State Appropriation	\$25,885,996	62,074	\$25,948,070	\$2,829,506	\$2,010,596	40.7%	17,131,477	15,273,474	12.2%	17,131,477	15,273,474	12.2%	9.3%	26,809,686	13.0%
TDO Expenditures (52107)	\$9,910,055	\$1,722,948	\$11,633,003	\$733,053	\$603,987	22.4%	\$5,785,955	\$5,712,711	1.3%	\$5,785,955	\$5,712,711	1.3%	20.5%	\$10,200,688	5.6%
State Appropriation	\$9,910,055	1,722,948	\$11,633,003	\$733,053	\$603,987	22.4%	5,785,955	5,712,711	1.3%	5,785,955	5,712,711	1.3%	20.5%	10,200,688	5.6%

(1) Official Medicaid Consensus Forecast, November 15, 2006.
(2) Include actions taken during the 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 847 plus/minus all FATS transactions, excluding CSA transfers. The current appropriation also reflects an administrative adjustment for the shift between mental illness services, long-term care services, and general Medicaid. The official appropriation will be adjusted through the 2008 budget amendment process.
(4) Expenditures for SFY2008 February 2008, per CARS database.
(5) Expenditures for SFY2007 February 2007, per CARS database.
(6) Percent increase/(decrease) in monthly expenditures from fiscal year 2007 (5) to fiscal year 2008 (4).
(7) Expenditures through SFY2008 February 2008, per CARS database.
(8) Expenditures through SFY2007 February 2007, per CARS database.
(9) Percent increase/(decrease) in year-to-date expenditures from fiscal year 2007 (8) to fiscal year 2008 (7).
(10) Percent increase/(decrease) in current funding (3) over total FY 2007 expenditures.
(11) Percent increase/(decrease) in funding in the Governor's Introduced Budget over total FY 2007 expenditures.
(12) The November 2006 consensus forecast was done at the aggregate level this year for the Mental Health category.
(13) Includes appropriation and expenditures from the Virginia Health Care Fund.
(14) Includes appropriation and expenditures from the FAMS Trust Fund. December expenditures for FAMS have been restated to include the FAMS Trust Fund.

**Department of Medical Assistance Services
Appendix A
Summary of FY 2008 Funding Adjustments to November 2006 Consensus Medicaid Forecast**

Report Expense Categories	Source of Action	Reason for Action	Total
Managed Care		Actual Medicaid managed care organization rates below projections	(\$120,232,314)
Inpatient Hospital Services	Governor's 2008 base budget reduction strategies Chapter 847 Appropriation Act: 302-FRR Page 345 Chapter 847 Appropriation Act: 302-JJJ	Medicaid Rate Increase for Rural Hospitals Maintain inpatient hospital psychiatric services	\$1,168,284 \$3,281,684 <u>\$4,449,868</u>
Outpatient Hospital Services			\$0
Physician Services	Chapter 847 Appropriation Act: 302-KK Chapter 847 Appropriation Act: 302-KK Page 337	Pediatric services rate increase (15 instead of 8 percent) 2% Medicaid physician rate increase	\$9,353,076 (\$2,357,558) <u>\$6,995,518</u>
Pharmacy Services	Chapter 847 Appropriation Act: 302-JJ.1 Governor's 2008 base budget reduction strategies	Modify specialty drug program Implement pharmacy savings initiatives	\$1,159,422 (\$1,055,831) <u>\$103,591</u>
Medicare Premiums Part A & B			\$0
Medicare Premiums Part D			\$0
Dental Services			\$0
Transportation Services			\$0
All Other Services	Chapter 847 Appropriation Act: 302-EFF Chapter 847 Appropriation Act: 302-DDD Chapter 847 Appropriation Act Chapter 847 Appropriation Act: 302-COC2	Include Chronic Obstructive Pulmonary Disease in disease management Improve participation in the high-risk maternity program Fund outsource compliance audits Align funding to properly account for the family planning waiver	\$114,500 \$987,798 (\$3,375,000) (\$100,000) <u>(\$2,372,702)</u>
Nursing Facility Services	Chapter 847 Appropriation Act: 302-MNN	Increase the personal needs allowance for nursing home residents	\$1,850,470
Home/Community Waiver Services	Chapter 847 Appropriation Act: 302-10c Chapter 847 Appropriation Act: 302-11c Chapter 847 Appropriation Act: 302-8c Chapter 847 Appropriation Act: 302-4c Chapter 847 Appropriation Act: 302-LLL Chapter 847 Appropriation Act: 302-LLL	Phase in 100 additional DD Waivers Add 160 MR Waiver Slots 15% MR Waiver Rate Differential for Northern Virginia Align funding for Alzheimer Waiver Adjust funding for the MR waiver Increase community mental retardation waiver slots	\$2,624,726 \$4,557,968 \$10,594,276 (\$2,895,500) (\$5,408,884) \$10,568,580 <u>\$20,051,166</u>
Other Long-Term Care Services	Chapter 847 Appropriation Act: 302-AAA	Establish a PACE site in Northern Virginia	\$250,000
Mental Health Services	Chapter 847 Appropriation Act: 302-5c Governor's 2008 base budget reduction strategies	Add coverage of substance abuse services Improve management of mental health rehabilitation services and implement the MIFP and PRIF demonstration grant	\$10,494,916 \$772,695 <u>\$11,267,611</u>
Total Medicaid Expenditure Adjustments			<u>(\$77,625,792)</u>
Prior Year Recoveries / Revenue Maximization	Chapter 847 Appropriation Act	Fund outsource compliance audits	\$1,125,000
Prior Year Pharmacy Rebates			\$0
Total Medicaid Recoveries Adjustments			<u>\$1,125,000</u>
FAMIS Expenditures	Chapter 847 Appropriation Act: 301 Gov Intro Budget Chapter 847 Appropriation Act: 301-1c Chapter 847 Appropriation Act: 301 Chapter 847 Appropriation Act: 302-KK Chapter 847 Appropriation Act: 302-7c	Expand FAMIS prenatal coverage to 200 percent of poverty Reduce FAMIS MOMS Eligibility expansion from 200% to 185% of FPL FAMIS MOMS Eligibility from 166% to 185% of FPL Pediatric services rate increase (15 instead of 8 percent) 2% Medicaid physician rate increase	\$7,207,368 (\$3,274,684) \$3,932,704 \$1,261,292 (\$785,324) <u>\$4,408,572</u>
Total FAMIS Expenditure Adjustments			<u>\$4,408,572</u>
M-SCHIP Expenditures	Chapter 847 Appropriation Act: 302-KK Chapter 847 Appropriation Act: 302-7c	Pediatric services rate increase (15 instead of 8 percent) 2% Medicaid physician rate increase	\$361,493 (\$175,217) <u>\$186,276</u>
Total M-SCHIP Expenditure Adjustments			<u>\$186,276</u>
TDO Expenditures	Chapter 847 Appropriation Act: 302-JJJ FATS Budget Adjustment	Maintain inpatient hospital psychiatric services FY2007 TDO carryforward balance	\$1,639,635 \$83,313 <u>\$1,722,948</u>
Total TDO Expenditure Adjustments			<u>\$1,722,948</u>