



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

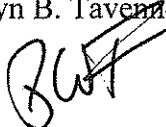
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May 9, 2008

MEMORANDUM

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

FROM: Patrick W. Finnerty 

SUBJECT: April 2008 Medicaid Expenditures

Medicaid Expenditures

Medicaid expenditures through April are currently 7.2 percent above expenditures through the same period last year. The 2007 Official Medicaid forecast and budget amendments included in 2008 Appropriation Act provide for 6.5 percent annual growth for FY 2008. At the fund level, Medicaid general fund expenditures through April are 7.9 percent above expenditures through the same period last year. The 2008 Appropriation Act funds 7.0 percent annual general fund growth for FY 2008. There are transactions that we know will occur before year-end that are expected to contribute to some moderation in this variance.

In the month-to-month comparison, the decrease in pharmacy expenditures reflects the timing of the reclassification of pharmacy rebates which occurred in March this year, whereas last year the transaction wasn't processed until April.

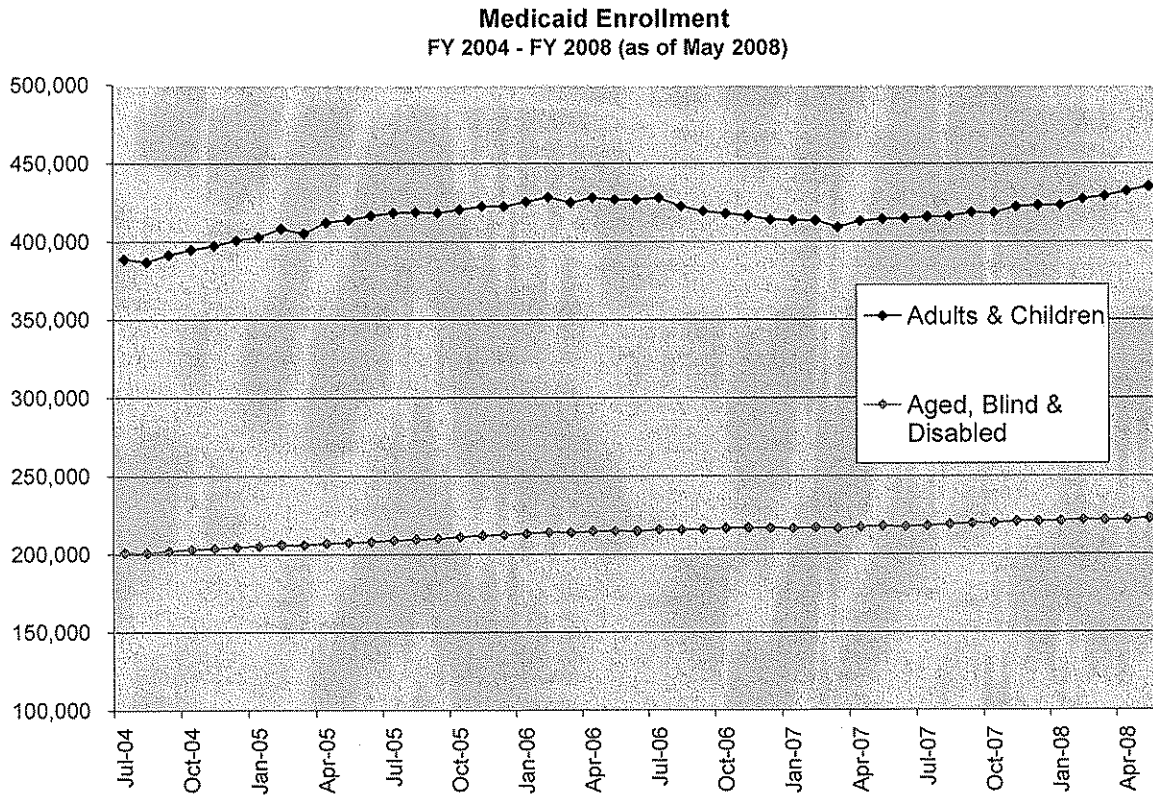
The data also show a higher than projected increase in the growth rate of inpatient hospital and physician claims payments. This has been observed for a few months now. Nursing home expenditures have, for some time, been below the projected level.

Medicaid enrollment continues to increase after the decline observed last fiscal year. FY 2008 enrollment has averaged 0.4 percent growth each month for a 3.8 percent overall increase in population as of May. The chart on page two shows the monthly enrollment levels for the Adults & Children and Aged, Blind & Disabled populations.

Medicaid Recoveries

Prior-year recoveries are currently 3.3 percent lower than recoveries at this time last year. The funding in the 2008 Appropriation Act assumes an increase in overall recoveries of 23.4 percent. It must be noted that the reclassification transaction for prior-year pharmacy rebates did not

occur until April last year, so a year-over-year comparison is not as meaningful at this time. In addition, the revenue maximization transactions do not occur until year-end.



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 2008**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Official	Funding	Current	April 2008			Year-To-Date			Funded Growth
Expense	Forecast	Adjustments	Appropriation	FY 2008	FY 2007	% Change	FY 2008	FY 2007	% Change	Current Appropriation
Managed Care	1,222,400,358	0	1,222,400,358	103,960,931	100,037,665	3.9%	1,015,288,619	992,099,102	2.3%	2.6%
Inpatient Hospital	766,578,125	0	766,578,125	41,762,607	31,119,774	34.2%	618,783,910	568,703,933	8.8%	4.1%
Outpatient Hospital	108,365,212	0	108,365,212	9,389,917	8,931,565	5.1%	90,649,688	86,757,360	4.5%	2.7%
Physician Services	140,056,282	0	140,056,282	13,242,299	11,252,616	17.7%	130,879,507	120,663,728	8.5%	-2.3%
Pharmacy	168,212,852	0	168,212,852	11,108,359	39,679,737	-72.0%	147,218,351	152,490,536	-3.5%	-4.4%
Medicare Premiums Part A & B	208,458,343	0	208,458,343	17,627,296	16,744,704	5.3%	169,410,847	161,001,668	5.2%	7.3%
Medicare Premiums Part D	156,938,340	0	156,938,340	13,117,699	13,008,651	0.8%	130,613,927	125,552,123	4.0%	3.5%
Dental Services	89,416,885	0	89,416,885	6,938,746	7,079,340	-2.0%	74,643,261	66,022,765	13.1%	10.8%
Transportation Services	73,220,215	0	73,220,215	5,813,421	5,613,216	3.6%	59,556,505	53,708,142	10.9%	9.2%
All Other Services	211,979,920	(25,147,458)	186,832,462	15,081,000	15,133,986	-0.4%	157,694,120	149,702,643	5.3%	4.4%
Total General Medicaid (45609)	\$3,145,626,531	(\$25,147,458)	\$3,120,479,073	\$238,042,276	\$248,601,255	-4.2%	\$2,594,738,736	\$2,476,702,001	4.8%	3.2%
Nursing Facility	738,753,258	1,003,765	739,757,023	59,783,740	54,164,214	10.4%	604,219,234	603,887,274	0.1%	3.0%
Home/Cmnty Waiver Services	708,729,341	(807,248)	707,922,093	61,753,953	47,623,342	29.7%	597,067,012	494,138,873	20.8%	18.0%
Other Long-Term Care	56,864,077	(250,000)	56,614,077	5,631,767	4,697,115	19.9%	45,587,706	44,890,431	1.6%	5.9%
Total Long-Term Care (45610)	\$1,504,346,677	(\$53,483)	\$1,504,293,194	\$127,169,461	\$106,484,671	19.4%	\$1,246,873,952	\$1,142,916,579	9.1%	9.6%
State Plan Option Services				20,505,956	14,849,644	38.1%	197,132,982	136,847,755	44.1%	
Mental Illness Services				3,099,136	5,796,610	-46.5%	16,981,123	26,942,310	-37.0%	
MH/MR Case Management				8,401,434	7,995,598	5.1%	89,512,244	82,115,369	9.0%	
Total Mental Health (45608) (11)	\$380,823,527	(\$1,089,901)	\$379,733,626	\$32,006,526	\$28,641,852	11.7%	\$303,626,349	\$245,905,434	23.5%	25.7%
Total Medicaid Expenditures	\$5,030,796,735	(\$26,290,842)	\$5,004,505,893	\$397,218,263	\$383,727,778	3.5%	\$4,145,239,037	\$3,865,524,014	7.2%	6.5%
Federal Funding	\$2,431,422,236	(16,747,169)	\$2,414,675,067	191,497,805	185,512,138	3.2%	1,995,283,950	1,872,845,884	6.5%	5.9%
State Appropriation (12)	\$2,599,374,499	(9,543,675)	\$2,589,830,825	205,720,458	198,215,640	3.8%	2,149,955,087	1,992,678,130	7.9%	7.0%
Prior Year Recoveries/Rev Max	(47,004,333)	(6,999,750)	(54,004,083)	(786,116)	(2,721,716)	-71.1%	(30,563,959)	(29,113,838)	5.0%	35.7%
Prior Year Pharmacy Rebates	(13,607,880)	0	(13,607,880)	0	(14,800,000)	-19.6%	(11,900,000)	(14,800,000)	-19.6%	-9.2%
Total Medicaid Recoveries	(\$60,612,213)	(\$6,999,750)	(\$67,611,963)	(\$786,116)	(\$17,521,716)	-95.5%	(\$42,463,959)	(\$43,913,838)	-3.3%	23.4%
FAMIS Expenditures (44602)	\$103,755,832	\$0	\$103,755,832	\$8,665,074	\$7,364,176	17.7%	\$82,677,444	\$68,479,599	20.7%	23.5%
Federal Funding	\$67,441,291	0	\$67,441,291	\$5,641,521	\$4,798,555	17.6%	53,808,596	44,611,739	20.6%	23.2%
State Appropriation (13)	\$36,314,541	0	\$36,314,541	\$3,023,553	\$2,565,621	17.8%	28,868,848	23,867,859	21.0%	24.0%
M-SCHIP Expenditures (46601)	\$76,599,103	\$0	\$76,599,103	\$6,428,586	\$5,984,300	7.4%	\$61,756,428	\$55,845,532	10.6%	12.9%
Federal Funding	\$49,789,417	0	\$49,789,417	\$4,178,810	\$3,890,052	7.4%	40,144,591	36,303,024	10.6%	12.9%
State Appropriation	\$26,809,686	0	\$26,809,686	\$2,249,776	\$2,094,248	7.4%	21,611,837	19,542,508	10.6%	13.0%
TDO Expenditures (32107)	\$10,200,697	\$83,313	\$10,284,010	\$1,342,430	\$1,134,040	18.4%	\$8,222,318	\$7,553,919	8.8%	6.5%
State Appropriation	\$10,200,697	83,313	\$10,284,010	\$1,342,430	\$1,134,040	18.4%	8,222,318	7,553,919	8.8%	6.5%

(1) Official Medicaid Consensus Forecast, November 15, 2007.

(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 April 2008, per CARS database.

(5) Expenditures for SFY2007 April 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 April 2008, per CARS database.

(8) Expenditures through SFY2007 April 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) The November 2007 consensus forecast was done at the aggregate level this year for the Mental Health category.

(12) Includes appropriation and expenditures from the Virginia Health Care Fund.

(13) Includes appropriation and expenditures from the FAMIS Trust Fund. December expenditures for FAMIS have been restated to include the FAMIS Trust Fund.

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

<u>Report Expense Categories</u>	<u>Source of Action</u>	<u>Reason for Action</u>	<u>Total</u>
Managed Care	Governor's 2008 budget reduction strategies: FATS #0012 Governor's 2008 budget reduction strategies	Actual medicaid managed care organization rates below projections	(\$120,232,314) \$120,232,314
			<u>\$0</u>
Inpatient Hospital Services			\$0
Outpatient Hospital Services			\$0
Physician Services			\$0
Pharmacy Services	Governor's 2008 budget reduction strategies: FATS #0012 Governor's 2008 budget reduction strategies	Implement pharmacy savings initiatives	(\$1,055,831) \$1,055,831
			<u>\$0</u>
Medicare Premiums Part A & B			\$0
Medicare Premiums Part D			\$0
Dental Services			\$0
Transportation Services			\$0
All Other Services	Conference Committee Admendment #302 1c Governor's 0.5% budget reduction strategies FATS Budget Adjustment #0045	Medicaid forecast reduction Lower utilization savings from substance abuse services Transfer federal funds for DMHMRSAS pass-through facilities reimbursement	(\$6,000,000) (\$5,147,458) (\$14,000,000)
			<u>(\$25,147,458)</u>
Nursing Facility Services			
Home/Community Waiver Services	Governor's 2008 budget reduction strategies	Implementation of the MFP demonstration grant	\$129,909
			<u>\$129,909</u>
Other Long-Term Care Services	Conference Committee Admendment #302 2c	Correct subprogram funding error for NOVA PACE	(\$250,000)
Mental Health Services	Governor's 2008 base budget reduction strategies	Improve management of mental health rehabilitation services and implement the PRTF demonstration grant	(\$1,023,294)
			<u>(\$1,023,294)</u>
Total Medicaid Expenditure Adjustments			(\$26,290,843)
Prior Year Recoveries / Revenue Maximiza	Governor's Introduced Budget	VHCF FY07 carryforward balance	(\$6,999,750)
Prior Year Pharmacy Rebates			\$0
Total Medicaid Recoveries Adjustments			(\$6,999,750)
Total FAMIS Expenditure Adjustments			\$0
Total M-SCHIP Expenditure Adjustments			\$0
TDO Expenditures	FATS Budget Adjustment	FY2007 TDO carryforward balance	\$83,313
Total TDO Expenditure Adjustments			\$83,313