



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

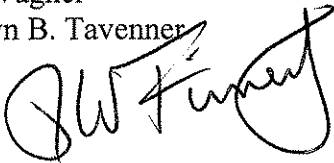
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June 11, 2008

MEMORANDUM

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

FROM: Patrick W. Finnerty 

SUBJECT: May 2008 Medicaid Expenditures

Medicaid Expenditures

Medicaid expenditures through May are 8.3 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 8.7 percent above expenditures through the same period last year. The 2008 Appropriation Act funds 7.1 percent annual general fund growth for FY 2008.

The month-to-month comparison of May 2007 and May 2008 is somewhat misleading because May 2008 had five remittance cycles, while May 2007 had four. The year-to-date figures for 2007 and 2008 are more comparable, but the 2008 period still has one more remittance cycle than the 2007 period. In addition, there are a few transactions that we know will occur before year-end that will moderate the apparent variance slightly.

Fee-for-service expenditures for the major acute care services increasingly show a higher trend than was forecast. Inpatient hospital, outpatient hospital, and physician services all show significant growth rates. This is despite the offsetting movement of some of the fee-for-service population to managed care. That is, while total enrollment is up about 3.5% since May 2007, about 12,000 recipients were moved from the fee-for-service program to managed care (the Lynchburg expansion). As a result, managed care enrollment is up about 9.1%, and fee-for-service is actually down about 3.4%.

Nursing facility expenditures continue to increase at a lower rate than forecast. This does not appear to result from a decline in the number of resident days. The most likely explanation is that nursing homes' actual spending may have moderated (increased at a lower rate of change) during calendar year 2006, leading to a lower increase in the rates DMAS set beginning late in calendar year 2007. We do not know how long this will continue, but for now the rate of increase continues to be relatively low.

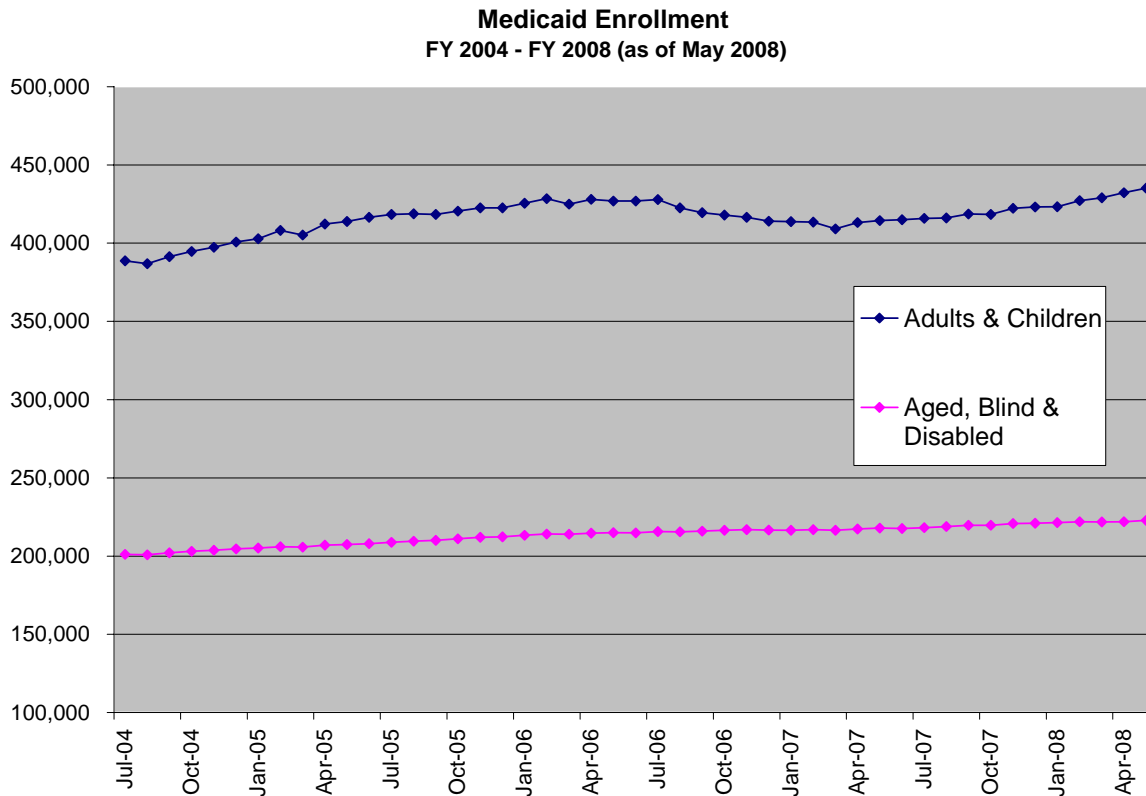
Medicaid enrollment continues to increase after the decline observed last fiscal year. The chart below shows the monthly enrollment levels for the Adults & Children and Aged, Blind & Disabled populations.

FAMIS, M-SCHIP, TDO

The year-to-date analysis indicates that expenditures for all three programs are running in line with annual projections.

Medicaid Recoveries

Prior-year recoveries are currently 37.3 percent higher 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 transactions transaction for revenue maximization did not occur until June last year, so a year-over-year comparison is not as meaningful at this time.



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

Expense	Official	Funding	Current	May 2008			Year-To-Date			Funded Growth
	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	105,852,855	100,094,786	5.8%	1,121,141,474	1,092,193,889	2.7%	2.6%
Inpatient Hospital	766,578,125	0	766,578,125	48,021,635	35,792,884	34.2%	666,805,545	604,496,816	10.3%	4.1%
Outpatient Hospital	108,365,212	0	108,365,212	11,622,106	8,746,261	32.9%	102,271,794	95,503,621	7.1%	2.7%
Physician Services	140,056,282	0	140,056,282	16,211,647	11,402,419	42.2%	147,091,580	132,066,147	11.4%	-2.3%
Pharmacy	168,212,852	0	168,212,852	21,325,392	16,423,473	29.8%	168,543,318	168,914,009	-0.2%	-4.4%
Medicare Premiums Part A & B	208,458,343	0	208,458,343	17,403,334	16,805,639	3.6%	186,814,181	177,807,307	5.1%	7.3%
Medicare Premiums Part D	156,938,340	0	156,938,340	13,124,227	13,064,577	0.5%	143,738,154	138,616,700	3.7%	3.5%
Dental Services	89,416,885	0	89,416,885	8,478,148	6,652,218	27.4%	83,121,409	72,674,983	14.4%	10.8%
Transportation Services	73,220,215	0	73,220,215	5,685,797	5,611,347	1.3%	65,242,302	59,319,489	10.0%	9.2%
All Other Services	211,979,920	(25,147,458)	186,832,462	18,093,391	14,783,465	22.4%	175,342,192	164,486,108	6.6%	4.4%
Total General Medicaid (45609)	\$3,145,626,531	(\$25,147,458)	\$3,120,479,073	\$265,818,531	\$229,377,069	15.9%	\$2,860,111,948	\$2,706,079,070	5.7%	3.2%
Nursing Facility	738,753,258	0	738,753,258	61,265,478	54,213,456	13.0%	665,484,712	658,100,730	1.1%	2.8%
Home/Cmnty Waiver Services	708,729,341	394,019	709,123,360	64,357,124	49,232,005	30.7%	661,424,136	543,370,878	21.7%	18.2%
Other Long-Term Care	56,864,077	(250,000)	56,614,077	4,707,331	3,574,119	31.7%	50,295,037	48,464,550	3.8%	5.9%
Total Long-Term Care (45610)	\$1,504,346,677	\$144,019	\$1,504,490,696	\$130,329,933	\$107,019,580	21.8%	\$1,377,203,885	\$1,249,936,159	10.2%	9.7%
State Plan Option Services				27,970,146	15,802,337	77.0%	225,103,128	152,650,093	47.5%	
Mental Illness Services				1,785,230	2,309,497	-22.7%	19,211,672	29,251,807	-34.3%	
MH/MR Case Management				9,110,217	7,948,377	14.6%	98,622,462	90,063,745	9.5%	
Total Mental Health (45608) (11)	\$380,823,527	(\$1,287,403)	\$379,536,124	\$38,865,593	\$26,060,211	49.1%	\$342,937,262	\$271,965,645	26.1%	25.7%
Total Medicaid Expenditures	\$5,030,796,735	(\$26,290,842)	\$5,004,505,893	\$435,014,057	\$362,456,859	20.0%	\$4,580,253,094	\$4,227,980,873	8.3%	6.5%
Federal Funding	\$2,431,422,236	(17,373,399)	\$2,414,048,837	215,244,090	174,264,402	23.5%	2,210,573,916	2,047,110,286	8.0%	5.9%
State Appropriation (12)	\$2,599,374,499	(8,917,445)	\$2,590,457,055	219,769,967	188,192,457	16.8%	2,369,679,178	2,180,870,587	8.7%	7.1%
Prior Year Recoveries/Rev Max	(47,004,333)	(6,999,750)	(54,004,083)	(20,785,670)	(2,148,252)	867.6%	(51,326,568)	(31,262,090)	64.2%	35.7%
Prior Year Pharmacy Rebates	(13,607,880)	0	(13,607,880)	0	0		(11,900,000)	(14,800,000)	-19.6%	-9.2%
Total Medicaid Recoveries	(\$60,612,213)	(\$6,999,750)	(\$67,611,963)	(\$20,785,670)	(\$2,148,252)	867.6%	(\$63,226,568)	(\$46,062,090)	37.3%	23.4%
FAMIS Expenditures (44602)	\$103,755,832	\$0	\$103,755,832	\$9,768,921	\$7,328,878	33.3%	\$92,446,365	\$75,808,477	21.9%	23.5%
Federal Funding	\$67,441,291	0	\$67,441,291	\$6,359,936	\$4,775,444	33.2%	60,168,532	49,387,184	21.8%	23.2%
State Appropriation (13)	\$36,314,541	0	\$36,314,541	\$3,408,985	\$2,553,434	33.5%	32,277,833	26,421,293	22.2%	24.0%
M-SCHIP Expenditures (46601)	\$76,599,103	\$0	\$76,599,103	\$7,548,486	\$5,753,640	31.2%	\$69,304,914	\$61,599,172	12.5%	12.9%
Federal Funding	\$49,789,417	0	\$49,789,417	\$4,907,056	\$3,740,328	31.2%	45,051,647	40,043,352	12.5%	12.9%
State Appropriation	\$26,809,686	0	\$26,809,686	\$2,641,430	\$2,013,312	31.2%	24,253,267	21,555,820	12.5%	13.0%
TDO Expenditures (32107)	\$10,200,697	\$83,313	\$10,284,010	\$959,958	\$1,444,631	-33.5%	\$9,182,276	\$8,998,550	2.0%	6.5%
State Appropriation	\$10,200,697	83,313	\$10,284,010	\$959,958	\$1,444,631	-33.5%	9,182,276	8,998,550	2.0%	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 May 2008, per CARS database.

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

(8) Expenditures through SFY2007 May 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

Report Expense Categories	Source of Action	Reason for Action	Total
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
			\$0
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
			\$0
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)
			(\$25,147,458)
Nursing Facility Services			
Home/Community Waiver Services	Governor's 2008 budget reduction strategies	Implementation of the MFP demonstration grant	\$394,019
			\$394,019
Other Long-Term Care Services	Conference Committee Admendment #302 2c	Correct subprogram funding error for NOVA PACE	(\$250,000)
			(\$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	(\$1,287,404)
			(\$1,287,404)
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