



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

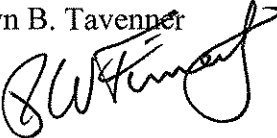
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January 28, 2008

MEMORANDUM

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

FROM: Patrick W. Finnerty 

SUBJECT: December 2007 Medicaid Expenditures

Summary

Medicaid expenditures through December are currently 5.8 percent above expenditures through the same period last year. Current funding, based on the November 2006 Official Medicaid forecast and budget amendments enacted during the 2007 General Assembly session, as well as Governor Kaine's 2008 Budget Reduction Initiatives, provides for 9.1 percent annual growth. The updated 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 are currently running at 7.1 percent annual growth rate. DMAS' current appropriation provides for 9.5 percent annual general fund growth; the Governor's Introduced Budget funds 7.5 percent annual general fund growth for FY 2008.

General Medicaid (Acute Care) Services

Expenditures for acute care services are currently running 3.5 percent above expenditures at this time last year, in line with the revised forecast that projects 4.0 percent growth for the year. The decrease in managed care capitation payments reflects the 2.6 percent average rate reduction that went into effect July 1. This was one of the items included in the Governor's Budget Reduction plan and is reflected in the current appropriation.

Long-Term Care Services

Expenditures for long-term care services are currently 6.4 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 27.0 percent above expenditures at this time last year. The updated forecast projects 24.6 percent growth for the year.

Medicaid Recoveries

Normal prior-year recoveries are currently 10.3 percent less 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. 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 2008**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Official	Funding	Current	December 2007			Year-To-Date			Funded Growth	Funded Growth
Expense	Forecast	Adjustments	Appropriation	FY 2008	FY 2007	% Change	FY 2008	FY 2007	% Change	Current	Governor's
										Appropriation	Intro Budget
Managed Care	1,290,932,081	(120,232,314)	1,170,699,767	102,356,001	98,577,975	3.8%	598,507,360	597,324,944	0.2%	-1.7%	-6.7%
Inpatient Hospital	821,515,075	4,449,868	825,964,943	120,329,757	122,504,036	-1.8%	378,602,620	364,744,747	3.8%	12.2%	12.2%
Outpatient Hospital	113,483,813	0	113,483,813	8,738,515	10,334,464	-15.4%	54,348,316	50,807,673	7.0%	7.5%	7.5%
Physician Services	165,358,405	6,995,518	172,353,923	12,024,348	13,414,089	-10.4%	75,043,001	71,099,623	5.5%	20.3%	20.3%
Pharmacy	196,075,628	103,591	196,179,219	9,736,768	14,341,584	-32.1%	79,876,470	76,920,559	3.8%	11.6%	11.3%
Medicare Premiums Part A & B	225,392,978	0	225,392,978	17,264,637	16,822,635	2.6%	100,865,342	95,383,014	5.7%	16.0%	16.0%
Medicare Premiums Part D	172,366,727	0	172,366,727	13,193,807	12,544,203	5.2%	78,177,437	74,564,437	4.8%	13.7%	13.7%
Dental Services	82,740,543	0	82,740,543	5,092,477	5,584,449	-8.8%	44,918,208	37,955,106	18.3%	2.5%	2.5%
Transportation Services	70,831,084	0	70,831,084	5,957,647	5,414,334	10.0%	35,595,895	31,828,350	11.8%	5.6%	5.6%
All Other Services	207,309,741	(2,372,702)	204,937,039	15,300,605	17,298,925	-11.6%	94,998,496	88,228,980	7.7%	14.5%	-1.7%
Total General Medicaid (45609)	\$3,346,006,074	(\$111,056,039)	\$3,234,950,035	\$309,994,563	\$316,836,694	-2.2%	\$1,540,933,144	\$1,488,857,435	3.5%	7.0%	4.0%
Nursing Facility	798,756,485	1,850,470	800,606,955	64,401,205	70,338,204	-8.4%	365,907,864	376,117,757	-2.7%	11.4%	11.4%
Home/Cmnty Waiver Services	669,673,317	20,061,166	689,734,483	58,618,340	59,789,156	-2.0%	347,378,430	291,555,018	19.1%	14.9%	14.9%
Other Long-Term Care	57,860,898	250,000	58,110,898	4,946,537	4,737,400	4.4%	27,021,833	27,858,621	-3.0%	8.7%	-63.6%
Total Long-Term Care (45610)	\$1,526,290,700	\$22,161,636	\$1,548,452,336	\$127,966,082	\$134,864,760	-5.1%	\$740,308,127	\$695,531,395	6.4%	12.9%	10.0%
State Plan Option Services				20,997,026	15,496,239	35.5%	112,447,766	79,036,958	42.3%		
Mental Illness Services				2,964,538	2,653,175	11.7%	15,230,596	13,971,477	9.0%		
MH/MR Case Management				9,085,695	8,527,147	6.6%	53,852,197	49,634,194	8.5%		
Total Mental Health (45608) (12)	\$332,884,377	\$11,267,611	\$344,151,988	\$33,047,259	\$26,676,560	23.9%	\$181,530,559	\$142,642,628	27.3%	14.0%	24.6%
Total Medicaid Expenditures	\$5,205,181,150	(\$77,626,792)	\$5,127,554,358	\$471,007,905	\$478,378,014	-1.5%	\$2,462,771,830	\$2,327,031,458	5.8%	9.1%	7.1%
Federal Funding	\$2,517,613,343	(39,853,940)	\$2,477,759,403	229,826,930	235,963,356	-2.6%	1,180,143,483	1,129,780,178	4.5%	8.7%	6.7%
State Appropriation (13)	\$2,687,567,806	(37,772,853)	\$2,649,794,954	241,180,975	242,414,659	-0.5%	1,282,628,347	1,197,251,281	7.1%	9.5%	7.5%
Prior Year Recoveries/Rev Max	(34,270,015)	(1,125,000)	(35,395,015)	(1,372,859)	(4,568,760)	-70.0%	(13,035,935)	(14,536,750)	-10.3%	-11.1%	35.7%
Prior Year Pharmacy Rebates	(17,911,314)	0	(17,911,314)	0	0		0	0		19.5%	-9.2%
Total Medicaid Recoveries	(\$52,181,329)	(\$1,125,000)	(\$53,306,329)	(\$1,372,859)	(\$4,568,760)	-70.0%	(\$13,035,935)	(\$14,536,750)	-10.3%	-2.7%	23.4%
FAMIS Expenditures (44602)	\$95,462,765	\$4,408,672	\$99,871,437	\$1,753,708	\$6,936,318	-74.7%	\$41,941,152	\$39,064,358	7.4%	18.8%	23.5%
Federal Funding	62,050,797	2,892,991	\$64,943,788	\$5,047,825	\$4,515,531	11.8%	31,195,901	25,434,798	22.7%	18.6%	23.2%
State Appropriation	\$33,411,968	1,515,681	\$34,927,649	(\$3,294,116)	\$2,420,787	-236.1%	10,745,250	13,629,560	-21.2%	19.3%	24.2%
M-SCHIP Expenditures (46601)	\$73,959,989	\$186,216	\$74,146,205	\$6,287,633	\$6,222,505	1.0%	\$35,888,576	\$32,486,923	10.5%	9.3%	12.9%
Federal Funding	48,073,993	124,142	\$48,198,135	\$4,087,307	\$4,045,348	1.0%	23,329,450	21,118,820	10.5%	9.3%	12.9%
State Appropriation	\$25,885,996	62,074	\$25,948,070	\$2,200,326	\$2,177,157	1.1%	12,559,126	11,368,103	10.5%	9.3%	13.0%
TDO Expenditures (32107)	\$9,910,055	\$1,722,948	\$11,633,003	\$1,046,529	\$585,131	78.9%	\$4,388,055	\$4,738,505	-7.4%	20.5%	5.6%
State Appropriation	\$9,910,055	1,722,948	\$11,633,003	\$1,046,529	\$585,131	78.9%	4,388,055	4,738,505	-7.4%	20.5%	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 December 2007, per CARS database.

(5) Expenditures for SFY2007 December 2006, per CARS database.

(6) Percent increase/(decrease) in monthly expenditures from fiscal year 2007 (5) to fiscal year 2008 (4).

(7) Expenditures through SFY2008 December 2007, per CARS database.

(8) Expenditures through SFY2007 December 2006, 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 from the General Fund and Virginia Health Care 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 base budget reduction strategies	Actual medicaid managed care organization rates below projections	\$120,232,314
Inpatient Hospital Services	Chapter 847 Appropriation Act: 302-RRR Page 345 Chapter 847 Appropriation Act: 302.JJJ	Medicaid Rate Increase for Rural Hospitals Maintain inpatient hospital psychiatric services	\$1,168,284 \$3,281,584 <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.FFF Chapter 847 Appropriation Act: 302.DDD Chapter 847 Appropriation Act Chapter 847 Appropriation Act: 302.CCC2	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.NNN	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 Governor's 2008 base budget reduction strategies	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 implement the MFP (Money Follows the Person) grant	\$2,624,726 \$4,557,968 \$10,594,276 (\$2,895,500) (\$5,408,884) \$10,588,580 \$394,019 <u>\$20,455,185</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: 302-6c Governor's 2008 base budget reduction strategies	Add coverage of substance abuse services improve management of mental health rehabilitation services	\$10,494,916 (\$1,220,796) <u>\$9,274,120</u>
Total Medicaid Expenditure Adjustments			\$161,238,364
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			\$1,125,000
FAMIS Expenditures	Chapter 847 Appropriation Act: 301	FAMIS MOMS Eligibility from 166% to 185% of FPL	\$3,932,704
FAMIS Expenditures	Chapter 847 Appropriation Act: 302.KK	Pediatric services rate increase (15 instead of 8 percent)	\$1,261,292
FAMIS Expenditures	Chapter 847 Appropriation Act: 302-7c	2% Medicaid physician rate increase	(\$785,324)
Total FAMIS Expenditure Adjustments			\$4,408,672
M-SCHIP Expenditures	Chapter 847 Appropriation Act: 302-KK	Pediatric services rate increase (15 instead of 8 percent)	\$361,433
M-SCHIP Expenditures	Chapter 847 Appropriation Act: 302-7c	2% Medicaid physician rate increase	(\$175,217)
Total M-SCHIP Expenditure Adjustments			\$186,216
TDO Expenditures	Chapter 847 Appropriation Act: 302.JJJ	Maintain inpatient hospital psychiatric services	\$1,639,635
TDO Expenditures	FATS Budget Adjustment	FY2007 TDO carryforward balance	\$83,313
Total TDO Expenditure Adjustments			\$1,722,948