



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

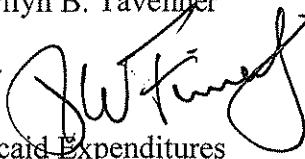
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February 8, 2008

MEMORANDUM

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

FROM: Patrick W. Finnerty 

SUBJECT: January 2008 Medicaid Expenditures

Summary

Medicaid expenditures through January are currently 6.1 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 7.2 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 3.9 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 6.7 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.

Department of Medical Assistance Services
Summary Report on Medicaid Expenditures / Recoveries
For State Fiscal Year 2008

Expense	(1)	(2)	(3)	(4) (5) (6)			(7) (8) (9)			(10)	(11)
	Official Forecast	Funding Adjustments	Current Appropriation	January 2008			Year-To-Date			Funded Growth Current Appropriation	Funded Growth Governor's Intro Budget
				FY 2008	FY 2007	% Change	FY 2008	FY 2007	% Change		
Managed Care	1,290,932,081	(120,232,314)	1,170,699,767	103,311,641	96,489,286	7.1%	701,819,001	693,814,231	1.2%	-1.7%	2.6%
Inpatient Hospital	821,515,075	4,449,868	825,964,943	31,714,632	28,724,893	10.4%	410,317,252	393,469,640	4.3%	12.2%	4.1%
Outpatient Hospital	113,483,813	0	113,483,813	7,029,529	7,186,356	-2.2%	61,377,845	57,994,029	5.8%	7.5%	2.7%
Physician Services	165,358,405	6,995,518	172,353,923	10,658,278	9,657,090	10.4%	85,701,278	80,756,713	6.1%	20.3%	-2.3%
Pharmacy	196,075,628	103,591	196,179,219	7,092,970	7,673,977	-7.6%	86,969,440	84,594,536	2.8%	11.6%	-4.4%
Medicare Premiums Part A & B	225,392,978	0	225,392,978	17,345,890	16,578,740	4.6%	118,211,231	111,961,754	5.6%	16.0%	7.3%
Medicare Premiums Part D	172,366,727	0	172,366,727	13,125,176	12,474,392	5.2%	91,302,613	87,038,829	4.9%	13.7%	3.5%
Dental Services	82,740,543	0	82,740,543	6,839,056	6,295,833	8.6%	51,757,264	44,250,940	17.0%	2.5%	10.8%
Transportation Services	70,831,084	0	70,831,084	5,907,105	5,158,052	14.5%	41,503,000	36,986,402	12.2%	5.6%	9.2%
All Other Services	207,309,741	(2,372,702)	204,937,039	12,481,014	11,669,422	7.0%	107,479,510	99,898,402	7.6%	14.5%	18.4%
Total General Medicaid (45609)	\$3,346,006,074	(\$111,056,039)	\$3,234,950,035	\$215,505,291	\$201,908,041	6.7%	\$1,756,438,435	\$1,690,765,476	3.9%	7.0%	4.0%
Nursing Facility	798,756,485	1,850,470	800,606,955	58,533,713	59,046,410	-0.9%	424,441,577	435,164,167	-2.5%	11.4%	2.8%
Home/Cmnty Waiver Services	669,673,317	20,061,166	689,734,483	57,270,749	47,525,953	20.5%	404,649,179	339,080,970	19.3%	14.9%	18.1%
Other Long-Term Care	57,860,898	250,000	58,110,898	4,432,774	4,192,271	5.7%	31,454,606	32,050,892	-1.9%	8.7%	6.4%
Total Long-Term Care (45610)	\$1,526,290,700	\$22,161,636	\$1,548,452,336	\$120,237,235	\$110,764,634	8.6%	\$860,545,362	\$806,296,029	6.7%	12.9%	9.6%
State Plan Option Services				16,397,067	12,058,878	36.0%	128,844,832	91,095,836	41.4%		
Mental Illness Services				1,328,562	2,110,438	-37.0%	16,559,158	16,081,915	3.0%		
MH/MR Case Management				7,887,233	8,211,672	-4.0%	61,739,430	57,845,866	6.7%		
Total Mental Health (45608) (12)	\$332,884,377	\$11,267,611	\$344,151,988	\$25,612,862	\$22,380,988	14.4%	\$207,143,421	\$165,023,617	25.5%	14.0%	26.1%
Total Medicaid Expenditures	\$5,205,181,150	(\$77,626,792)	\$5,127,554,358	\$361,355,388	\$335,053,664	7.9%	\$2,824,127,218	\$2,662,085,122	6.1%	9.1%	7.1%
Federal Funding	\$2,517,613,343	(39,853,940)	\$2,477,759,403	173,559,049	160,966,880	7.8%	1,353,702,533	1,290,747,058	4.9%	8.7%	6.7%
State Appropriation (13)	\$2,687,567,806	(37,772,853)	\$2,649,794,954	187,796,339	174,086,784	7.9%	1,470,424,686	1,371,338,064	7.2%	9.5%	7.5%
Prior Year Recoveries/Rev Max	(34,270,015)	(1,125,000)	(35,395,015)	(6,289,464)	(3,858,446)	63.0%	(19,325,399)	(18,395,196)	5.1%	-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)	(\$6,289,464)	(\$3,858,446)	63.0%	(\$19,325,399)	(\$18,395,196)	5.1%	-2.7%	23.4%
FAMIS Expenditures (44602) (14)	\$95,462,765	\$4,408,672	\$99,871,437	\$7,719,852	\$6,605,903	16.9%	\$55,661,004	\$45,670,261	21.9%	18.8%	23.5%
Federal Funding	62,050,797	2,892,991	\$64,943,788	\$5,021,234	\$4,319,805	16.2%	36,217,136	29,754,603	21.7%	18.6%	23.2%
State Appropriation	\$33,411,968	1,515,681	\$34,927,649	\$2,698,618	\$2,286,099	18.0%	19,443,868	15,915,659	22.2%	19.3%	24.2%
M-SCHIP Expenditures (46601)	\$73,959,989	\$186,216	\$74,146,205	\$5,879,399	\$5,414,265	8.6%	\$41,767,975	\$37,901,187	10.2%	9.3%	12.9%
Federal Funding	48,073,993	124,142	\$48,198,135	\$4,136,554	\$3,519,489	17.5%	27,466,004	24,638,309	11.5%	9.3%	12.9%
State Appropriation	\$25,885,996	62,074	\$25,948,070	\$1,742,845	\$1,894,776	-8.0%	14,301,971	13,262,878	7.8%	9.3%	13.0%
TDO Expenditures (32107)	\$9,910,055	\$1,722,948	\$11,633,003	\$659,847	\$370,219	78.2%	\$5,047,902	\$5,108,724	-1.2%	20.5%	5.6%
State Appropriation	\$9,910,055	1,722,948	\$11,633,003	\$659,847	\$370,219	78.2%	5,047,902	5,108,724	-1.2%	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 January 2008, per CARS database.

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

(8) Expenditures through SFY2007 January 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 from the General Fund and Virginia Health Care Fund.

(14) 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 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 \$4,449,868
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) \$6,995,518
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) \$103,591
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) (\$2,372,702)
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	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) \$10,588,580 \$20,061,166
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 and implement the MFP and PRTF demonstration grant	\$10,494,916 \$772,695 \$11,267,611
Total Medicaid Expenditure Adjustments			(\$77,626,792)
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

Jody Wagner
Marilyn B. Tavenner
February 8, 2008
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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 25.5 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 5.1 percent higher 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