



COMMONWEALTH of VIRGINIA
Department of Medical Assistance Services

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MEMORANDUM

TO: The Honorable Richard D. Brown
The Honorable Bill Hazel, M.D.

FROM: Cynthia B. Jones *obj*

SUBJECT: Fiscal Year 2011 Medicaid Expenditures

This report is submitted in compliance with Item 300.B of the 2011 Appropriation Act. The attached table presents Fiscal Year 2011 medical program expenditures by DMAS. The first and largest section of the table reports Medicaid medical expenditures and the percent change in expenditures, by line, since FY2010, as well as the percent change assumed in the Official 2010 Consensus Forecast, adjusted for amendments included in the 2011 Appropriation Act and other administrative adjustments (itemized in Appendix A). The table also reports expenditure, forecast and appropriation data for the Title XXI Children's Health Insurance Program (FAMIS and M-CHIP), the Temporary Detention Order (TDO) program, and the Virginia Health Care Fund (VHCF).

Overall, Medicaid expenditures (those included in the forecast process) were 10.5% higher than last year's expenditures. The final appropriation funded annual growth of 11.9%, leaving a year-end balance of \$90 million. The majority of this balance was in federal funds however. At a state appropriation level, Medicaid expenditures were 16.0% higher than last year's expenditures with a final funded annual growth of 17.1%, leaving a year-end general fund balance of \$25.2 million.

Explanations are provided below regarding significant issues in specific line items.

- The Variance column in the table does not contain line level detail for the Medicaid program. This detail was omitted because there were multiple factors that changed the appropriation subsequent to the forecast, and although the total appropriation is known, the allocation of the changes by line in the table would be very difficult to determine, is arbitrary in some cases, and would likely result in some variance figures that would be misleading. The factors that contributed to this issue were:
 - After the Appropriation Act was adopted, the ARRA "stimulus funding" was extended six months, triggering implementation of certain contingency language in the Appropriation Act that significantly increased Medicaid spending and appropriation, and affected multiple expenditure lines.

- The weekly provider payment “remittance” that normally would have been paid the first week in July of 2011, was paid in June in order to gain a higher federal match rate. This was directed in the Appropriation Act, but it increased the appropriation and expenditures across most of the lines in the table, but the allocation by line would be very difficult to determine.
- As year-end approached, the FAMIS, M-CHIP and TDO appropriations were insufficient for the need. Therefore appropriation was transferred from Medicaid to these programs. The reduction in the Medicaid appropriation was allocated entirely to the “all other” line. It could have been allocated differently, but any allocation is somewhat arbitrary.
- Managed care capitation payments were lower than projected. This is attributed to slower than projected growth rates in the low-income adults and children enrollment categories. Expenditures in this category would have been even lower but for a delay in the invoicing and receipt of rebates on MCO pharmacy expenditures. The final appropriation assumed savings of \$31 million total funds (\$12.7m GF) in SFY 2011 associated with this initiative. These savings will be accrued now in SFY 2012 instead.
- In the inpatient hospital category, \$92.1 million total funds (\$46m GF) in Disproportional Share (DSH) payments was delayed from SFY 2011 into SFY 2012 for year-end cash management purposes. If these payments had been made in SFY 2011, actual inpatient hospital expenditures would have been more inline with projections; however, state general fund expenditures would have exceeded the available appropriation by \$20.8 million or 0.7%.
- Dental expenditures continue to grow, attributable to the historical provider enrollment outreach efforts and the growth in the enrollment of low-income children over the past several years.
- In the Virginia Health Care Fund, higher than projected prior year pharmacy rebates helped to offset other lower than projected Medicaid recoveries. Overall, deposits into the Fund were just \$1.3 million (0.5%) less than appropriated.

cc: Daniel Timberlake, 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 Medical Expenditures / Recoveries**

For State Fiscal Year 2011

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
	Official Forecast	Funding Adjustments	Current Appropriation	Funded Growth Current Appropriation	Year-To-Date			Variance	
					FY 2011	FY 2010	FY % Change	Amount	%
Medicaid									
Managed Care	1,844,379,197	142,045,981	1,986,425,178	24.9%	1,972,189,570	1,589,892,385	24.0%		
Inpatient Hospital	912,715,434	60,308,188	973,023,622	10.3%	898,514,298	881,972,950	1.9%		
Outpatient Hospital	142,743,532	3,501,420	146,244,952	8.4%	147,977,983	134,949,382	9.7%		
Physician Services	174,231,828	3,942,177	178,174,004	0.0%	184,978,518	178,191,199	3.8%		
Pharmacy	161,047,034	2,518,815	163,565,850	-5.9%	168,154,027	173,845,488	-3.3%		
Medicare Premiums Part A & B	258,262,854	0	258,262,854	3.5%	258,804,736	249,524,722	3.7%		
Medicare Premiums Part D	143,940,501	0	143,940,501	23.0%	143,339,867	117,062,444	22.4%		
Dental Services	131,787,747	(1,791,957)	129,995,790	6.1%	135,220,782	122,509,814	10.4%		
Transportation Services	78,932,155	730,139	79,662,294	3.3%	78,266,927	77,104,602	1.5%		
All Other Services	260,972,517	(18,732,837)	242,239,680	-3.2%	253,963,695	250,283,933	1.5%		
Total General Medicaid	\$4,109,012,800	\$192,521,925	\$4,301,534,725	13.9%	\$4,241,410,402	\$3,775,336,917	12.3%		
Nursing Facility	814,600,805	18,493,935	833,094,739	5.0%	821,922,491	793,438,188	3.6%		
Community-Based Waiver Services	1,046,864,019	17,044,744	1,063,908,763	11.8%	1,052,789,919	951,275,442	10.7%		
Other Long-Term Care	92,721,609	2,906,141	95,627,750	15.8%	94,749,949	82,598,779	14.7%		
Total Long-Term Care	\$1,954,186,433	\$38,444,819	\$1,992,631,252	9.0%	\$1,969,462,359	\$1,827,312,409	7.8%		
State Plan Option Services	468,803,975	11,239,087	480,043,062	11.0%	462,664,937	432,395,480	7.0%		
Mental Illness Services	34,243,289	961,716	35,205,005	-19.7%	46,302,138	43,842,821	5.6%		
MH/MR Case Management	125,947,045	1,944,800	127,891,845	6.9%	127,530,197	119,613,524	6.6%		
Total Mental Health	\$628,994,309	\$14,145,603	\$643,139,912	7.9%	\$636,497,272	\$595,851,826	6.8%		
Total Medicaid Expenditures	\$6,692,193,542	\$245,112,347	\$6,937,305,889	11.9%	\$6,847,370,032	\$6,198,501,152	10.5%	\$89,935,857	1.3%
Federal Funding (9)	3,903,312,998	158,302,372	4,061,615,370	8.5%	3,996,848,675	3,742,189,929	6.8%	64,766,695	1.6%
State Appropriation (10)	2,788,880,544	86,809,975	2,875,690,519	17.1%	2,850,521,357	2,456,311,223	16.0%	25,169,162	0.9%
Mental Health Services-CSA		77,784,417	77,784,417	-3.0%	66,623,166	80,228,763	-17.0%	11,161,251	16.8%
Federal Funds		51,574,808	51,574,808	4.4%	39,777,925	49,412,895	-19.5%	11,796,883	29.7%
State Funds		26,209,609	26,209,609	-14.9%	26,845,241	30,815,868	-12.9%	(635,632)	-2.4%
MHMR Facility Reimbursements	203,128,980	28,270,357	231,399,337	-14.3%	252,176,028	270,123,926	-6.6%	(20,776,691)	-8.2%
Federal Funds	103,465,833	30,523,012	133,988,845	-20.6%	154,089,477	168,789,008	-8.7%	(20,100,632)	-13.0%
State Funds	99,663,148	(2,252,655)	97,410,492	-3.9%	98,086,551	101,334,919	-3.2%	(676,059)	-0.7%
Total Medicaid Program (456)	\$6,895,322,522	\$351,167,121	\$7,246,489,643	10.7%	\$7,166,169,226	\$6,548,853,842	9.4%	\$80,320,417	1.1%
Federal Funding (456)	4,006,778,831	240,400,192	4,247,179,023	7.2%	4,190,716,078	3,960,391,832	3.5%	56,462,945	1.3%
State Appropriation (456)	2,888,543,691	110,766,929	2,999,310,620	15.9%	2,975,453,149	2,588,462,010	12.7%	23,857,471	0.8%
Non-Medicaid									
FAMIS Expenditures (446)	\$133,634,268	\$9,814,966	\$143,449,234	9.2%	\$141,878,111	\$131,370,794	8.0%	\$1,571,123	1.1%
Federal Funding	86,862,274	7,152,228	94,014,502	9.6%	92,595,910	85,752,515	8.0%	1,418,592	1.5%
State Appropriation (11)	46,771,994	2,662,738	49,434,732	8.4%	49,282,201	45,618,280	8.0%	152,531	0.3%
M-CHIP Expenditures (466)	\$117,255,906	\$5,465,355	\$122,721,261	12.2%	\$122,224,387	\$109,378,491	11.7%	\$496,874	0.4%
Federal Funding	76,216,339	4,217,481	80,433,820	11.5%	79,991,037	72,115,992	10.9%	442,783	0.6%
State Appropriation	41,039,567	1,247,874	42,287,441	13.5%	42,233,350	37,262,500	13.3%	54,091	0.1%
TDO Expenditures (321)	\$12,415,138	\$950,000	\$13,365,138	9.6%	\$13,308,535	\$12,197,260	9.1%	\$56,603	0.4%
State Appropriation	12,415,138	950,000	13,365,138	9.6%	13,308,535	12,197,260	9.1%	56,603	0.4%
VHCF									
Prior Year Recoveries/Rev Max	(46,407,697)	(4,351,466)	(50,759,163)	-13.5%	(42,078,722)	(58,678,145)	-28.3%	(8,680,441)	20.6%
Prior Year Pharmacy Rebates	(13,798,836)	0	(13,798,836)	22.5%	(20,637,578)	(11,267,739)	83.2%	6,838,742	-33.1%
Total Medicaid Recoveries	(\$60,206,533)	(\$4,351,466)	(64,557,999)	-7.7%	(\$62,716,300)	(\$69,945,885)	-10.3%	(1,841,699)	2.9%
Tobacco Tax Revenue	(171,000,000)	0	(171,000,000)	-2.9%	(173,733,021)	(176,056,906)	-1.3%	2,733,021	-1.6%
MSA Recoveries-Tobacco Agreement	(50,383,575)	0	(50,383,575)	2.4%	(48,184,674)	(49,182,144)	-2.0%	(2,198,900)	4.6%
Total Tobacco Tax Revenue	(\$221,383,575)	\$0	(221,383,575)	-1.7%	(\$221,917,695)	(\$225,239,050)	-1.5%	534,120	-0.2%
Total VA Health Care Fund	(\$281,590,108)	(\$4,351,466)	(285,941,574)	-3.1%	(\$284,633,995)	(\$295,184,935)	-3.6%	(1,307,578)	0.5%

- (1) Official Medicaid Consensus Forecast, November 15, 2010.
- (2) Include actions taken during the General Assembly session and Budget Execution Adjustment (BEA) transfers. See Appendix A for details.
- (3) Equals Official Forecast (1), plus/minus Funding Adjustments (2) The current appropriation reconciles to Chapter 890 plus/minus all BEA transactions.
- (4) Percent increase/(decrease) in current appropriation (3) over total FY 2010 expenditures.
- (5) Expenditures through SFY2011 June 2011, per CARS database.
- (6) Expenditures through SFY2010 June 2010, per CARS database.
- (7) Percent increase/(decrease) in year-to-date expenditures from fiscal year 2010 (6) to fiscal year 2011 (5).
- (8) Equals the amount and percentage variance of SFY 2011 expenditures (5), plus/minus Current Appropriation (3).
- (9) Includes appropriation and expenditures from the American Recovery and Reinvestment Act (ARRA) Fund.
- (10) Includes appropriation and expenditures from the Virginia Health Care Fund.
- (11) Includes appropriation and expenditures from the FAMIS Trust Fund and the Virginia Health Care Fund.

**Department of Medical Assistance Services
Appendix A**

Summary of FY 2011 Funding Adjustments to November 2010 Consensus Forecasts

<u>Report Expense Categories</u>	<u>Source of Action</u>	<u>Reason for Action</u>	<u>Total</u>	
Managed Care	Chapter 890 Appropriation Act Item	Collect MCO pharmacy drug rebates	(\$30,095,815)	
	Chapter 890 Appropriation Act Item	Enrollment initiatives for CHIPRA bonus	\$710,711	
	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$155,777,055	
	BEA #5555	Increase federal appropriation for Medicaid	\$15,654,030	
			\$142,045,981	
Inpatient Hospital Services	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$59,194,921	
	BEA #5555	Increase federal appropriation for Medicaid	\$1,113,266	
			\$60,308,188	
Outpatient Hospital Services	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$2,094,354	
	BEA #5555	Increase federal appropriation for Medicaid	\$1,407,066	
			\$3,501,420	
Physician Services	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$2,357,990	
	BEA #5555	Increase federal appropriation for Medicaid	\$1,584,186	
			\$3,942,177	
Pharmacy Services	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$1,506,615	
	BEA #5555	Increase federal appropriation for Medicaid	\$1,012,201	
			\$2,518,815	
Medicare Premiums Part A & B			\$0	
Medicare Premiums Part D			\$0	
Dental Services	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$1,919,520	
	BEA #2366	Transfer GF funds from Medicaid to Admin for Dental PMPM 1st Qtr	(\$823,544)	
	BEA #2368	Transfer NGF funds from Medicaid to Admin for Dental PMPM 1st Qtr	(\$823,544)	
	BEA #2966	Transfer GF funds from Medicaid to Admin for Dental PMPM 2nd Qtr	(\$416,733)	
	BEA #2967	Transfer NGF funds from Medicaid to Admin for Dental PMPM 2nd Qtr	(\$416,733)	
	BEA #4009	Transfer GF funds from Medicaid to Admin for Dental PMPM 3rd Qtr	(\$626,014)	
	BEA #4010	Transfer NGF funds from Medicaid to Admin for Dental PMPM 3rd Qtr	(\$626,014)	
	BEA #4815	Transfer GF funds from Medicaid to Admin for Dental PMPM 4th Qtr	(\$634,251)	
	BEA #4816	Transfer NGF funds from Medicaid to Admin for Dental PMPM 4th Qtr	(\$634,250)	
	BEA #5555	Increase federal appropriation for Medicaid	\$1,289,606	
				(\$1,791,957)
	Transportation Services	BEA #5555	Increase federal appropriation for Medicaid	\$730,139
			\$730,139	
All Other Services	Chapter 890 Appropriation Act Item	Forecast Adj to transfer MMIS claims processing base funding from Admin to Medical	(\$8,000,000)	
	Chapter 890 Appropriation Act Item	Forecast Adj to repay PIF grant for DME rate savings	\$170,000	
	Chapter 890 Appropriation Act Item	Forecast Adj to restore GF for eight (8) FMAP items for other HHR agencies	\$8,556,658	
	Chapter 890 Appropriation Act Item	Base Adj to fund the MMIS claims processing base funding for Admin	\$8,000,000	
	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$3,797,507	
	BEA #1911	Transfer GF to other agencies due to FMAP extension	(\$8,556,658)	
	BEA #4396	Transfer GF appropriation to TDO for year-end claims processing	(\$2,000,000)	
	BEA #4519	Transfer GF from Medicaid to FAMIS for year-end claims processing	(\$2,000,000)	
	BEA #4793	Transfer GF from Medicaid to Medicaid Expansion for year-end claims processing	(\$1,200,000)	
	BEA #5093	Transfer NGF appropriation from Medicaid to Admin	(\$51,653)	
	BEA #4794	Transfer NGF from to FAMIS for year-end claims processing	(\$7,500,000)	
	BEA #4797	Transfer NGF from to Medicaid Expansion for year-end claims processing	(\$4,500,000)	
	BEA #4530	Transfer GF from Medicaid to Admin for MMIS claims processing	(\$2,000,000)	
	BEA #4532	Transfer NGF from Medicaid to Admin for MMIS claims processing	(\$6,000,000)	
	BEA #5555	Increase federal appropriation for Medicaid	\$2,551,308	
			(\$18,732,837)	
Nursing Facility Services	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$11,062,040	
	BEA #5555	Increase federal appropriation for Medicaid	\$7,431,895	
			\$18,493,935	
Community-Based Waiver Services	Chapter 890 Appropriation Act Item	Forecast Adj to transfer Consumer-Directed PMPM base funding from Admin to Medical	(\$4,049,800)	
	Chapter 890 Appropriation Act Item	Base Adj to transfer Consumer-Directed PMPM base funding from Admin to Medical	\$4,049,800	
	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$14,890,322	
	BEA #4530	Transfer GF from Medicaid to Admin for Consumer-Directed PMPM	(\$2,024,900)	
	BEA #4532	Transfer NGF from Medicaid to Admin for Consumer-Directed PMPM	(\$2,024,900)	
	BEA #4936	Transfer GF from Medicaid to Admin for Consumer-Directed PMPM	(\$1,899,828)	
	BEA #4940	Transfer NGF from Medicaid to Admin for Consumer-Directed PMPM	(\$1,899,828)	
	BEA #5555	Increase federal appropriation for Medicaid	\$10,003,878	
			\$17,044,744	
Other Long-Term Care Services	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$1,738,291	
	BEA #5555	Increase federal appropriation for Medicaid	\$1,167,849	
			\$2,906,141	
State Plan Option Services	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$6,722,595	
	BEA #5555	Increase federal appropriation for Medicaid	\$4,516,492	
			\$11,239,087	
Mental Illness Services	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$575,245	
	BEA #5555	Increase federal appropriation for Medicaid	\$386,471	
			\$961,716	
MH/MR Case Management	Chapter 890 Appropriation Act Item	Restoring Medicaid payment delays to providers from FY12 to FY11	\$1,714,123	
	BEA #2380	Transfer GF from Medicaid to Admin (PA Mental Health)	(\$920,935)	
	BEA #5555	Increase federal appropriation for Medicaid	\$1,151,612	
			\$1,944,800	
Total Medicaid Funding Adjustments			\$245,112,347	
	Chapter 890 Appropriation Act Item	Technical adj increase federal appropriation for FMAP extension	\$835,865	
	BEA #0450	GF Transfer from CSA to 45608	\$28,759,663	
	BEA #0451	NGF Transfer from CSA to 45608	\$48,188,889	
Mental Health Services - CSA Transfers			\$77,784,417	
	Chapter 890 Appropriation Act Item	Technical adj increase federal appropriation for FMAP extension	\$22,302,253	
	Chapter 890 Appropriation Act Item	Update Behavioral Health Medicaid Appropriation	(\$1,031,896)	
	BEA #3846	GF transfer from DBHDS to increase appropriation	\$7,000,000	
MHMR Facility Reimbursements (45607)			\$28,270,357	

Medicaid

Department of Medical Assistance Services
Appendix A

Summary of FY 2011 Funding Adjustments to November 2010 Consensus Forecasts

	<u>Report Expense Categories</u>	<u>Source of Action</u>	<u>Reason for Action</u>	<u>Total</u>	
Non-Medicaid	FAMIS	BEA #2366	Transfer GF funds from FAMIS to Admin for Dental PMPM 1st Qtr	(\$59,526)	
		BEA #2368	Transfer NGF funds from FAMIS to Admin for Dental PMPM 1st Qtr	(\$110,549)	
		BEA #2966	Transfer GF funds from FAMIS to Admin for Dental PMPM 2nd Qtr	(\$31,048)	
		BEA #2967	Transfer NGF funds from FAMIS to Admin for Dental PMPM 2nd Qtr	(\$57,661)	
		BEA #4009	Transfer GF funds from FAMIS to Admin for Dental PMPM 3rd Qtr	(\$47,473)	
		BEA #4010	Transfer NGF funds from FAMIS to Admin for Dental PMPM 3rd Qtr	(\$88,164)	
		BEA #4519	Transfer GF from Medicaid for year-end claims processing	\$2,000,000	
		BEA #4792	Transfer GF from Medicaid for year-end claims processing	\$2,500,000	
		BEA #4794	Transfer NGF from Medicaid for year-end claims processing	\$7,500,000	
		BEA #4815	Transfer GF funds from FAMIS to Admin for Dental PMPM 4th Qtr	(\$49,215)	
		BEA #4816	Transfer NGF funds from FAMIS to Admin for Dental PMPM 4th Qtr	(\$91,398)	
		BEA #5189	Transfer GF from FAMIS to Medicaid Expansion for year-end claims processing	(\$500,000)	
		BEA #5572	Transfer GF to Medicaid to partially restore BEA #4519	(\$1,150,000)	
		Total FAMIS Funding Adjustments			
	M-CHIP	BEA #2366	Transfer GF funds from MCHIP to Admin for Dental PMPM 1st Qtr	(\$49,706)	
		BEA #2368	Transfer NGF funds from MCHIP to Admin for Dental PMPM 1st Qtr	(\$92,311)	
		BEA #2966	Transfer GF funds from MCHIP to Admin for Dental PMPM 2nd Qtr	(\$25,788)	
		BEA #2967	Transfer NGF funds from MCHIP to Admin for Dental PMPM 2nd Qtr	(\$47,892)	
		BEA #4009	Transfer GF funds for from MCHIP to Admin Dental PMPM 3rd Qtr	(\$38,552)	
		BEA #4793	Transfer GF from Medicaid for year-end claims processing	\$1,200,000	
BEA #4797		Transfer NGF from Medicaid for year-end claims processing	\$4,500,000		
BEA #4010		Transfer NGF funds from MCHIP to Admin for Dental PMPM 3rd Qtr	(\$71,597)		
BEA #4815		Transfer GF funds from MCHIP to Admin for Dental PMPM 4th Qtr	(\$38,080)		
BEA #4816		Transfer NGF funds from MCHIP to Admin for Dental PMPM 4th Qtr	(\$70,719)		
BEA #5189		Transfer GF from FAMIS to Medicaid Expansion for year-end claims processing	\$500,000		
BEA #5572		Transfer GF to Medicaid to partially restore BEA #4793	(\$300,000)		
Total M-CHIP Funding Adjustments				\$5,465,355	
TDO		BEA #4396	Transfer GF from Medicaid for year-end claims processing	\$2,000,000	
	BEA #5572	Transfer GF to Medicaid to partially restore BEA #4396	(\$1,050,000)		
Total TDO Funding Adjustments				\$950,000	
VHCF	Prior Year Recoveries / Revenue Maximization				
		Chapter 890 Appropriation Act Item	DPB Forecast adjustment	(\$4,403,119)	
		BEA #5093	Transfer NGF appropriation from Medicaid to Admin	\$51,653	
				(\$4,351,466)	
	Prior Year Pharmacy Rebates			\$0	
	Tobacco Tax Revenue			\$0	
	MSA Recoveries-Tobacco Agreement			\$0	
	Total Medicaid Recovery Adjustments				(\$4,351,466)