



COMMONWEALTH of VIRGINIA  
*Department of Medical Assistance Services*

CYNTHIA B. JONES  
DIRECTOR

SUITE 1300  
600 EAST BROAD STREET  
RICHMOND, VA 23219  
804/786-7933  
800/343-0634 (TDD)  
[www.dmas.virginia.gov](http://www.dmas.virginia.gov)

July 27, 2012

MEMORANDUM

TO: The Honorable Richard D. Brown  
The Honorable William A. Hazel Jr., M.D.

FROM: Cynthia B. Jones *CBJ*

SUBJECT: Fiscal Year 2012 Medicaid Expenditures

This report is submitted in compliance with Item 300.B of the 2011 Appropriation Act. The attached table presents Fiscal Year 2012 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 FY2011, as well as the percent change assumed in the Official 2011 Consensus Forecast, adjusted for amendments included in the 2012 Appropriation Act and other administrative adjustments. 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).

State Fiscal Year 2012 has closed and Medicaid expenditures were \$7.033 billion. This is a 1.9% decrease compared to expenditures in SFY 2011. A decrease was expected because SFY 2012 had only 51 weekly remittance payments and 11 MCO capitation payments, compared to 53 remittance payments and 13 capitation payments processed in SFY 2011. However the expected reduction in expenditures was less than actually occurred. The Medicaid year-end balance, total and state funds, is as follows.

Medicaid Year-End Balance

TOTAL FUNDS	STATE FUNDS
\$ 164,396,174	\$ 78,819,351

Please note that the state funds balance is mostly in the VHCF, not GF. Because of the managed care pharmacy rebates authorized by PPACA (effective for Rx services back to March 2010), there were significant prior-year recoveries in 2012. Because of a DOA requirement, prior year recoveries are first recorded in the VHCF. Then if they are needed to support expenditures, they can be converted to GF. As expenditures were less than anticipated, the funds were not all needed, and \$65.3 million was left in the VHCF; therefore \$13.6 million of the year-end balance is GF.

The table below lists the most significant unanticipated occurrences that contributed to expenditures being lower than forecast. Of the items listed, it should be noted that the 1st (delayed DSH payments) and 5th (low billing by DBHDS) are expected to result in increased expenditures in SFY 2013.

DSH payments delayed until FFY13 due to DSH Cap	\$36,600,000	\$18,300,000
More FFS Pharmacy rebates than projected	\$10,000,000	\$5,000,000
Respite initiative savings higher than projected	\$27,000,000	\$13,500,000
VICAP savings higher than projected	\$40,000,000	\$20,000,000
Low June billing by DBHDS facilities	\$21,000,000	\$10,500,000
TPL recoveries and school admin claiming higher than projected	\$12,300,000	\$12,300,000
<b>Subtotal of Contributing Factors</b>	<b>146,900,000</b>	<b>\$79,600,000</b>

cc: Daniel Timberlake, Department of Planning and Budget  
Joe Flores, Senate Finance Committee  
Susan Massart, House Appropriations Committee  
Seta Vandegrift/file

**Summary Report on Medical Expenditures / Recoveries  
For State Fiscal Year 2012**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Official Forecast	Funding Adjustments	Current Appropriation	Funded Growth Current Appropriation	FY 2012	FY 2011	FY % Change	Variance Amount %
<b>Managed Care</b>	1,552,717,634	44,000,000	1,596,717,634	-19.0%	1,673,798,123	1,972,189,570	-15.1%	77,080,489 4.8%
MCO Capitation Payments	1,689,217,634	0	1,689,217,634	-14.3%	1,698,213,794	1,972,189,570	-13.9%	8,996,161 0.5%
MCO Rebates	(136,500,000)	0	(136,500,000)		(135,735,908)			764,092 -0.6%
MCO PY Reclass	0	44,000,000	44,000,000		111,320,236			67,320,236
<b>Inpatient Hospital</b>	968,076,964	0	968,076,964	7.7%	914,983,999	898,514,298	1.8%	(53,092,966) -5.5%
Claims Payments	511,024,510	0	511,024,510		511,445,474	538,505,056	-5.0%	420,964 0.1%
IME/GME 3 qtrs	134,453,160	0	134,453,160		134,907,214			454,055 0.3%
Regular DSH 4th qtr/ 3 qtrs	92,091,264	0	92,091,264		92,091,263			(1) 0.0%
Enhanced DSH - FY11 payment	69,032,832	0	69,032,832		69,032,832			0 0.0%
Enhanced DSH - FY12 payment	98,729,770	0	98,729,770		72,575,566			(26,154,204) -26.5%
CPE (federal funds)	27,304,727	0	27,304,727		9,900,343			(17,404,384) -63.7%
M/S & COST SETTLEMENTS	35,440,702	0	35,440,702		25,031,306			(10,409,396) -29.4%
<b>Outpatient Hospital</b>	150,702,147	0	150,702,147	1.8%	144,473,746	147,977,983	-2.4%	(6,228,400) -4.1%
Physician Services	184,744,973	0	184,744,973	-0.1%	186,005,518	184,978,518	0.6%	1,260,545 0.7%
Pharmacy	119,741,641	(16,013,122)	103,728,518	-38.3%	152,538,897	168,154,027	-9.3%	48,810,379 47.1%
Gross Pharmacy	240,677,230	0	240,677,230	0.2%	225,923,991	240,098,999	-5.9%	(14,753,239) -6.1%
FFS Rebates	(120,935,589)	0	(120,935,589)	-3.7%	(130,919,505)	(125,644,163)	4.2%	(9,983,916) 8.3%
FFS PY Reclass	0	(16,013,122)	(16,013,122)	-129.8%	57,534,411	53,699,191	7.1%	73,547,533 -459.3%
<b>Medicare Premiums Part A &amp; B</b>	277,137,940	0	277,137,940	7.1%	274,859,053	258,804,736	6.2%	(2,278,888) -0.8%
Medicare Premiums Part D	182,022,257	0	182,022,257	27.0%	190,670,720	143,339,867	33.0%	8,648,463 4.8%
Dental Services	144,918,717	(2,438,006)	142,480,711	5.4%	135,406,664	135,220,782	0.1%	(7,074,048) -5.0%
Transportation Services	78,329,426	0	78,329,426	0.1%	78,811,053	78,266,927	0.7%	481,627 0.6%
All Other Services	269,683,156	(8,195,208)	261,487,948	3.0%	259,559,134	253,963,695	2.2%	(1,928,814) -0.7%
<b>Total General Medicaid</b>	<b>\$3,928,074,854</b>	<b>\$17,353,664</b>	<b>\$3,945,428,518</b>	<b>-7.0%</b>	<b>\$4,011,106,905</b>	<b>\$4,241,410,402</b>	<b>-5.4%</b>	<b>\$65,678,387 1.7%</b>
<b>Nursing Facility</b>	835,491,969	0	835,491,969	1.7%	824,210,343	821,922,491	0.3%	(11,281,626) -1.4%
Community-Based Waiver Services	1,171,730,450	(6,902,349)	1,164,828,101	10.6%	1,135,593,503	1,052,789,919	7.9%	(29,234,598) -2.5%
Other Long-Term Care	109,080,205	0	109,080,205	15.1%	108,001,217	94,749,949	14.0%	(1,078,988) -1.0%
<b>Total Long-Term Care</b>	<b>\$2,116,302,625</b>	<b>(\$6,902,349)</b>	<b>\$2,109,400,276</b>	<b>7.1%</b>	<b>\$2,067,805,064</b>	<b>\$1,969,462,359</b>	<b>5.0%</b>	<b>(\$41,595,212) -2.0%</b>
<b>State Plan Option Services</b>	511,331,638	(5,295,151)	506,036,487	9.4%	458,881,646	462,664,937	-0.8%	(47,154,841) -9.3%
Mental Illness Services	36,510,562	0	36,510,562	-21.1%	46,516,950	46,302,138	0.5%	10,006,388 27.4%
ID/MH Case Management	134,243,868	0	134,243,868	5.3%	125,031,295	127,530,197	-2.0%	(9,212,573) -6.9%
<b>Total Mental Health</b>	<b>\$682,086,068</b>	<b>(\$5,295,151)</b>	<b>\$676,790,917</b>	<b>6.3%</b>	<b>\$630,429,892</b>	<b>\$636,497,272</b>	<b>-1.0%</b>	<b>(\$46,361,025) -6.9%</b>
<b>Total Medicaid Expenditures</b>	<b>\$6,726,463,547</b>	<b>\$5,156,164</b>	<b>\$6,731,619,711</b>	<b>-1.7%</b>	<b>\$6,709,341,861</b>	<b>\$6,847,370,032</b>	<b>-2.0%</b>	<b>(\$22,277,850) -0.3%</b>
Federal Funding (9)	3,299,070,380	13,723,832	3,312,794,212	-17.1%	3,293,602,939	3,996,848,675	-17.6%	(19,191,273) -0.6%
State Appropriation (10)	3,427,393,166	(8,567,668)	3,418,825,498	19.9%	3,415,738,921	2,850,521,357	19.8%	(3,086,577) -0.1%
<b>Mental Health Services-CSA</b>		75,213,945	75,213,945	12.9%	64,035,705	66,623,166	-3.9%	(11,178,240) -14.9%
Federal Funds		43,187,748	43,187,748	8.6%	32,017,852	39,777,925	-19.5%	(11,169,896) -25.9%
State Funds		32,026,197	32,026,197	19.3%	32,017,852	26,845,241	19.3%	(8,345) 0.0%
<b>MHMR Facility Reimbursements</b>	263,128,980	0	263,128,980	4.3%	259,994,790	252,176,028	3.1%	(3,134,190) -1.2%
Federal Funds	131,564,490	-	131,564,490	-14.6%	138,943,937	154,089,477	-9.8%	7,379,447 5.6%
State Funds	131,564,490	-	131,564,490	34.1%	121,050,853	98,086,551	23.4%	(10,513,637) -8.0%
<b>Total Medicaid Program (456)</b>	<b>\$6,989,592,527</b>	<b>\$80,370,109</b>	<b>\$7,069,962,636</b>	<b>-1.3%</b>	<b>\$7,033,372,355</b>	<b>\$7,166,169,226</b>	<b>-1.9%</b>	<b>(\$36,590,280) -0.5%</b>
Federal Funding (456)	3,430,634,870	56,911,580	3,487,546,450	-16.8%	3,464,564,729	4,190,716,078	-17.3%	(22,981,722) -0.7%
State Appropriation (456)	3,558,957,656	23,458,529	3,582,416,185	20.4%	3,568,807,626	2,975,453,149	19.9%	(13,608,559) -0.4%
<b>Non-Medicaid</b>								
<b>FAMIS Expenditures (446)</b>	<b>\$141,238,863</b>	<b>\$1,224,160</b>	<b>\$142,463,023</b>	<b>0.4%</b>	<b>\$138,145,983</b>	<b>\$141,878,111</b>	<b>-2.6%</b>	<b>(\$4,317,040) -3.0%</b>
Federal Funding	91,805,261	1,324,204	93,129,465	0.6%	90,453,033	92,595,910	-2.3%	(2,676,432) -2.9%
State Appropriation (11)	49,433,602	(100,044)	49,333,558	0.1%	47,692,950	49,282,201	-3.2%	(1,640,608) -3.3%
<b>M-CHIP Expenditures (466)</b>	<b>\$115,425,885</b>	<b>(\$2,044,113)</b>	<b>\$113,381,772</b>	<b>-7.2%</b>	<b>\$110,252,404</b>	<b>\$122,224,387</b>	<b>-9.8%</b>	<b>(\$3,129,368) -2.8%</b>
Federal Funding	75,026,825	(1,857,173)	73,169,652	-8.5%	72,154,991	79,991,037	-9.8%	(1,014,662) -1.4%
State Appropriation	40,399,060	(186,940)	40,212,120	-4.8%	38,097,413	42,233,350	-9.8%	(2,114,706) -5.3%
<b>TDO Expenditures (321)</b>	<b>\$13,006,194</b>	<b>\$0</b>	<b>\$13,006,194</b>	<b>-2.3%</b>	<b>\$11,776,772</b>	<b>\$13,308,535</b>	<b>-11.5%</b>	<b>(1,229,422) -9.5%</b>
State Appropriation	13,006,194	0	13,006,194	-2.3%	11,776,772	13,308,535	-11.5%	(1,229,422) -9.5%
<b>VHCF</b>								
Prior Year Recoveries/Rev Max	(38,314,509)	(3,920,856)	(42,235,365)	0.4%	(40,593,820)	(42,078,722)	-3.5%	1,641,545 -3.9%
Prior Year Pharmacy Rebates	0	(44,000,000)	(44,000,000)	113.2%	(84,427,323)	(20,637,578)	309.1%	(40,427,323) 91.9%
<b>Total Medicaid Recoveries</b>	<b>(\$38,314,509)</b>	<b>(47,920,856)</b>	<b>(86,235,365)</b>	<b>37.5%</b>	<b>(\$125,021,144)</b>	<b>(\$62,716,300)</b>	<b>99.3%</b>	<b>(38,785,779) 45.0%</b>
Tobacco Tax Revenue	(179,200,000)	0	(179,200,000)	3.1%	(192,452,500)	(173,733,021)	10.8%	(13,252,500) 7.4%
MSA Recoveries-Tobacco Agreement	(48,185,674)	0	(48,185,674)	0.00%	(49,136,226)	(48,184,674)	2.0%	(950,552) 2.0%
<b>Total Tobacco Tax Revenue</b>	<b>(\$227,385,674)</b>	<b>\$0</b>	<b>(227,385,674)</b>	<b>2.5%</b>	<b>(\$241,588,726)</b>	<b>(\$221,917,695)</b>	<b>8.9%</b>	<b>(14,203,052) 6.2%</b>
<b>Beginning Balance/0220 Transfers</b>	<b>(\$13,883,524)</b>	<b>\$0</b>	<b>(13,883,524)</b>	<b>104.5%</b>	<b>(\$26,183,524)</b>	<b>(\$6,790,192)</b>	<b>285.6%</b>	<b>(12,300,000) 88.6%</b>
<b>Total VA Health Care Fund</b>	<b>(\$279,583,707)</b>	<b>(\$47,920,856)</b>	<b>(327,504,563)</b>	<b>12.4%</b>	<b>(\$392,793,394)</b>	<b>(\$291,424,187)</b>	<b>34.8%</b>	<b>(65,288,831) 19.9%</b>

- (1) Official Medicaid Consensus Forecast, November 15, 2011.
- (2) Include actions taken during the General Assembly session and Budget Execution Adjustment (BEA) transfers.
- (3) Equals Official Forecast (1), plus/minus Funding Adjustments (2) The current appropriation reconciles to Chapter 2 plus/minus all BEA transactions.
- (4) Percent increase/(decrease) in current appropriation (3) over total FY 2011 expenditures.
- (5) Expenditures through SFY2012 June 2012, per CARS database.
- (6) Expenditures through SFY2011 June 2011, per CARS database.
- (7) Percent increase/(decrease) in year-to-date expenditures from fiscal year 2011 (6) to fiscal year 2012 (5).
- (8) Equals the amount and percentage variance of SFY 2012 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.