



COMMONWEALTH of VIRGINIA  
*Department of Medical Assistance Services*

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DIRECTOR

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September 12, 2018

The Honorable Thomas K. Norment, Jr., Co-Chair  
The Honorable Emmett W. Hanger, Jr., Co-Chair  
Senate Finance Committee  
Pocahontas Building  
14th Floor  
900 East Main Street  
Richmond, VA 23219

The Honorable S. Chris Jones, Chairman  
House Appropriations Committee  
Pocahontas Building  
13th Floor  
900 East Main Street  
Richmond, VA 23219

Mr. Daniel Timberlake, Director  
Department of Planning and Budget  
1111 East Broad St, Ste. 5040  
Richmond, VA 23219

I am writing pursuant to the requirement in item 307.D in the final budget for the 2018-2020 biennium to notify the Director, Department of Planning and Budget, and the Chairmen of the House Appropriations and Senate Finance Committees regarding any change in capitated rates for managed care companies to include the amount of the rate increase or decrease and the projected impact on the state budget.

On July 25, 2018, the Department finalized the Medallion 4.0 rates for the contract period August 2018 through June 2019. Compared to the assumptions in the official forecast and the Medallion 3.0 changes effective July 1, 2018, the final Medallion 4.0 rates reflected the following additional changes:

- Revision of the core formulary adjustment to a detailed analysis
- Revision to the Hepatitis C treatment adjustment based on current experience
- Revision of trend

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- Revision of the administrative load to reflect new requirements in the contract
- Revisions to the TPL factors
- Revisions to managed care savings for Community Mental Health Rehabilitation Services due to rating periods being shorter than 12 months
- The introduction of a seasonality adjustment due to rating periods being shorter than 12 months

These changes resulted in an overall decrease of 1.81% in Medallion 4.0 rates effective August 1, 2018 relative to the official forecast with a fiscal impact of -\$31,933,462 (-\$14,785,992 GF).

There were other rate increases to directed payments to EVMS and UVA/VCU physicians. While these changes increased the rates, these increases are accounted for separately in the budget, because EVMS provides for the state share of any payments and there are offsetting reductions in other payments to UVA and VCU.

If you have any questions about the information in this letter, please feel free to contact me or William Lessard, the Director of Provider Reimbursement, at 804-225-4593 or [william.lessard@dmas.virginia.gov](mailto:william.lessard@dmas.virginia.gov)

Sincerely,



Jennifer Lee, MD