



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

CHERYL ROBERTS
DIRECTOR

SUITE 1300
600 EAST BROAD STREET
RICHMOND, VA 23219
804/786-7933
804/343-0634 (TDD)

October 21, 2025

MEMORANDUM

TO: The Honorable Luke Torian
Chair, House Appropriations Committee

The Honorable Louise Lucas
Chair, Senate Finance and Appropriations Committee

Michael Maul
Director, Virginia Department of Planning and Budget

Sean Connaughton
CEO, Virginia Hospital and Healthcare Association

FROM: Cheryl J. Roberts
Director, Virginia Department of Medical Assistance Services

SUBJECT: Report on Coverage Assessment and Provider Payment Rate Assessment

This report is submitted in compliance with Item 3-5.14.E. of the 2025 Appropriations Act and Item 3-5.15.G. of the 2025 Appropriation Act, which states:

3-5.14.E. DMAS shall submit a report, due September 1 of each year, to the Director, Department of Planning and Budget and Chairs of the House Appropriations and Senate Finance and Appropriations Committees, and the Virginia Hospital and Healthcare Association. The report shall include, for the most recently completed fiscal year, the revenue collected from the coverage assessment, expenditures for purposes authorized by this Item, and the year-end coverage assessment balance in the Health Care Coverage Assessment Fund. The report shall also include a complete and itemized listing of all administrative costs included in the coverage assessment.

3-5.15.G. DMAS shall submit a report, due September 1 of each year, to the Director, Department of Planning and Budget and Chairs of the House Appropriations and Senate Finance and Appropriations Committees, and the Virginia Hospital and Healthcare Association. The report shall include, for the most recently completed fiscal year, the revenue

collected from the coverage assessment, expenditures for purposes authorized by this Item, and the year-end coverage assessment balance in the Health Care Coverage Assessment Fund. The report shall also include a complete and itemized listing of all administrative costs included in the coverage assessment.

Should you have any questions or need additional information, please feel free to contact me at (804) 664-2660.

CJR/wrf

Enclosure

Pc: The Honorable Janet Kelly, Secretary of Health and Human Resources

Report on Coverage Assessment and Provider Payment Rate Assessment

September 2025

Report Mandate:

Item 3-5.14 of the 2025 Appropriation Act states: “E. DMAS shall submit a report, due September 1 of each year, to the Director, Department of Planning and Budget and Chairs of the House Appropriations and Senate Finance and Appropriations Committees, and the Virginia Hospital and Healthcare Association. The report shall include, for the most recently completed fiscal year, the revenue collected from the coverage assessment, expenditures for purposes authorized by this Item, and the year-end coverage assessment balance in the Health Care Coverage Assessment Fund. The report shall also include a complete and itemized listing of all administrative costs included in the coverage assessment.”

Item 3-5.15 of the 2025 Appropriation Act states: “DMAS shall submit a report due September 1 of each year to the Director, Department of Planning and Budget and Chairs of the House Appropriations and Senate Finance and Appropriations Committees. The report shall include, for the most recently completed fiscal year, the revenue collected from the payment rate assessment, expenditures for purposes authorized by this item, and the year-end assessment balance in the Health Care Provider Payment Rate Assessment Fund.”

Overview

States are allowed to “generate their share of Medicaid expenditures through multiple sources, including health care-related taxes,

sometimes referred to as provider taxes, fees or assessments” under the Medicaid statute.¹

The Department of Medical Assistance Services (DMAS) is authorized by the General Assembly to levy two assessments on private acute care hospitals operating in Virginia – the coverage assessment and the provider payment rate assessment. Monthly reports on these provider assessments are posted on the DMAS website at <https://www.dmas.virginia.gov/data/financial-reports/>.

Coverage Assessment

In January 2019, Virginia expanded eligibility for the Medicaid program under the Patient Protection and Affordable Care Act to include caretaker adults and childless adults aged 19-64 with incomes up to 138% of the Federal Poverty Level. The state receives 90% Federal Medical Assistance Percentage (FMAP) for medical services provided to the Medicaid Expansion, hereafter referred to as “MedEX”, population. The coverage assessment is used to cover the non-federal share of the full cost of MedEX, including any and all Medicaid expenditures related to individuals eligible for coverage and the administrative costs associated with providing the coverage and collecting the coverage assessment. This

¹ *Health Care-Related Taxes in Medicaid, MACPAC. May 2021. [https://www.macpac.gov/wp-](https://www.macpac.gov/wp-content/uploads/2020/01/Health-Care-Related-Taxes-in-Medicaid.pdf)*

content/uploads/2020/01/Health-Care-Related-Taxes-in-Medicaid.pdf

revenue is deposited into the Health Care Coverage Assessment Fund. The following table reflects the Health Care Coverage Assessment Fund balance as of June 30, 2025. Out of the \$678M collected in FY25, 91% of the revenue was spent. The remaining revenue is added to the fund balance and deducted from the next quarterly coverage assessment.

Health Care Coverage Assessment Fund	
Beginning Balance, as of July 1, 2024	\$ 177,455,433
Add: Assessment Collections	678,281,329
Less: Total Expenditures	(614,330,312)
Ending Balance, as of June 30, 2025	241,406,450

The following table summarizes the FY25 MedEx expenditures paid for using the Health Care Coverage Assessment Fund. These amounts do not include the portion of costs paid using federal funds. Additional details can be found in Appendix A and B.

FY25 MedEx Expenditures: Coverage Assessment

	FY25 Appropriation	FY25 Actuals	% of Appropriation Spent
Payments for MedEx Healthcare Coverage	624,537,995	600,803,365	96%
Administrative Costs	9,536,954	9,343,633	98%
Dept of Social Services Administrative Costs	6,628,196	6,628,196	100%
Enrollment and Utilization Related Contracts	4,317,335	4,177,997	97%
Total	645,020,480	620,953,191	96%

Category Definitions:

Payments for MedEx Healthcare Coverage: Payments for medical services provided to Medicaid Expansion population under the service area *Payments for Healthcare Coverage for Low-Income Uninsured Adults (45611)*.

Administrative Costs: The expenditure amount for administrative contracts and staffing allocated to MedEx under the service area *General Management and Direction (49901)*.

Dept of Social Services Administrative Costs: Expenditures include contracts and staffing related to eligibility determination.

Enrollment and Utilization Contracts: The expenditure amount for enrollment and utilization related contracts allocated to MedEx under the services area *Medicaid Payments for Enrollment and*

Utilization Related Contracts (49601).

Provider Payment Rate Assessment

Private acute care hospitals pay a payment rate assessment. The proceeds of the assessment are used to fund private acute care hospital enhanced payments. As described in Item 3-5.15 of the 2025 Appropriation Act, these supplemental payments cover an increase in inpatient and outpatient payment rates paid to private acute care hospitals operating in Virginia up to the upper payment limit gap and fill the “managed care organization hospital payment gap” for care provided to recipients of medical assistance services. In addition to the enhanced payments to private acute care hospitals, the revenue may also be used to fund the administrative costs of collecting the assessment and of implementing and operating the associated payment rate actions. Below is a summary of the Health Care Provider Payment Rate Assessment Fund. In FY25, all expenditures using the rate assessment fund were related to funding the non-federal portion of enhanced payments; there were no administrative expenditures funded through the rate assessment fund.

Health Care Provider Payment Rate Assessment Fund	
Beginning Balance, as of July 1, 2024	\$ 1,899,061
Add: Assessment Collections	1,064,487,172
Less: Total Expenditures	(1,063,115,508)
Ending Balance, as of June 30, 2025	3,270,725

Appendix A: Coverage Assessment, FY25 MedEx Expenditures: Administrative

Administrative Costs	All Funds	Coverage Assessment
CoverVA - Operational	12,914,346	3,358,601
31 Full-time Equivalents	4,110,616	2,055,308
Enrollment Broker	1,109,143	698,000
Enterprise Data Warehouse	2,388,214	597,053
Fiscal Agent Services - Operational	943,808	471,904
Integration Services Solution	1,275,990	318,997
CoverVA - Postage	533,663	266,831
Expansion Impact Evaluation	436,784	218,392
Agency Mailings	326,669	163,335
Provider Services Solution	581,559	145,357
Project Connect Outreach	313,474	114,930
External Quality Review Organization	546,552	110,611
Pharmacy Benefit Management System	438,691	109,673
Appeals Information Management System	394,719	98,680
Fiscal Agent Services - Postage	175,607	87,804
Marketing Outreach	195,843	48,961
Upper Payment Limit Audits	41,547	22,148
Total	26,727,226	8,886,586

Enrollment and Utilization Related Contracts	FY25 MedEx Expenditures, All Funds	FY25 MedEx Expenditures, Coverage Assessment
Claims Processing	\$ 4,593,291	\$ 883,526
Behavioral Health Service Authorization Per Member Per Month (PMPM)	2,072,625	792,931
Dental PMPM	3,629,671	1,814,836
Service Authorization	1,484,074	491,310
Total	11,779,661	3,982,603

Appendix B: Coverage Assessment, FY25 MedEx Expenditures: Medical

	Appropriation ¹		Actuals		Balance Remaining	
	Total Funds	Special Funds	Total Funds	Special Funds	Total Funds	Special Funds
General Medical Care: MCOs²	5,082,800,491	508,280,049	4,921,370,558	493,583,118	161,429,933	14,696,932
Capitation Payments: Low-Income Adults & Children	3,680,114,844	368,011,484	3,543,984,204	354,205,745	136,130,640	13,805,739
Capitation Payments: CCC+ Program	1,713,079,699	171,307,970	1,798,340,582	179,795,163	(85,260,883)	(8,487,193)
MCO Pharmacy Rebates	(310,394,052)	(31,039,405)	(420,954,228)	(40,417,790)	110,560,176	9,378,385
General Medical Care: Fee-For-Service	556,809,443	55,680,944	563,309,403	81,823,117	(6,499,960)	(26,142,173)
Inpatient Hospital	192,794,953	19,279,495	222,402,100	22,235,075	(29,607,147)	(2,955,580)
Outpatient Hospital	50,868,182	5,086,818	46,708,168	4,668,059	4,160,014	418,759
Physician/Practitioner Services	34,163,543	3,416,354	32,939,239	10,266,133	1,224,304	(6,849,779)
Clinic Services	9,149,746	914,975	7,783,402	773,204	1,366,344	141,771
IHC Clinic Regular FMAP	38,345,020	3,834,502	33,027,542	3,302,754	(33,027,542)	(3,302,754)
Pharmacy	13,978,240	1,397,824	12,833,421	1,282,855	1,144,819	114,969
FFS Pharmacy Rebates	(3,866,519)	(386,652)	(4,956,153)	(458,979)	1,089,634	72,327
Medicare Premiums Part A & B	15,785,760	1,578,576	7,061,517	948,116	8,724,243	630,460
Medicare Premiums Part D	19,219,146	1,921,915	22,027,962	22,027,962	(2,808,816)	(20,106,048)
Dental	164,327,923	16,432,792	158,974,036	15,897,403	5,353,887	535,389
Transportation	6,961,833	696,183	5,824,184	582,290	1,137,649	113,894
Indian Health Clinics (100% Fed)	11,912,094	1,191,209	15,701,190	-	(3,789,096)	1,191,209
All Other	3,169,522	316,952	2,982,796	298,244	186,726	18,708
Behavioral Health & Rehabilitative Services	15,799,912	1,579,991	17,915,663	1,791,324	(2,115,751)	(211,333)
MH Case Management	164,188	16,419	673,041	67,302	(508,853)	(50,884)
MH Residential Services	-	-	24,840	2,484	(24,840)	(2,484)
MH Rehabilitative Services	15,574,274	1,557,427	16,848,023	1,684,562	(1,273,749)	(127,134)
Early Intervention & EPSDT-Authorized Services	61,450	6,145	369,759	36,976	(308,309)	(30,831)
Long-Term Care Services	98,549,283	9,854,928	90,246,953	9,023,999	8,302,330	830,929
Nursing Facility	37,709,706	3,770,971	9,858,808	985,828	27,850,898	2,785,142
Private ICF/MRs	693,997	69,400	3,399,390	339,934	(2,705,393)	(270,535)
PACE	864,920	86,492	6,234,626	623,458	(5,369,706)	(536,966)
HCBC Waivers: Personal Support	2,391,308	239,131	13,925,882	1,392,169	(11,534,574)	(1,153,038)
HCBC Waivers: Habilitation	55,799,128	5,579,913	49,651,255	4,964,964	6,147,873	614,948
HCBC Waivers: Nursing, EM/AT, Adult Day Care, Alzheimers	481,155	48,116	3,449,488	344,939	(2,968,333)	(296,823)
HCBC Waivers: Case Management & Support	609,069	60,907	3,727,505	372,707	(3,118,436)	(311,800)
Hospital Payments³	210,047,721	49,142,082	192,007,785	14,581,807	18,039,936	34,560,275
Total Medicaid EXPANSION Expenditures (coverage)	\$5,964,006,850	\$624,537,995	\$5,784,850,363	\$600,803,365	\$179,156,487	\$23,734,630
Federal Funds	5,339,468,858	-	5,184,046,998	-	155,421,857	-
Coverage Assessment	624,537,995	624,537,995	600,803,365	600,803,365	23,734,630	23,734,630
Revenue (PY Pharmacy Rebates, Recoveries, & Interest on Coverage Assessment)⁴				(\$93,989,865)		

¹Chapter 725 Appropriation

²General Assembly and Intra-Agency Budget Adjustments

³This is not calculated as 10% of total because it is a net of IGT Funded-PSP Expansion

⁴This number is negative because it is revenue received that offsets collections from the hospitals. Q4 included a credit of \$67,248,908, which represents credits in FM01-FM03.

About DMAS and Medicaid

The mission of the Virginia Medicaid agency is to improve the health and well-being of Virginians through access to high-quality health care coverage. The Department of Medical Assistance Services (DMAS) administers Virginia's Medicaid and CHIP programs for over 2 million Virginians. Members have access to primary and specialty health services, inpatient care, dental, behavioral health as well as addiction and recovery treatment services. In addition, Medicaid long-term services and supports enable thousands of Virginians to remain in their homes or to access residential and nursing home care.

Medicaid members historically have included children, pregnant women, parents and caretakers, older adults, and individuals with disabilities. In 2019, Virginia expanded the Medicaid eligibility rules to make health care coverage available to more than 600,000 newly eligible, low-income adults.

Medicaid and CHIP (known in Virginia as Family Access to Medical Insurance Security, or FAMIS) are jointly funded by Virginia and the federal government under Title XIX and Title XXI of the Social Security Act. Virginia generally receives an approximate dollar-for-dollar federal spending match in the Medicaid program. Medicaid expansion qualifies the Commonwealth for a federal funding match of no less than 90% for newly eligible adults, generating cost savings that benefit the overall state budget.