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# **Overview of DMAS Budget Provisions: *Introduced Budget***

*Presentation to the*  
**House Appropriations Committee**

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Department of Medical Assistance Services

January 16, 2009

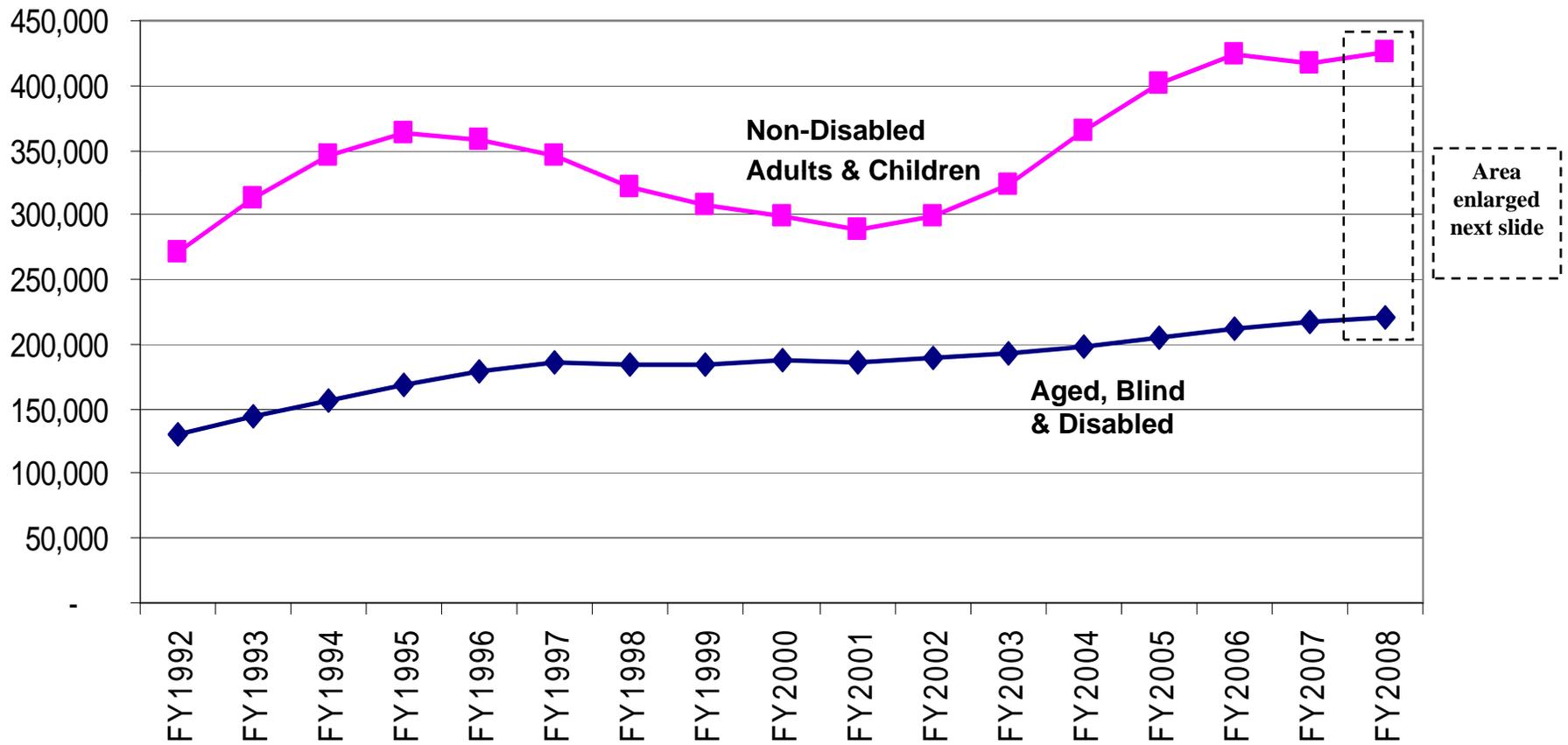
# Total DMAS Funding - Introduced Budget

	Total Funds in Millions	
	FY2009	FY2010
<b>Base Appropriation</b>	<b>\$5,841.80</b>	<b>\$6,165.20</b>
<b>Proposed Funding Items</b>	<b>\$276.5</b>	<b>\$274.9</b>
<b>Proposed Reductions</b>	<b>(\$269.8)</b>	<b>(\$140.7)</b>
<b>Total Proposed Budget</b>	<b>\$5,848.50</b>	<b>\$6,299.60</b>
*Totals may not sum due to rounding.		

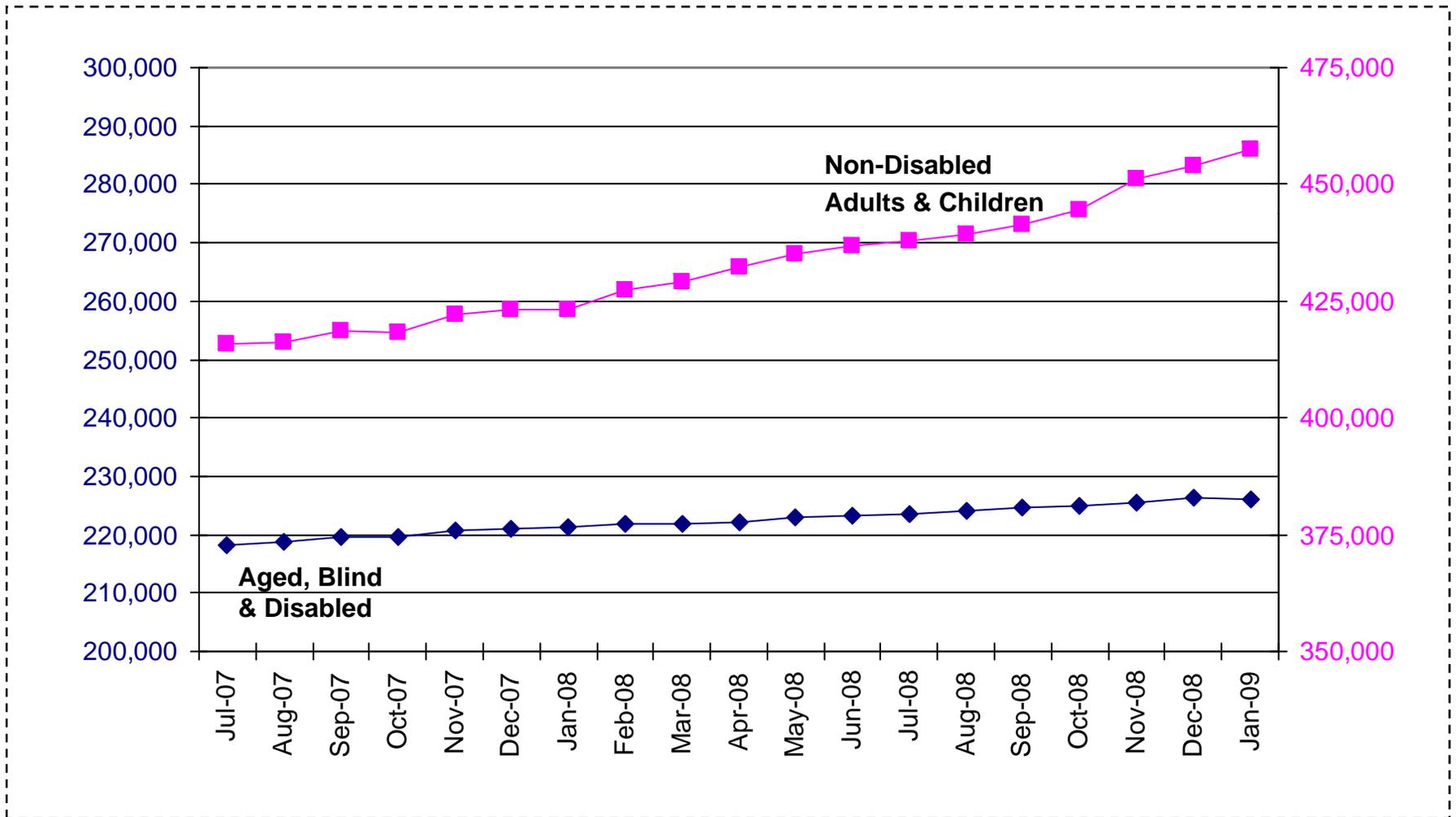
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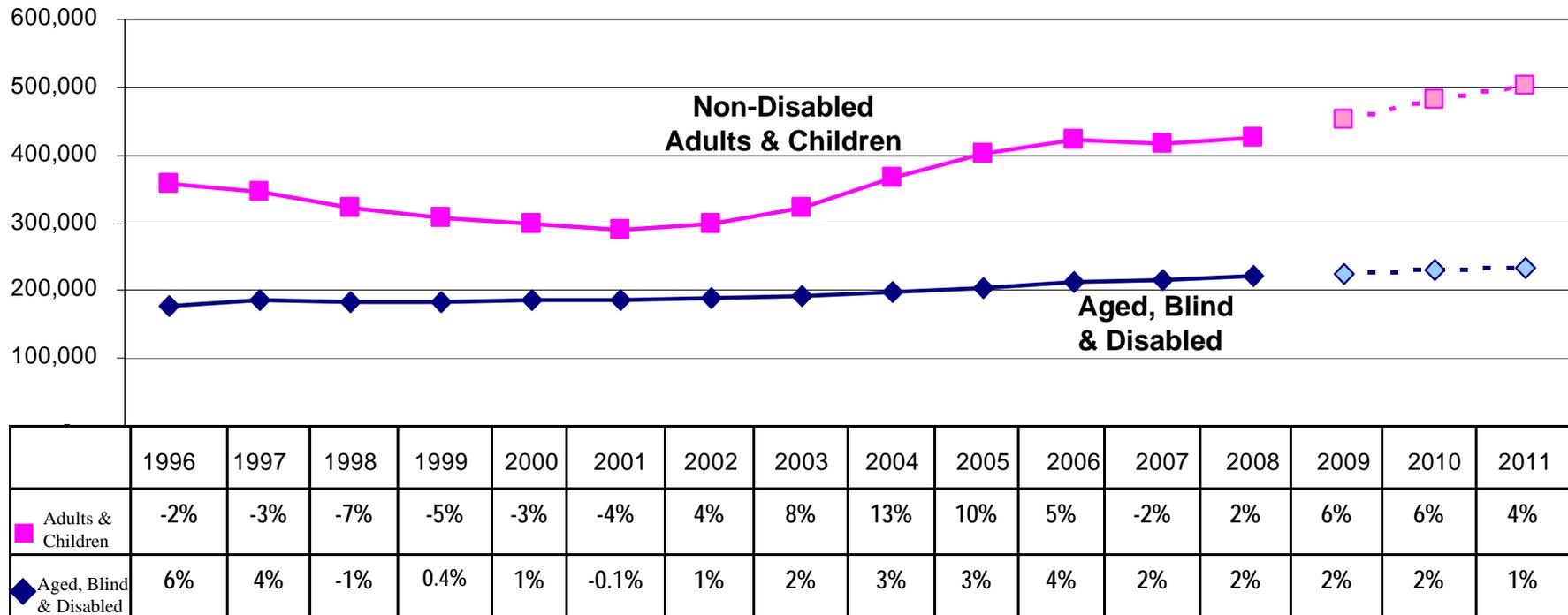
# Medicaid Enrollment Trends



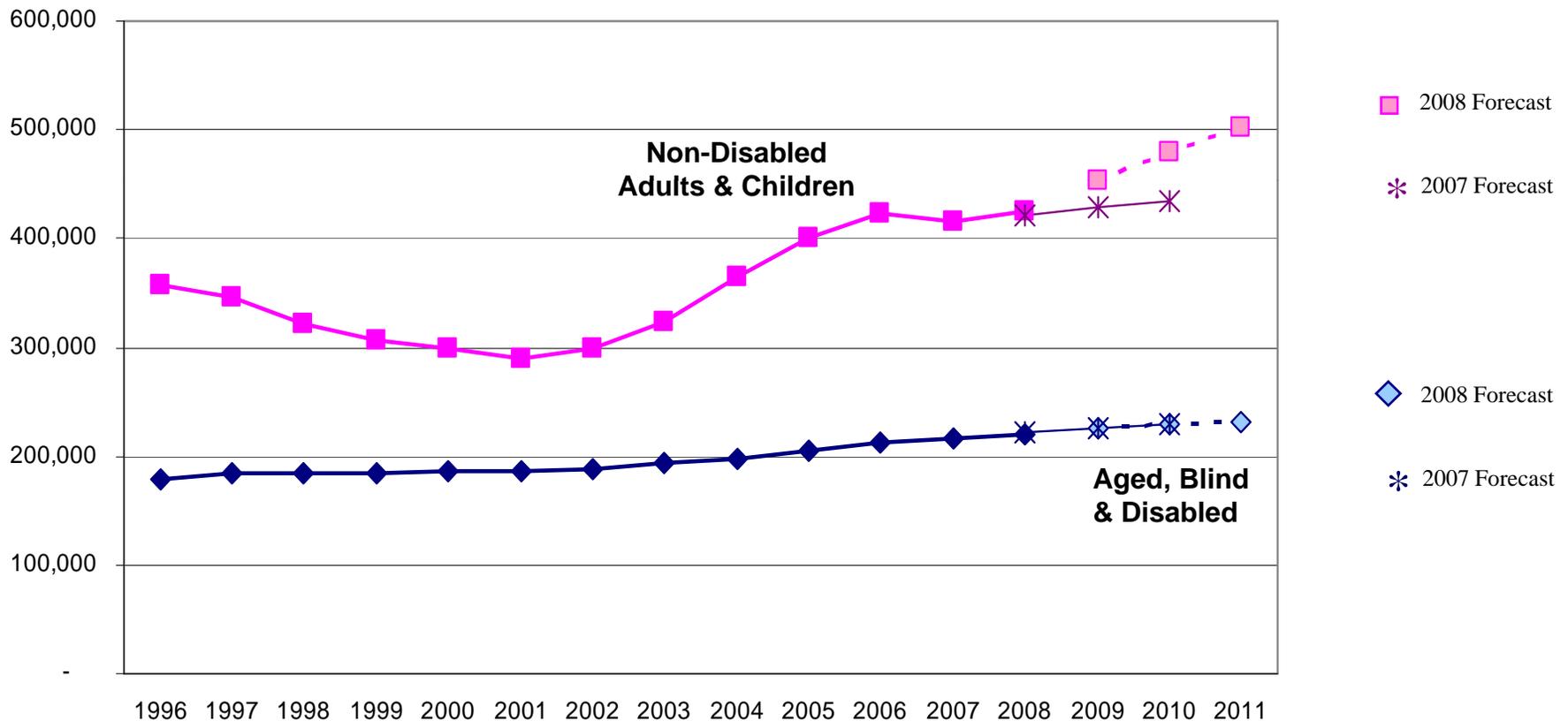
# Medicaid Enrollment Trends



# Medicaid Enrollment Projections



# Medicaid Enrollment Projections



# Medicaid Enrollment Trends

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- **Total Medicaid enrollment grew 9.1% in FY 2004, 7.6% in FY 2005 and 4.9% in FY 2006. Enrollment decreased in FY 2007 by 0.4% and increased in FY 2008 by 2%.**
- **The decrease in FY 2007 is believed to be a direct result of implementation of the new federal citizenship and identity requirements on July 1, 2006.**
- **The consensus forecast projects total enrollment growth of 5.1% in FY 2009, 4.6% in FY 2010 and 3.4% in FY 2011.**

# Forecast Drivers

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- **The current Medicaid expenditure forecast for FY 2009 and FY 2010 reflects:**
  - **Higher enrollment growth**
  - **Relatively modest growth in utilization**
  - **Little growth in unit cost because inflation adjustments have been excluded**
  - **Continued significant growth in community mental health service expenditures and community long-term care waiver service expenditures**

# Proposed Funding Items

- **Medicaid Expenditure Forecast:**

*Adjustment in DMAS' appropriation for the Medicaid program to reflect the current forecast of expenditures for this program.*

	Funds in Millions		
	GF	NGF	Total
<b>FY2009</b>	<b>\$133.8</b>	<b>\$129.5</b>	<b>\$263.3</b>
<b>FY2010</b>	<b>\$134.6</b>	<b>\$115.2</b>	<b>\$249.8</b>

- **FAMIS/SCHIP Expenditure Forecast:**

*Adjustment in DMAS' appropriation for the Family Access to Medical Insurance Security Plan (FAMIS) and SCHIP Medicaid Expansion to reflect the current forecast for these programs.*

	Funds in Millions		
	GF	NGF	Total
<b>FY2009</b>	<b>\$4.3</b>	<b>\$8.0</b>	<b>\$12.3</b>
<b>FY2010</b>	<b>\$7.3</b>	<b>\$13.7</b>	<b>\$21.0</b>

# Proposed Funding Items

- **Increase Consumer-Directed Personal Care Rates:**

*Funds a three percent rate increase for providers of consumer-directed personal care, respite care, and companion care in the EDCD, MR/ID, DD, and HIV/AIDS home and community based long-term care waivers.*

	Funds in Millions		
	GF	NGF	Total
<b>FY2009</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FY2010</b>	<b>\$1.7</b>	<b>\$1.7</b>	<b>\$3.4</b>

# Total DMAS Funding - Introduced Budget

	Total Funds in Millions	
	FY2009	FY2010
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<b>Proposed Funding Items</b>	<b>\$276.5</b>	<b>\$274.9</b>
<b>Proposed Reductions</b>	<b>(\$269.8)</b>	<b>(\$140.7)</b>
<b>Total Proposed Budget</b>	<b>\$5,848.50</b>	<b>\$6,299.60</b>
*Totals may not sum due to rounding.		

# Proposed Budget Reductions

## ■ October 2008 Budget Reduction Plan:

*Adjustment in DMAS' appropriation to reflect the reductions announced by Governor Kaine in October 2008 for FY 2009. For DMAS, the reductions included the following:*

	Funds in Millions		
	GF	NGF	Total
<b>FY2009</b>	<b>(\$7.5)</b>	<b>(\$6.5)</b>	<b>\$0</b>
<b>FY2010</b>	<b>(\$8.4)</b>	<b>(\$7.6)</b>	<b>\$0</b>

- Suspend the Indigent Health Care Trust Fund
- Capture higher than expected rebates on physician-administered drugs & institutional drugs
- Eliminate optional secondary Mental Illness/Mental Retardation screening for waiver recipients
- Enhance pharmacy management initiatives
- Implement provider claim check edits
- Redesign FAMIS program outreach activities
- Reduce discretionary administrative expenditures
  - 46 positions eliminated

# Proposed Budget Reductions

## ■ Provider Payment Schedules:

*Generates one-time savings in FY 2009*

- Change the monthly payment schedule for Managed Care Organizations beginning in June 2009 to lag three to four weeks
- Change the payment schedule for the fourth quarter hospital DSH and medical education payments to the first quarter the following year
- Change the payment schedule for fee-for-service provider claims from a one week billing lag to a two-week billing lag
- Delay payment of the June 2009 Medicare Part A and B Premium to the federal government into July 2009. The federal government allows a 20-day interest-free grace period for payment. The Medicare Part D premiums are already paid in July.

	Funds in Millions		
	GF	NGF	Total
FY2009	(\$126.5)	(\$126.5)	(\$253.0)
FY2010	\$0	\$0	\$0

# Proposed Budget Reductions

## ■ Provider Reimbursement Rates:

- Modify reimbursement methodology for long-stay hospitals
- Reduce congregate residential services rate increase

	Funds in Millions		
	GF	NGF	Total
<b>FY2009</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FY2010</b>	<b>(\$24.4)</b>	<b>(\$23.7)</b>	<b>(\$48.1)</b>

- Reduce hospital capital reimbursement from 80% of allowable costs to 75%; reduce percentage of allowable costs hospitals are paid for inpatient services from 78% to 75% for acute and rehabilitation facilities and from 84% to 81% for inpatient psychiatric
- Reduce rates paid for freestanding psychiatric facilities by rebasing and settling their reimbursement to 100% of allowable costs
- Reduce pharmacy dispensing fee from \$4.00 to \$3.75

*The Introduced Budget excludes FY 2010 annual inflation for facility-based providers, i.e., hospitals, nursing facilities, home health and rehabilitation agencies, psychiatric residential treatment facilities and limits MCOs to a 7% rate increase funded last year in the 2008 Appropriation Act*

*The value of these reductions is not shown in the table above but rather reflected in the Medicaid expenditure forecast*

# Proposed Budget Reductions

## ■ Long-Term Care Programs:

- Place a cap on the EDCD Waiver beginning July 1, 2009 at 15,250 slots
- Delay implementation of 200 mental retardation waiver slots that were scheduled to be released April 1, 2009

	Funds in Millions		
	GF	NGF	Total
<b>FY2009</b>	<b>(\$1.3)</b>	<b>(\$1.3)</b>	<b>(\$2.6)</b>
<b>FY2010</b>	<b>(\$23.5)</b>	<b>(\$23.5)</b>	<b>(\$47.0)</b>

- Establish a maximum per person annual expenditure cap for home and community-based long-term care waiver recipients equal to the average institutional placement cost.
- Remove two newly added services, environmental modifications and assistive technology, from the EDCD and HIV/AIDS waivers. These services will still be available for individuals entering these waivers through the Money Follows the Person demonstration program.

# Proposed Budget Reductions

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## ■ Other

- **Eliminate funding for the State/Local Hospitalization Program (\$10.9 million GF)**
- **Close Southeastern Virginia Training Center (\$8 million GF)**
- **Increase prior authorization of community mental health services (\$0.9 million GF):** adds prior authorization requirements for five additional services; similar requirements were implemented for the two largest mental health services at the beginning of this fiscal year
- **Limit special Indirect Medical Education payments to Virginia hospitals (\$97,530 GF):** Eliminates a special payment for high Medicaid Neonatal Intensive Care Units provided to an out-of-state hospital
- **Retain portion of school revenue maximization for DMAS administrative costs (\$0.5 million GF):** Allows DMAS to retain five percent of the federal funding the agency currently passes on to local school divisions to reimburse for the expenditures associated with the special education services for Medicaid eligible children.

# Increased Revenues

## ■ Tobacco Taxes:

- Increase tobacco taxes from \$0.30 to \$0.60 per pack. The revenue will be deposited into the Health Care Fund which is used as match for federal Medicaid funds

	Funds in Millions		
	GF	NGF	Total
FY2009	\$0	\$0	\$0
FY2010	(\$154.9)	\$154.9	\$0

## ■ ICF/MR Provider Assessment:

- Implement a provider assessment on Intermediate Care Facilities for the Mentally Retarded (ICFs/MR); this will have little or no net effect on providers

	Funds in Millions		
	GF	NGF	Total
FY2009	\$0	\$0	\$0
FY2010	(\$7.1)	\$7.0	\$0

# Possible FMAP Increase

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- The incoming Administration and Congress are working to develop an economic stimulus package early in CY2009; there is reason to believe it may include an FMAP increase
- A one percent increase in the Medicaid & SCHIP FMAP would provide Virginia approximately \$59 million in additional federal funds per year