
Overview of DMAS Budget Provisions: *Introduced Budget*

Presentation to the
House Appropriations Committee

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Presentation Outline

- Funding Initiatives***
- Budget Reductions**
- Federal Health Care Reform**

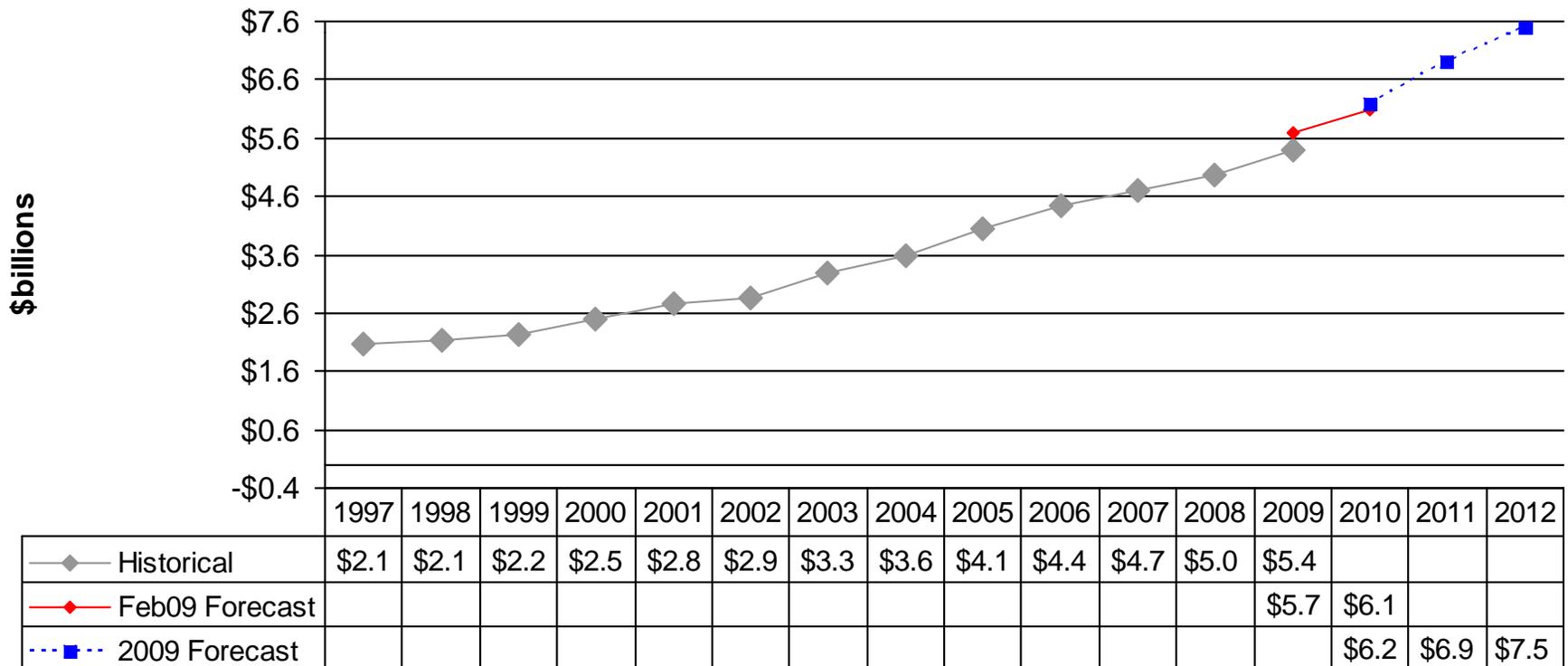
Funding Initiatives - Introduced Budget

	General Funds in Millions		
	FY2010	FY2011	FY2012
Base Appropriation	\$2,442.6	\$2,442.6	\$2,442.6
Funding Initiatives	\$99.4	\$689.4	\$1,390.4
Budget Reductions	(\$120.0)	(\$162.8)	(\$258.9)
Total Proposed Budget	\$2,421.9	\$2,969.2	\$3,574.1

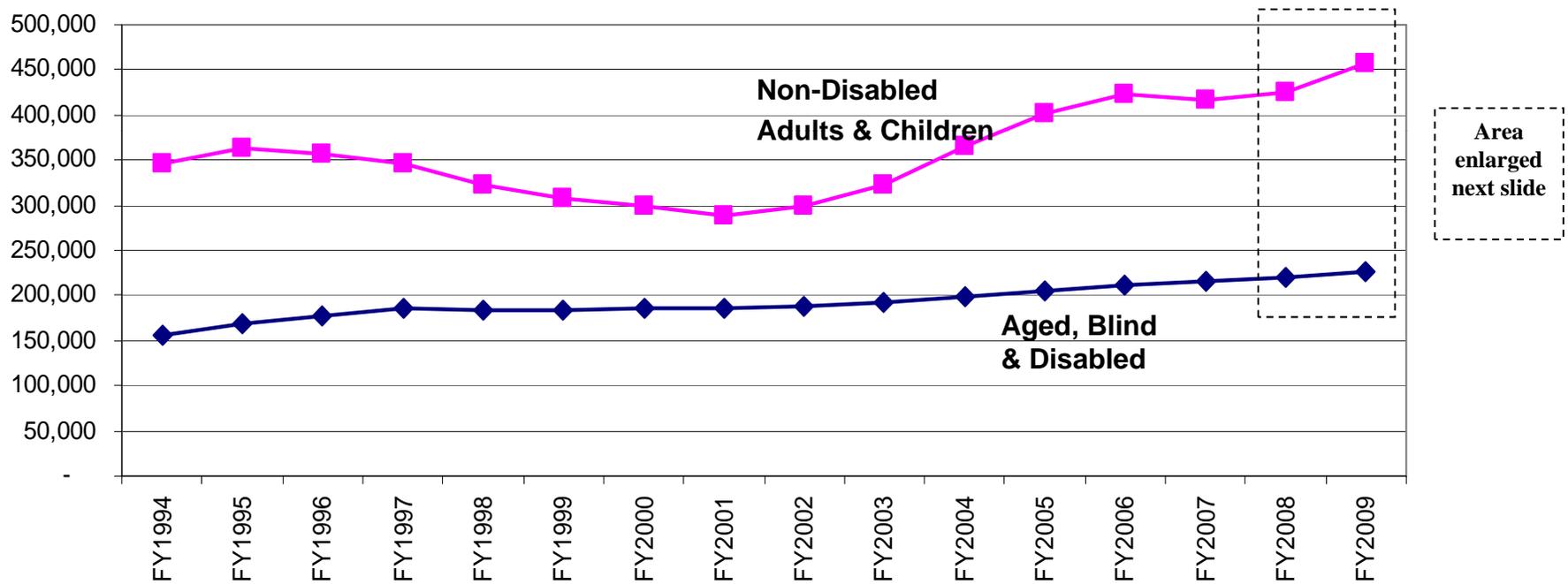
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Funding Initiatives – Medicaid Forecast

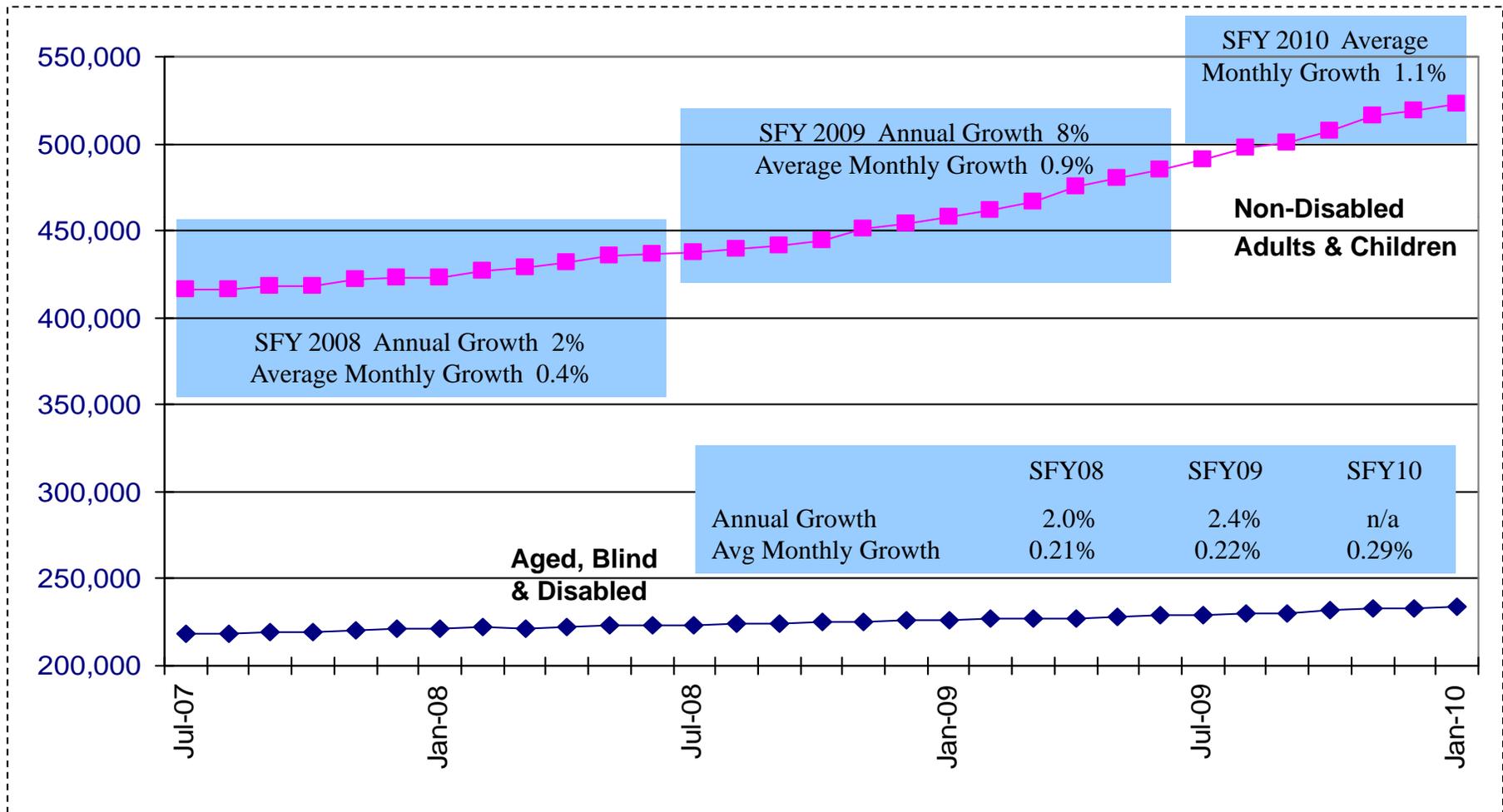
**Historical and Projected Expenditures for
General Medicaid, Long-Term Care and Mental Health Services
(Total Funds, \$billions)**



Medicaid Enrollment Trends



Continued Growth in Non-Disabled Medicaid Adults & Children



ARRA Restoration

- **Non-stimulus Federal Medical Assistance Percentage (FMAP) is 50%**
- **Under the stimulus, DMAS estimates the following FMAPs:**
 - **SFY 2010 – 61.59%**
 - **SFY 2011 – 55.80% (Q1 and Q2 at 61.59%; Q3 and Q4 at 50%)**
- **To date, DMAS has drawn down a total of \$755.7 million in additional federal funds under ARRA (Oct 2008 through Dec 2009)**
- **Total amount of stimulus funds to be drawn down under ARRA is estimated to be \$1.4 billion**
- **Backfill of federal stimulus funds is \$376.8 million in FY 2011 and \$814.7 million in FY 2012**

Funding Initiatives – Medicaid Forecast

■ 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
FY2010	\$80.1	\$2.0	\$82.1
FY2011	\$654.2	\$134.6	\$788.7
FY2012	\$1,315.1	\$34.2	\$1,349.2

Forecast Drivers

	FY 2011	FY 2012
Total Medicaid Forecast GF Need (\$Millions)	\$654.2	\$1,315.1
Need due to enrollment/utilization	\$211.2	\$391.2
Need due to loss of ARRA stimulus	\$376.8	\$814.7
Need due to provider rate increases	\$54.1	\$81.9
Need due to addition of waiver slots	\$12.1	\$27.2

Funding Initiatives

■ 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
FY2010	(\$2.1)	(3.8)	(\$5.9)
FY2011	\$14.1	\$26.2	\$40.3
FY2012	\$24.5	\$45.6	\$70.1

■ TDO Funding:

Adjustment in DMAS' appropriation for the Temporary Detention Order program.

	Funds in Millions		
	GF	NGF	Total
FY2010	\$3.1	\$0	\$3.1
FY2011	\$3.1	\$0	\$3.1
FY2012	\$3.1	\$0	\$3.1

Funding Initiatives

■ Virginia Health Care Fund:

- Provide funding to reflect tobacco revenue shortfall
- Adjust Health Care Fund to reflect repeal of dealer discount
- Supplant GF support for FAMIS with Master Settlement Agreement (MSA) funds

	Funds in Millions		
	GF	NGF	Total
FY2010	\$14.8	(\$14.8)	\$0
FY2011	\$11.8	(\$11.8)	\$0
FY2012	\$9.6	(\$9.6)	\$0

■ DBHDS Funding:

Adjustment in DMAS' appropriation to provide additional funding associated with Medicaid costs of state mental retardation and mental health facilities.

	Funds in Millions		
	GF	NGF	Total
FY2010	\$0	\$0	\$0
FY2011	\$0	\$0	\$0
FY2012	\$31.9	\$28.1	\$60.0

Presentation Outline

- Funding Initiatives
- Budget Reductions*
- Federal Health Care Reform

Budget Reductions - Introduced Budget

	General Funds in Millions		
	FY2010	FY2011	FY2012
Base Appropriation	\$2,442.6	\$2,442.6	\$2,442.6
Funding Initiatives	\$99.4	\$689.4	\$1,390.4
Budget Reductions	(\$120.0)	(\$162.8)	(\$258.9)
Total Proposed Budget	\$2,421.9	\$2,969.2	\$3,574.1

*Totals may not sum due to rounding.

Budget Reductions

■ Hospital Reimbursement Rates:

- Withhold inflation from hospital rates in FY 2011 and FY 2012
- Withhold inflation from Graduate and Indirect Medical Education (GME, IME) payments to hospitals through FY 2012

	Funds in Millions		
	GF	NGF	Total
FY2010	(\$7.0)	\$0	(\$7.0)
FY2011	(\$52.7)	(\$58.9)	(\$106.6)
FY2012	(\$72.1)	(\$63.9)	(\$136.1)

- Maintain hospital DSH payments at FY 2010 funding level
- Impose stricter requirements on DSH payments to out-of-state hospitals
- Eliminate special IME payments based on NICU utilization or NICU days
- Reduce funding for indigent care to academic health centers from 100% to 97%
- Hold reimbursement rates for freestanding psychiatric facilities at FY 2010 level
- Reimburse long-stay hospitals at their average Medicaid costs

Budget Reductions

■ Nursing Facility & Community-Based Long-Term Care:

- Maintain nursing facility rates at FY 2010 level
- Reduce rates for Home and Community-Based Care (HCBC) waiver services by five percent
- Freeze enrollment in HCBC waivers for one year, beginning Jan 1, 2011
- Reduce allowable hours for respite services from 720/year to 240/year
- Delay implementation of 200 intellectual disability waiver slots that were scheduled to be released January 1, 2010
- Postpone the annual 400 ID and 67 DD waiver slots added per Chapters 228 and 303 of the 2009 *Virginia Acts of Assembly*
- Reduce the income eligibility level for HCBC waivers from 300% SSI to 275% SSI

	Funds in Millions		
	GF	NGF	Total
FY2010	(\$1.9)	(\$1.9)	(\$3.1)
FY2011	(\$72.7)	(\$86.4)	(\$159.2)
FY2012	(\$140.6)	(\$140.6)	(\$281.1)

Budget Reductions

■ Mental Health Services:

- Change eligibility requirements for Children’s Mental Health waiver
- Reduced rates for Intensive In-Home services (Feb 09)
- Increase audits of Intensive In-Home services
- Changed prior authorization requirement from 12 weeks to one week for Intensive In-Home services (Dec 09)

	Funds in Millions		
	GF	NGF	Total
FY2010	(\$3.5)	(\$5.6)	(\$9.1)
FY2011	(\$11.4)	(\$14.1)	(\$25.5)
FY2012	(\$12.6)	(\$12.6)	(\$25.2)

Budget Reductions

■ Pharmacy Program:

- Add antianxiety, antidepressant and atypical antipsychotic drugs to the Preferred Drug List (PDL)
- Increase the network discount from AWP-10.25% to AWP-13.1%

	Funds in Millions		
	GF	NGF	Total
FY2010	\$0	\$0	\$0
FY2011	(\$4.9)	(\$6.2)	(\$11.1)
FY2012	(\$5.8)	(\$5.8)	(\$11.5)

- Modify the Maximum Allowable Cost (MAC) program
- Expand Quantity Limits and Dose Optimization initiatives
- Add additional PDL drug classes including diabetic supplies and insulin

Budget Reductions

■ Other Provider Reimbursement Rates:

- Reduced rates for residential psychiatric facilities (Level C) by 1% (Nov 09)
- Eliminate annual inflation adjustment for residential psychiatric facilities
- Reduce rates for Residential Level A and B services by 5% (Feb 10)
- Withhold annual inflation adjustment for home health agencies
- Withhold annual inflation adjustment for outpatient rehabilitation agencies
- Reduce clinical laboratory rates by an 5% (Feb 10)
- Eliminate the Regular and Intensive Assisted living programs, which provides supplemental payments to Assisted Living Facilities

	Funds in Millions		
	GF	NGF	Total
FY2010	(\$1.0)	(\$1.1)	(\$2.1)
FY2011	(\$5.4)	(\$5.0)	(\$10.4)
FY2012	(\$7.4)	(\$5.9)	(\$13.3)

Budget Reductions

■ Durable Medical Equipment:

- Modify the current limit for incontinence supplies

	Funds in Millions		
	GF	NGF	Total
FY2010	\$0	\$0	\$0
FY2011	(\$1.4)	(\$1.8)	(\$3.2)
FY2012	(\$1.6)	(\$1.6)	(\$3.3)

- Reduce rates for DME supplies

Section 3-1.01, Paragraph LL of the Introduced Budget directs that the first \$170,000 savings achieved from this initiative be used to repay the Productivity Investment Fund; remaining savings are to be transferred to the Virginia Infrastructure Technology Fund

	Repay PIF	Transfer to VITF	NGF Savings	Total
FY2010	\$0	\$0	\$0	\$0
FY2011	\$170,000	(\$1.5m)	(\$2.1m)	(\$3.8m)
FY2012	\$0	(\$1.8m)	(\$4.0m)	(\$5.8m)

- Implement competitive bidding for incontinence supplies

A second PIF grant of \$225,000 will have to be repaid in FY 2012; no estimated savings are currently reflected in the Introduced Budget

Budget Reductions

■ Optional Services:

- Implement prior authorization of additional dental services (Oct 09)
- Eliminate the Disease Management Program (Nov 09)
- Eliminate coverage of services provided by podiatrists
- Eliminate coverage of services provided by optometrists for adults
- Revise the annual limits and prior authorization requirements on physical therapy, occupational therapy and speech therapy visits for adults

	Funds in Millions		
	GF	NGF	Total
FY2010	(\$0.6)	(\$1.0)	(\$1.6)
FY2011	(\$2.1)	(\$2.6)	(\$4.7)
FY2012	(\$2.3)	(\$2.4)	(\$4.7)

Budget Reductions

■ 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
FY2010	\$0	\$0	\$0
FY2011	(\$4.1)	\$4.1	\$0
FY2012	(\$8.5)	\$8.5	\$0

Budget Reductions

■ Managed Care Organizations (MCOs)

- When provider rates are cut, DMAS also cuts MCO rates
 - The MCO savings are not identified as such in the Budget Document, but are shown, along with the FFS saving
 - Funding in the Introduced Budget for MCO payments is 2.1% lower (in 2011) than it would be because we pass through provider rate cuts
- Cuts solely aimed at managed care incur risks
- Such a limit was imposed in FY2010 and we are now dealing with retractions of MCOs from some localities
- Further cuts may trigger more loss of localities to FFS
- MCOs can leave any locality (or all localities) upon 6-month's notice

Budget Reductions

■ Managed Care Organizations (MCOs)

- If large scale conversion to FFS occurs, consequences could be serious
 - Administrative budget impact
 - Increased cost of claims processing and preauthorization contracts
 - No comparable infrastructure for recipient services
 - Health outcomes
 - Reduced access and ability to ensure preventive services
 - Smaller provider network (would expect 25% reduction)
 - No disease management
 - Medical cost outcomes
 - Poorer utilization controls
 - More ER visits (worse access to physician offices)
 - Worse health outcomes – longer hospital stays

Presentation Outline

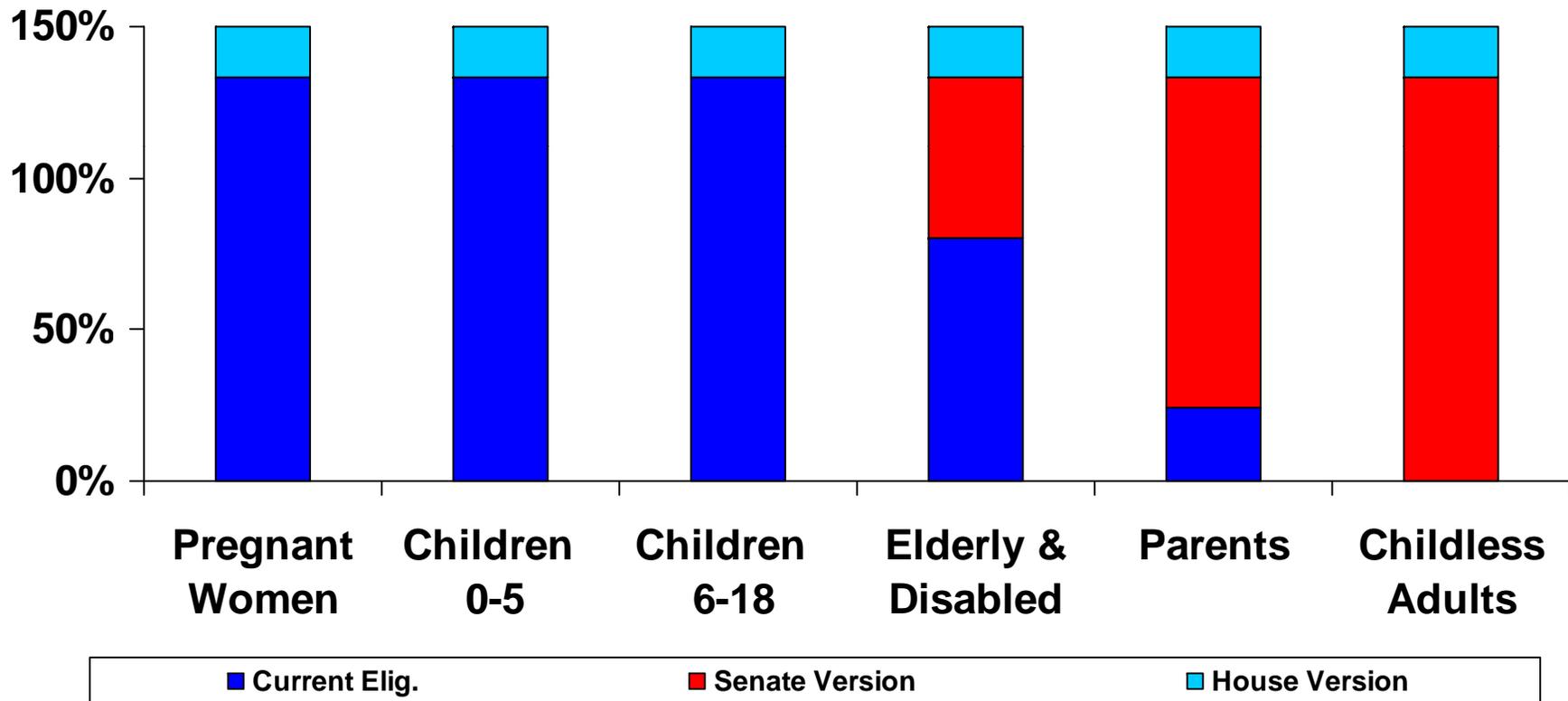
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National Health Care Reform: Key Medicaid Provisions

	House Version	Senate Version
Expansion	All individuals up to 150% FPL beginning in 2013	All individuals up to 133% FPL beginning in 2014
Delivery System	<p>Medicaid for all up to 150% FPL</p> <p>CHIP (FAMIS) is eliminated beginning in 2014, with children >150% FPL obtaining coverage through the health exchange (with subsidies up to 400% FPL)</p>	<p>Medicaid for all up to 133% FPL (unless access to cost effective employer sponsored coverage)</p> <p>CHIP (FAMIS) continues as currently defined (up to 200% FPL in Virginia)</p>
Financing	<p>Medicaid expansion – 100% federal through 2014; 91% federal beginning 2015 and thereafter</p> <p>CHIP match (65% federal) for current FAMIS enrollees who transfer to Medicaid (<150% FPL)</p>	<p>Medicaid expansion – 100% federal through 2016; 84.3% federal in 2017; 83.3% federal in 2018; 82.3% federal in 2019 and thereafter</p> <p>23 percentage point increase (88 percent federal in Virginia) for FAMIS</p>

Source: Kaiser Family Foundation Side-By-Side Comparison of Major Health Care Reform Proposals – as of 11-23-09

Medicaid Expansions Compared to Current Virginia Eligibility Levels



Source: Kaiser Family Foundation Side-By-Side Comparison of Major Health Care Reform Proposals – as of 11-23-09, modified by DMAS staff

Other Medicaid Provisions

- Requires Medicaid payments to primary care providers to be 100% of Medicare rates by 2012 **(House only)**
- Extends Medicaid rebates to Medicaid Managed Care Organizations **(both versions)**
- Establishes a new office within CMS to improve the coordination of care for dual eligibles **(both versions)**
- Extends the increased Medicaid federal medical assistance percentage authorized under the American Recovery and Reinvestment Act (ARRA – the federal stimulus) for an additional six months **(House only)**