



VIRGINIA HOUSE
APPROPRIATIONS
COMMITTEE

CHAIRMAN LUKE E. TORIAN

MEDICAID TRENDS & FORECAST

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Medicaid & CHIP Program
Overview

Medicaid Forecast

MEDICAID & CHIP PROGRAMS

- Medicaid and the Children's Health Insurance Program (CHIP) provide health care benefits to about one in five Virginians
- Virginia administers CHIP through 2 programs:
 - Medicaid CHIP (M-CHIP) for children with family incomes between 100% to 148% of the federal poverty level (FPL) who were previously covered by Medicaid as a state optional service
 - Family Access to Medical Insurance Security (FAMIS) for children with family incomes between 149% and 205% FPL
- Medicaid and CHIP are administered by the Department of Medical Assistance Services (DMAS) and jointly funded by the state and federal government through a federal matching program
- Federal guidance and oversight is provided by the Centers for Medicare and Medicaid (CMS)
- State Medicaid programs are based on a CMS-approved "State Plan for Medical Assistance," and amendments as well as "Waivers"
 - Waivers allow states flexibility "waive" federal statutory requirements to:
 - Provide specialized benefits to certain beneficiaries (e.g., Developmental Disability or DD Waiver)
 - Explore new approaches to the delivery of and payment for acute care & long-term services and supports (LTSS)
 - Restrict enrollees to a specific network of providers
 - Extend coverage to groups beyond those defined in Medicaid law

MEDICAID & CHIP PROGRAMS

Medicaid Base

- 49.61% State Share
- 50.39% Federal Share
- Adults with children, children, aged & disabled
 - Incomes less than 100% FPL (\$21,150 family of 2)
- Pregnant Women incomes up to 148% FPL (\$21,597 max. for 1 person)
- Nursing home residents incomes less than 300% SSI Payment Level (\$34,884 max. for 1)

Medicaid Expansion

- 10% Acute Care Hospitals
- 90% Federal Share
- Adults 19-64 with incomes between 100% and 138% FPL (\$21,597 max. for 1 person)

M-CHIP/FAMIS

- 35% State Share
- 65% Federal Share
- MCHIP
 - Children/Pregnant Women with incomes between 100% to 148% FPL (\$23,162 max. for 1 person)
- FAMIS
 - Children/Pregnant Women with incomes between 149% to 205% FPL (\$32,083 max. for 1 person)

Note: FPL is the Federal Poverty Level. SSI is the federal Supplement Security Income Program serving low-income aged and disabled individuals. Income amounts are for calendar year 2025.

MEDICAID ACCOUNTS FOR MAJORITY OF THE DMAS AND HEALTH AND HUMAN RESOURCES (HHR) BUDGETS

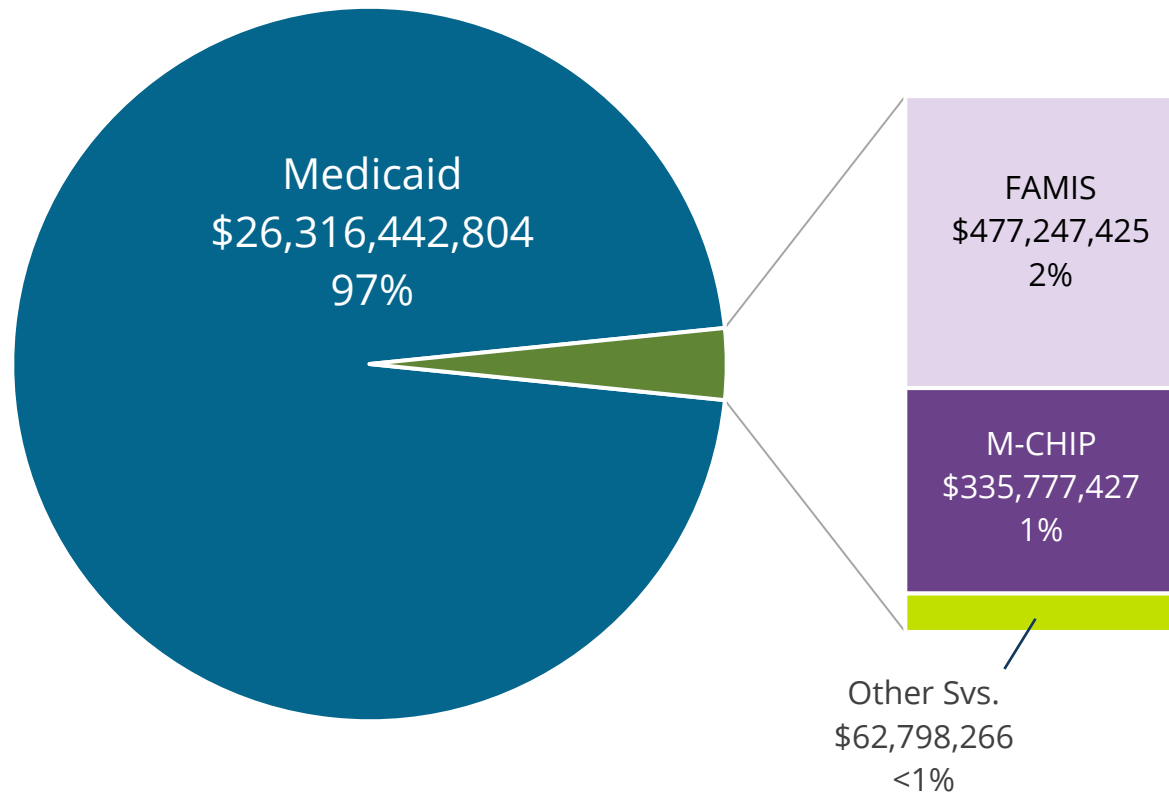
The Department of Medical Assistance Services (DMAS) is designated as the single state agency within the executive branch of government to operate the Medicaid and CHIP programs in Virginia

Medicaid comprises about 77% of the HHR budget (all funds)

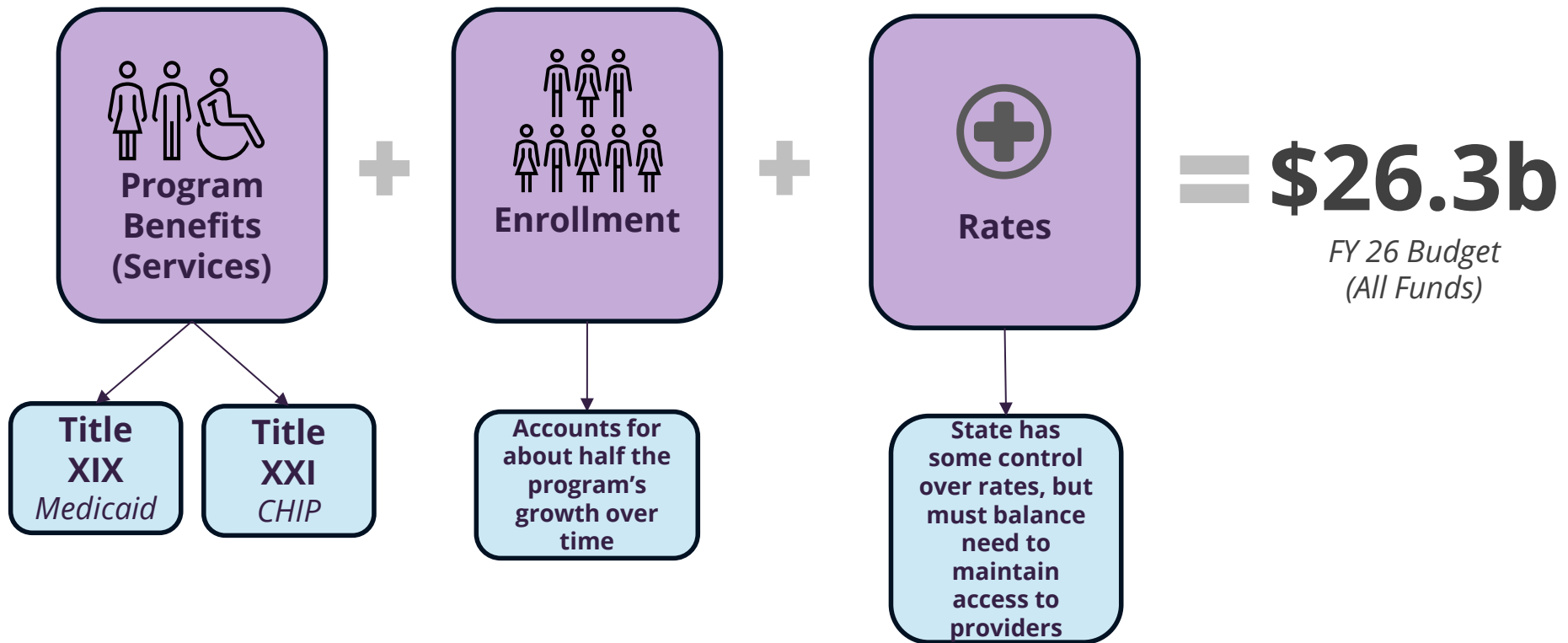
Medicaid accounts for 97% of DMAS budget (all funds)

FAMIS & M-CHIP comprise about 3% of DMAS budget

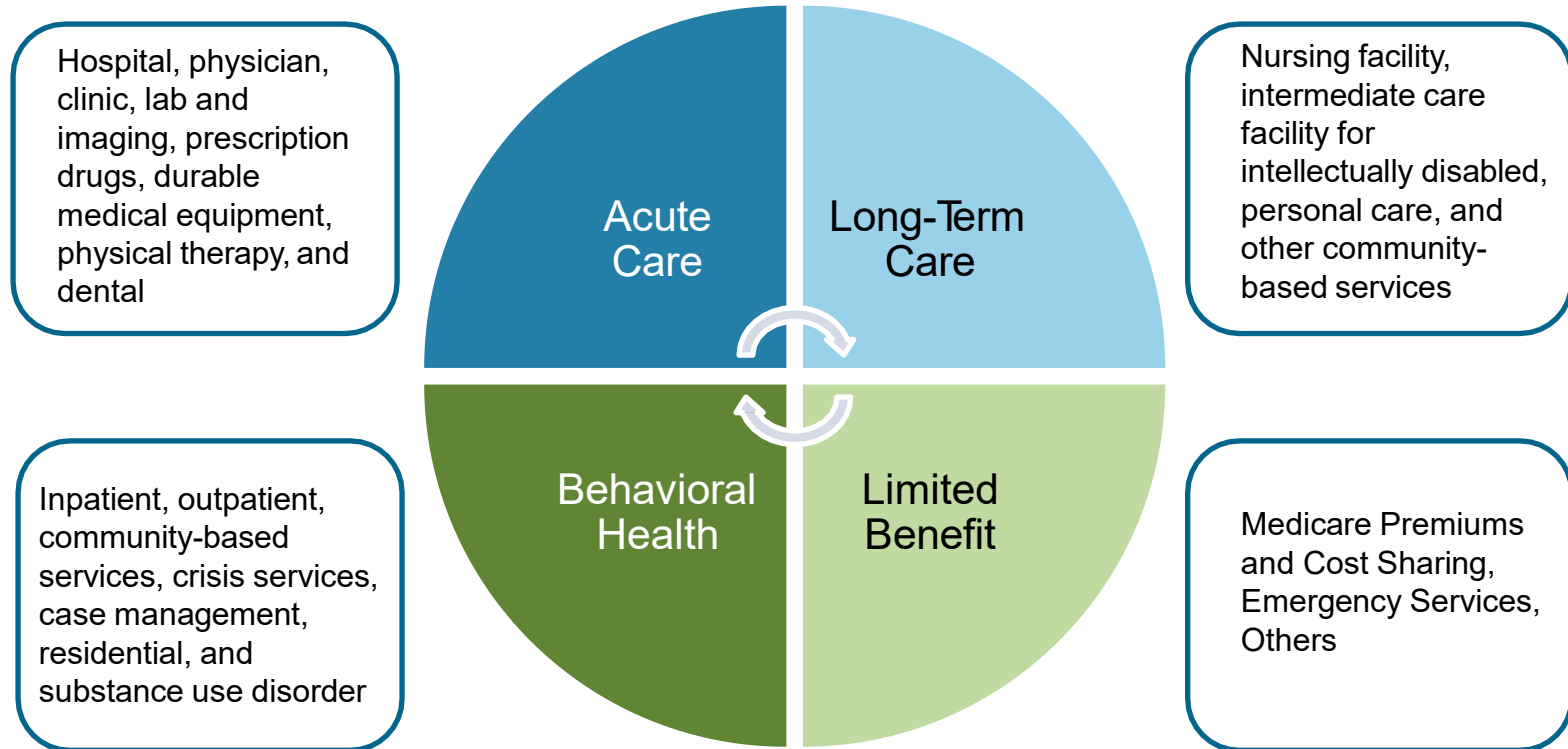
**FY 2026 DMAS Services Budget
(All Funds, Ch. 725, 2025 Session)**



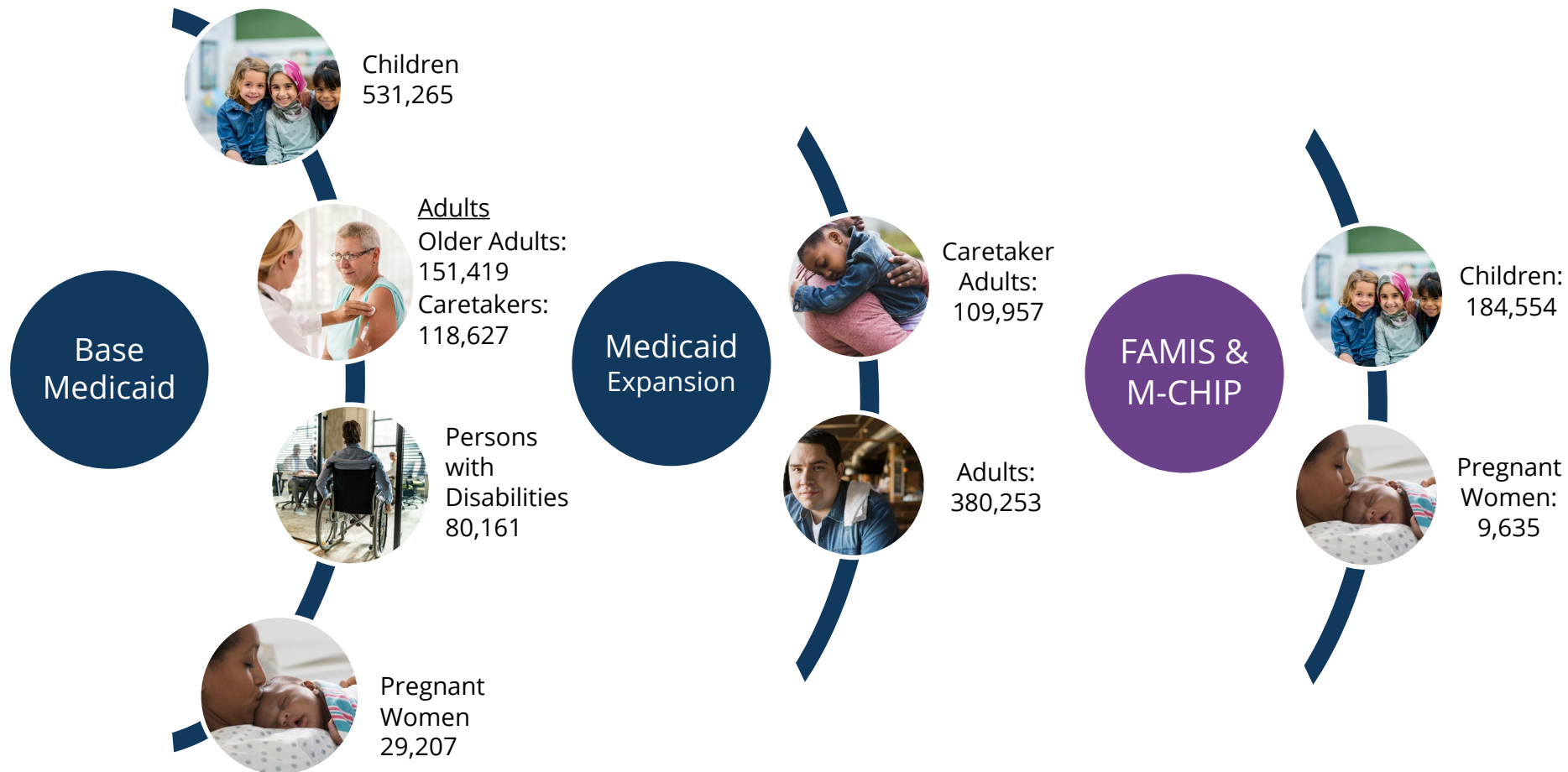
THREE MAIN COST DRIVERS



COMPREHENSIVE BENEFITS MORE EXPANSIVE THAN COMMERCIAL INSURANCE



COVERED GROUPS



BASE MEDICAID ENROLLMENT DECLINING NEARING PRE-PANDEMIC LEVELS

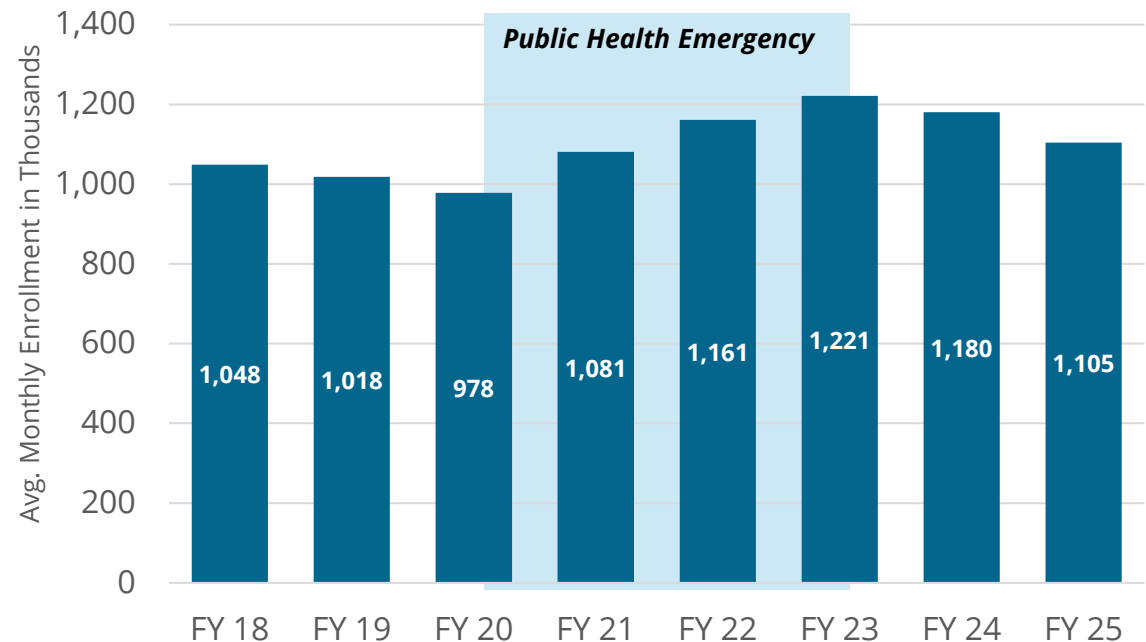
Greatest declines seen in
lower cost enrollees

- Children
- Caretaker Adults

Enrollment growth while
slight is occurring in
enrollees with higher costs

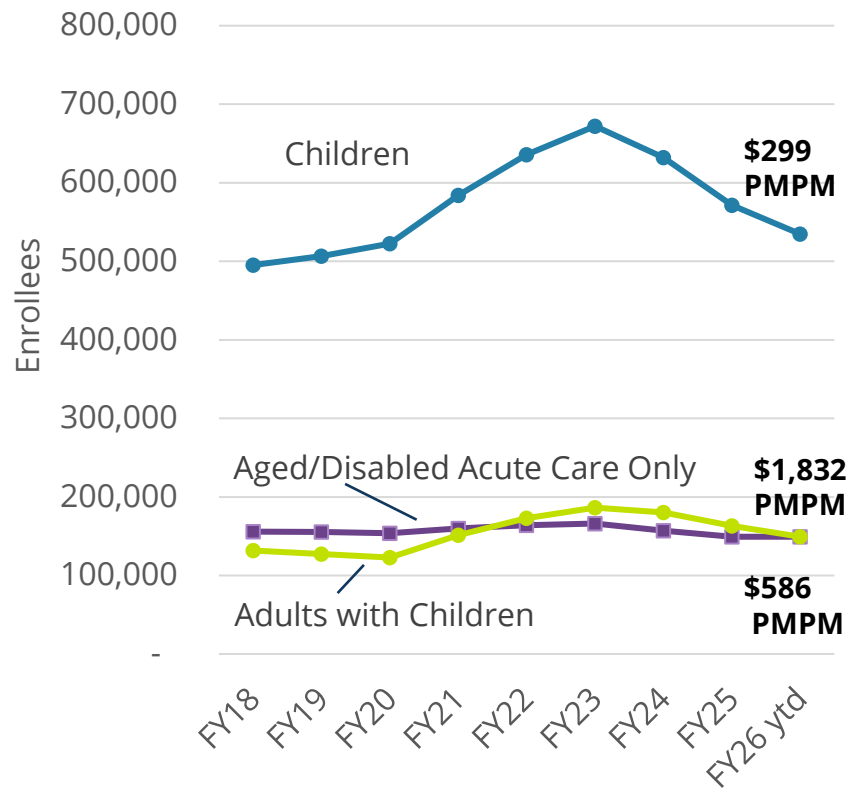
- Aged and disabled
receiving long-term
care/nursing facility svcs.
- Children and adults
receiving DD waiver svcs.
- Children with special
needs

Base Medicaid Enrollment Changes



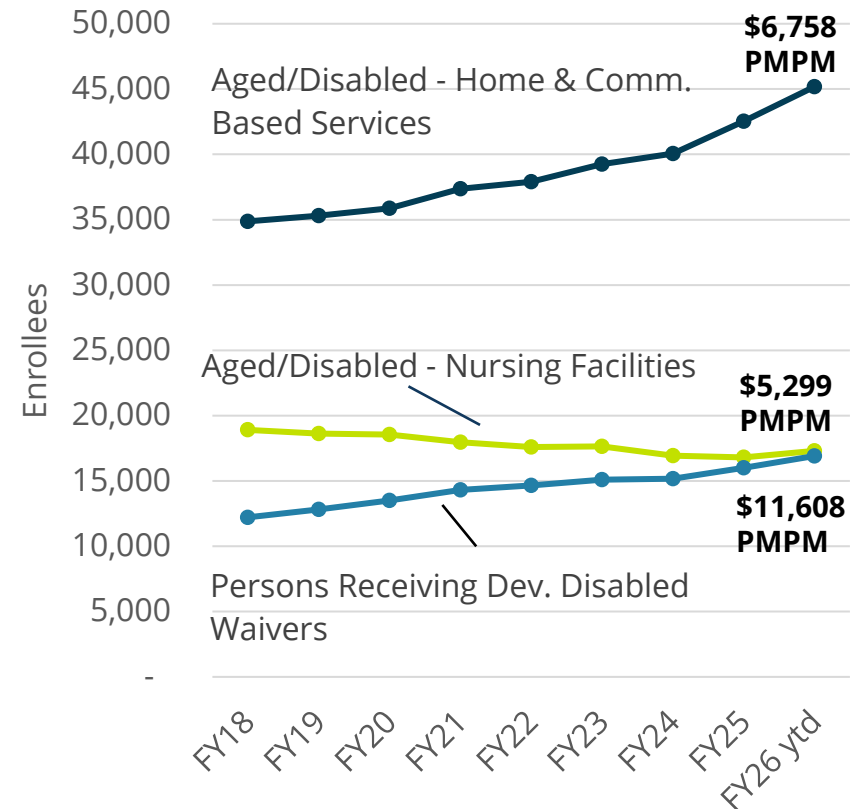
BASE MEDICAID ENROLLMENT DECLINING IN GROUPS WITH LOWER COSTS/RISING FOR THOSE WITH HIGHER COSTS

Declining Enrollee Groups



PMPM=Per Member Per Month Cost

Rising Enrollee Groups



MEDICAID EXPANSION ENROLLMENT DECLINE SINCE PANDEMIC PEAK

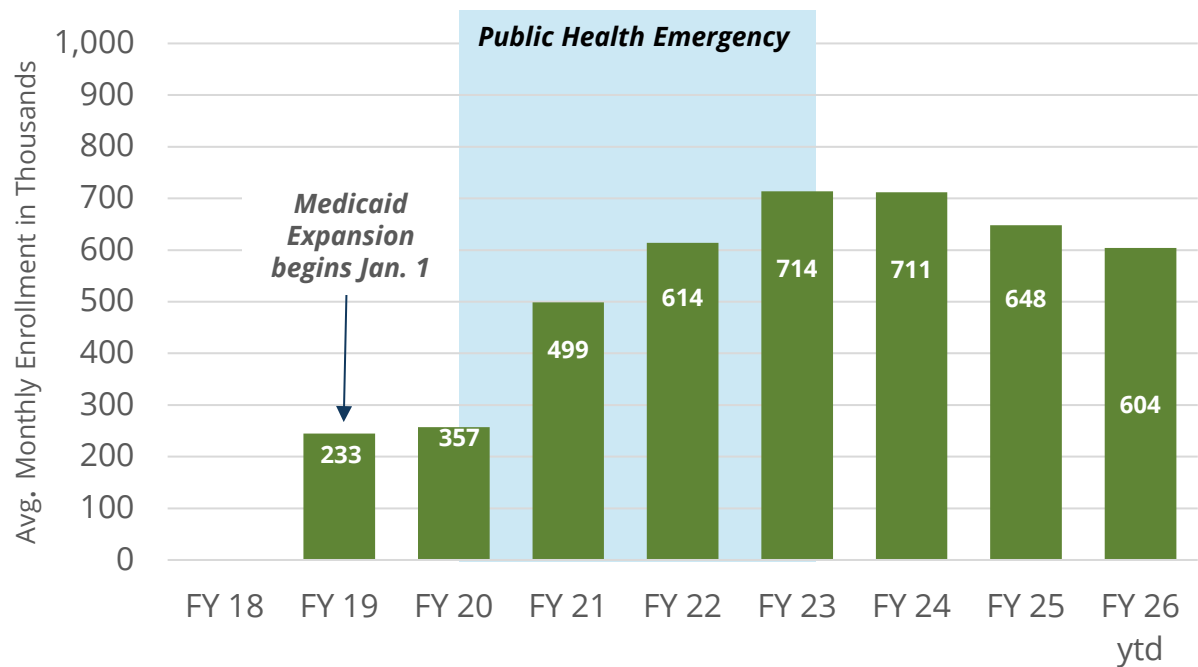
Declines are in lower cost enrollees

- Caretaker Adults
- Childless Adults

Cost to provide services is \$629 Per Member Per Month (PMPM)

Any cost savings from this decline accrue to Virginia's private acute care hospitals that pay the 10% non-federal share of program costs and the federal government

Medicaid Expansion Enrollment Changes



MOST SERVICES DELIVERED THROUGH MANAGED CARE ORGANIZATIONS

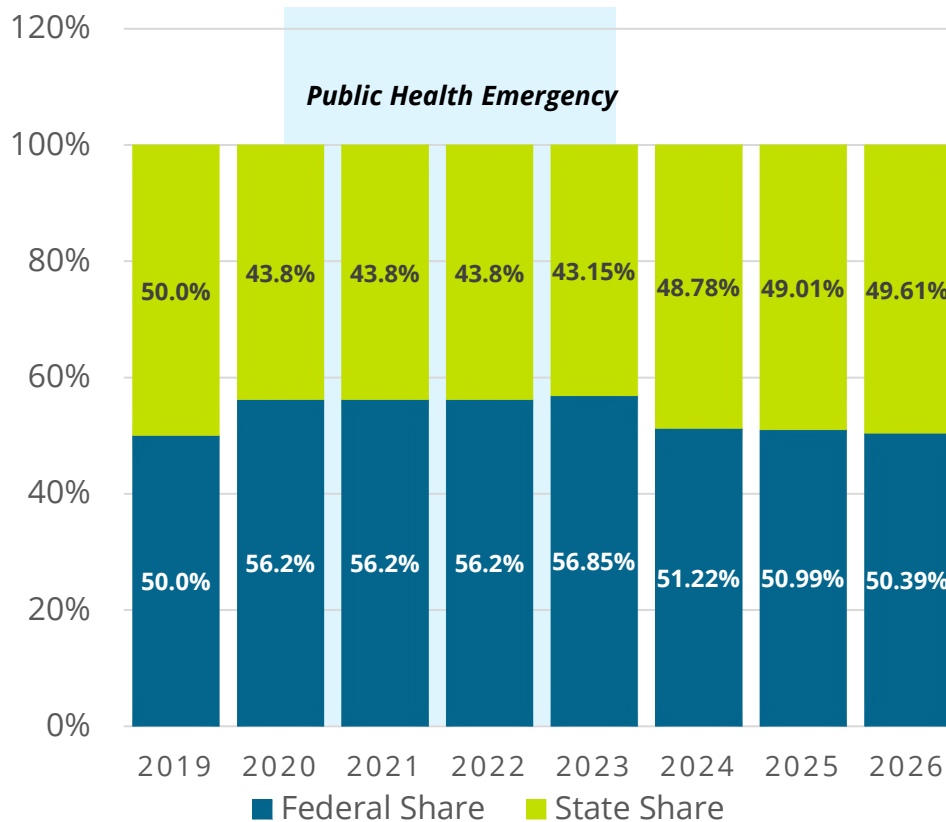
- Currently 5 managed care organizations (MCOs) administer Medicaid benefits for enrollees
 - Aetna Better Health
 - Anthem Healthkeepers Plus
 - Humana Healthy Horizons
 - Sentara Health Plans
 - United HealthCare Community Plan
- Paid a monthly capitated rate for enrolled members
- 89% of Medicaid enrollees receive covered services through MCOs
 - Remainder receive services by providers in the fee-for-service program
 - For example, DD Waiver services, such as day support, residential services and in-home services, are received from providers who bill Medicaid directly; however, individuals with a DD Waiver receive acute care services provided through a managed care organization

MANAGED CARE RATE REQUIREMENTS

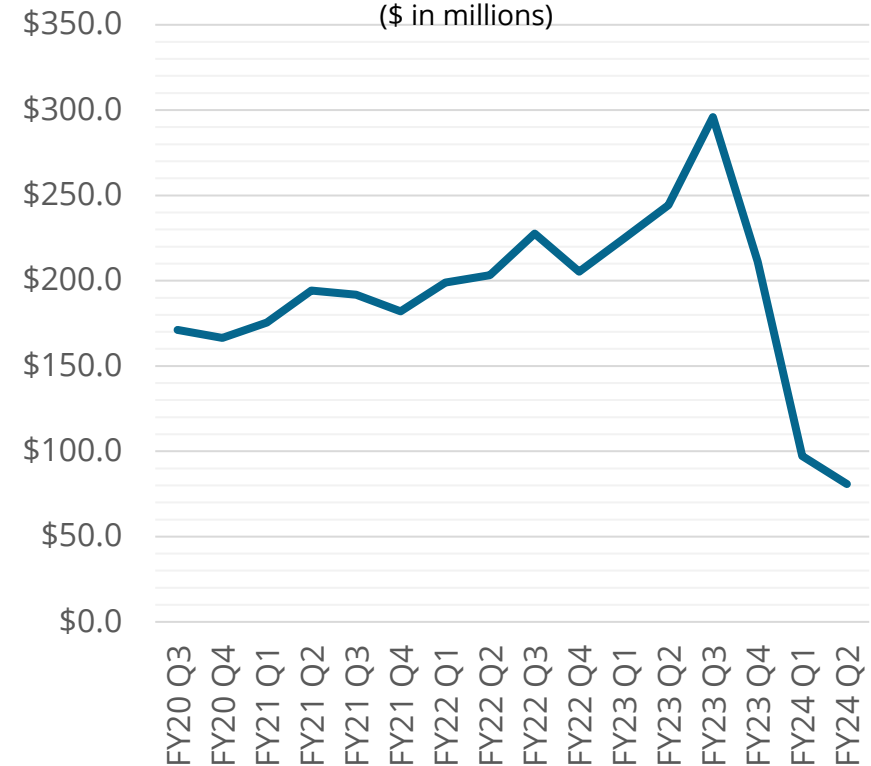
- Medicaid managed care capitated payment rates are required to be actuarially sound by federal government
 - Actuarial analysis conducted annually
- Payment rates generally assume a 1.0% profit margin
- DMAS contracts require that if managed care actual profit exceeds 3.0%, the Commonwealth will receive a repayment of the excess profits on a sliding scale
- Contracts also set forth a medical loss ratio, which requires the MCOs to expend 85% of their payments on medical claims
 - Triggers a repayment to the Commonwealth if not met
 - MCO repayments occurred during the Public Health Emergency due to this provision

FEDERAL MATCH RATE RETURNING TO NORMAL LEVELS POST PANDEMIC

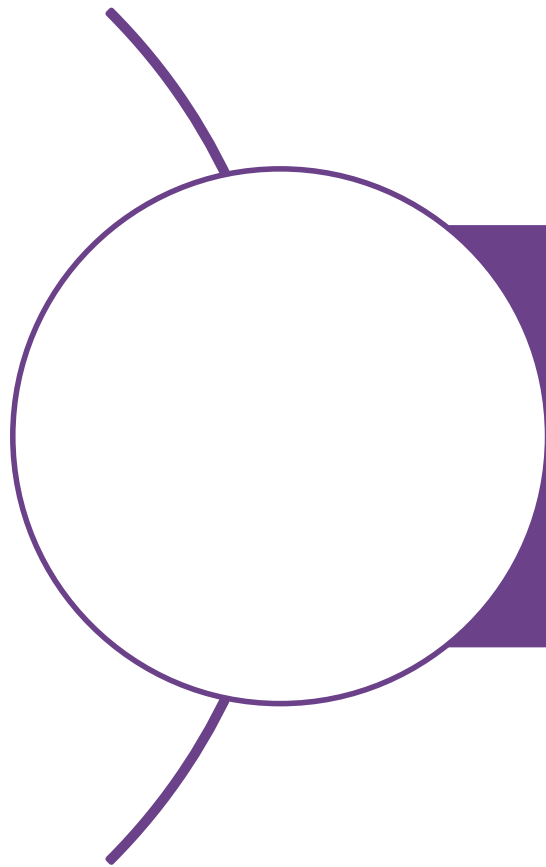
- State share of Base Medicaid spending was significantly less during the pandemic due to the 6.2% enhanced federal share (eFMAP) Virginia received; now returning to more historic level of 50%



Quarterly eFMAP Payments
Total of \$3.1 billion over 16 Qtrs.
 (\$ in millions)

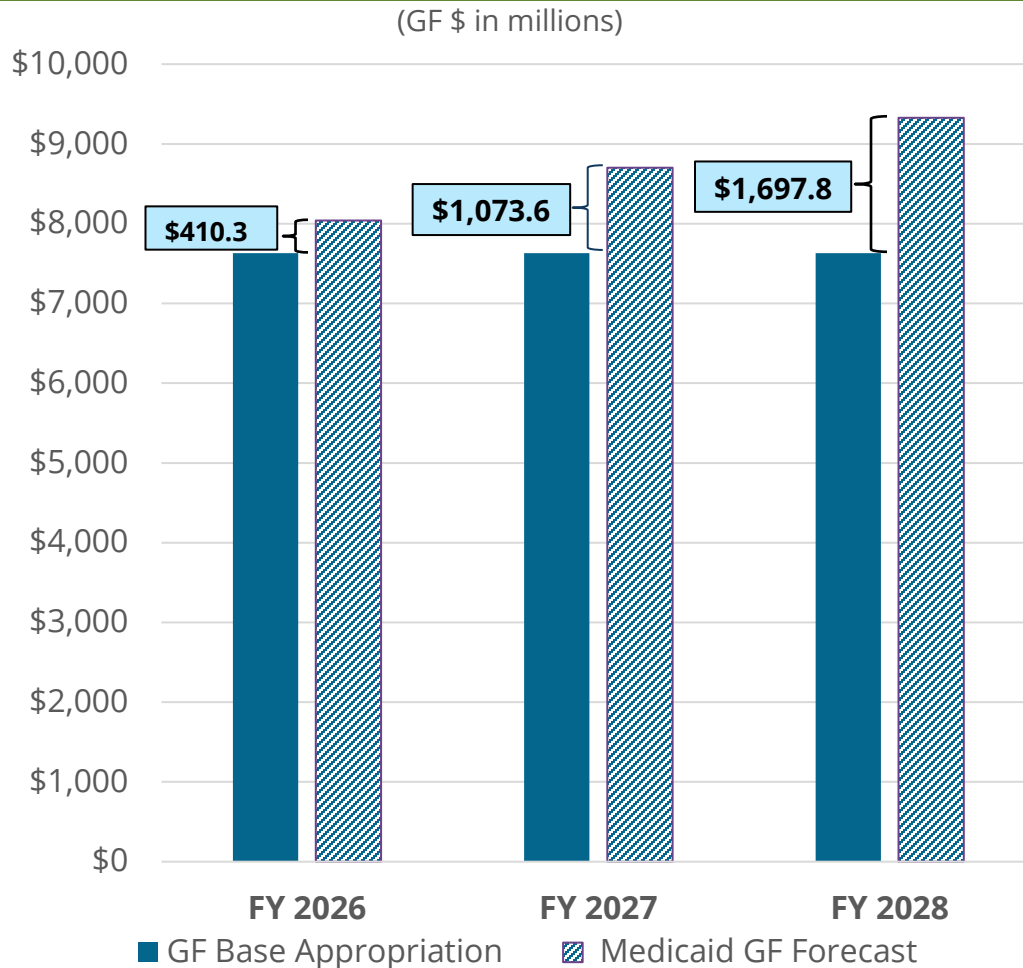


MEDICAID TRENDS & FORECAST



Medicaid Forecast

NOV. 2025 BASE MEDICAID GF FORECAST TOTALS \$3.2 BILLION



General fund spending on Medicaid's non-expansion enrollees is estimated to increase by \$410.3 million in FY 2026 and by \$2.8 billion over the 2026-28 biennium

While enrollment has been dropping since the peak of the Public Health Emergency, remaining enrollees have more complex medical needs

The forecast is driven by higher managed care rates that reflect higher utilization of services, utilization of higher cost services, and enrollment growth of individuals with higher medical needs

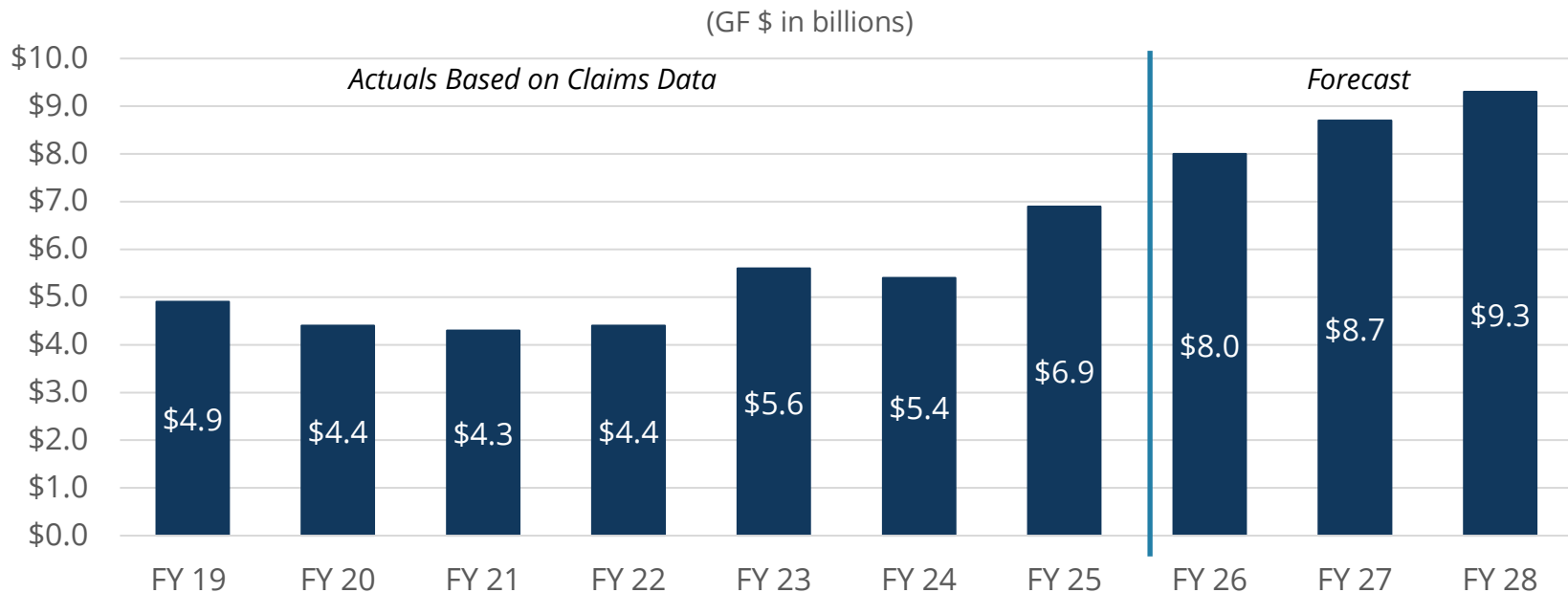
Spending on this chart does not include Medicaid expansion, funded through a hospital assessment and federal funds

NOV. 2025 BASE MEDICAID GF FORECAST TOTALS \$3.2 BILLION

(\$ in millions)

FY 2026	Forecast	Appropriation	Difference
General Fund	\$8,039.7	\$7,629.4	\$410.3
Federal Funds	\$8,104.0	\$7,635.2	468.8
FY 2027	Forecast	Appropriation	Difference
General Fund	\$8,703.0	\$7,629.4	\$1,073.6
Federal Funds	\$8,597.2	\$7,635.2	\$962.0
FY 2028	Forecast	Appropriation	Difference
General Fund	\$9,327.2	\$7,629.4	\$1,697.8
Federal Funds	\$9,280.6	\$7,635.2	1,645.4

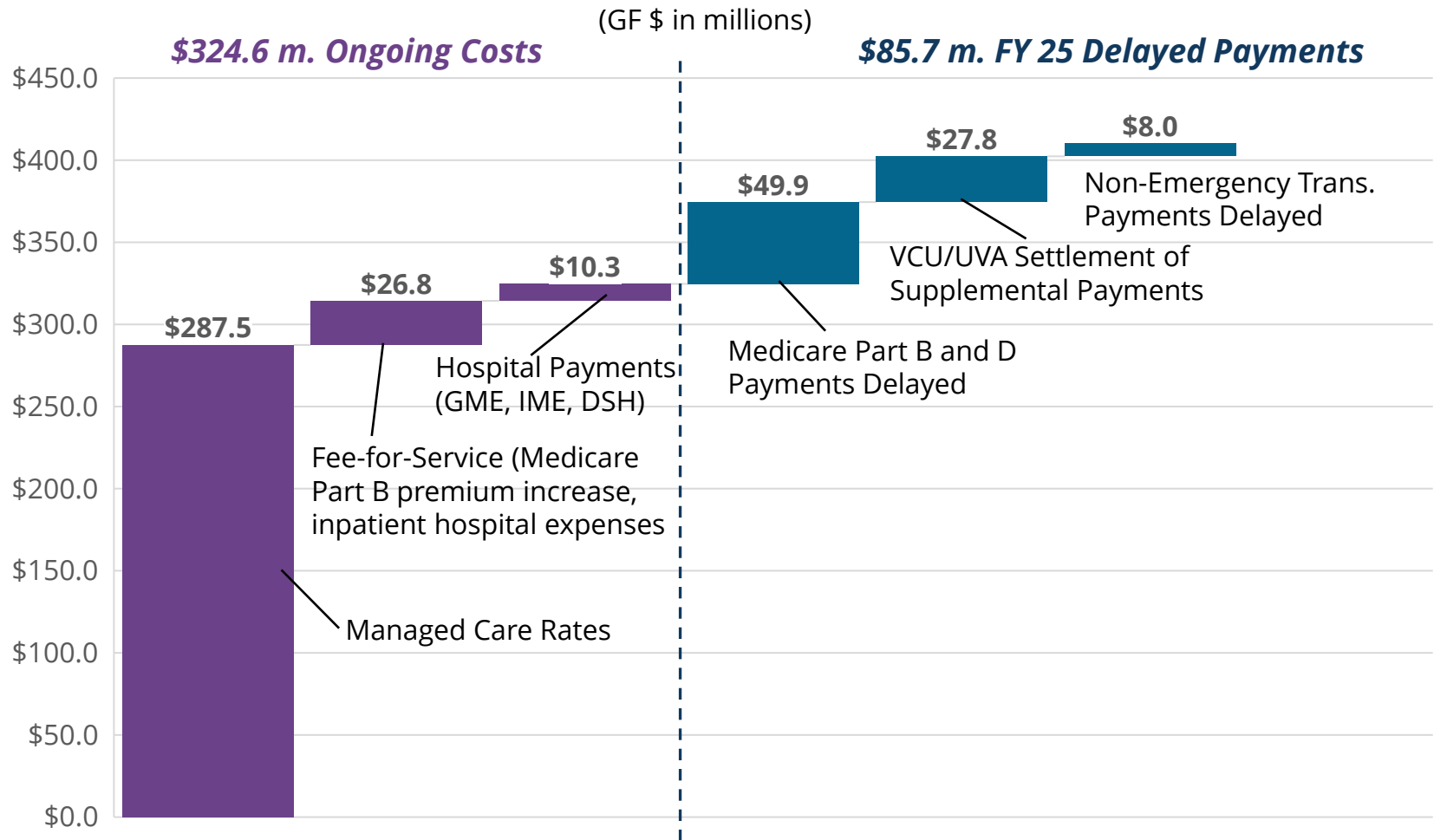
BASE MEDICAID GF EXPENDITURE GROWTH



Note: Actuals based on GF expenditures from the 2025 Virginia Medicaid and CHIP Data Book.

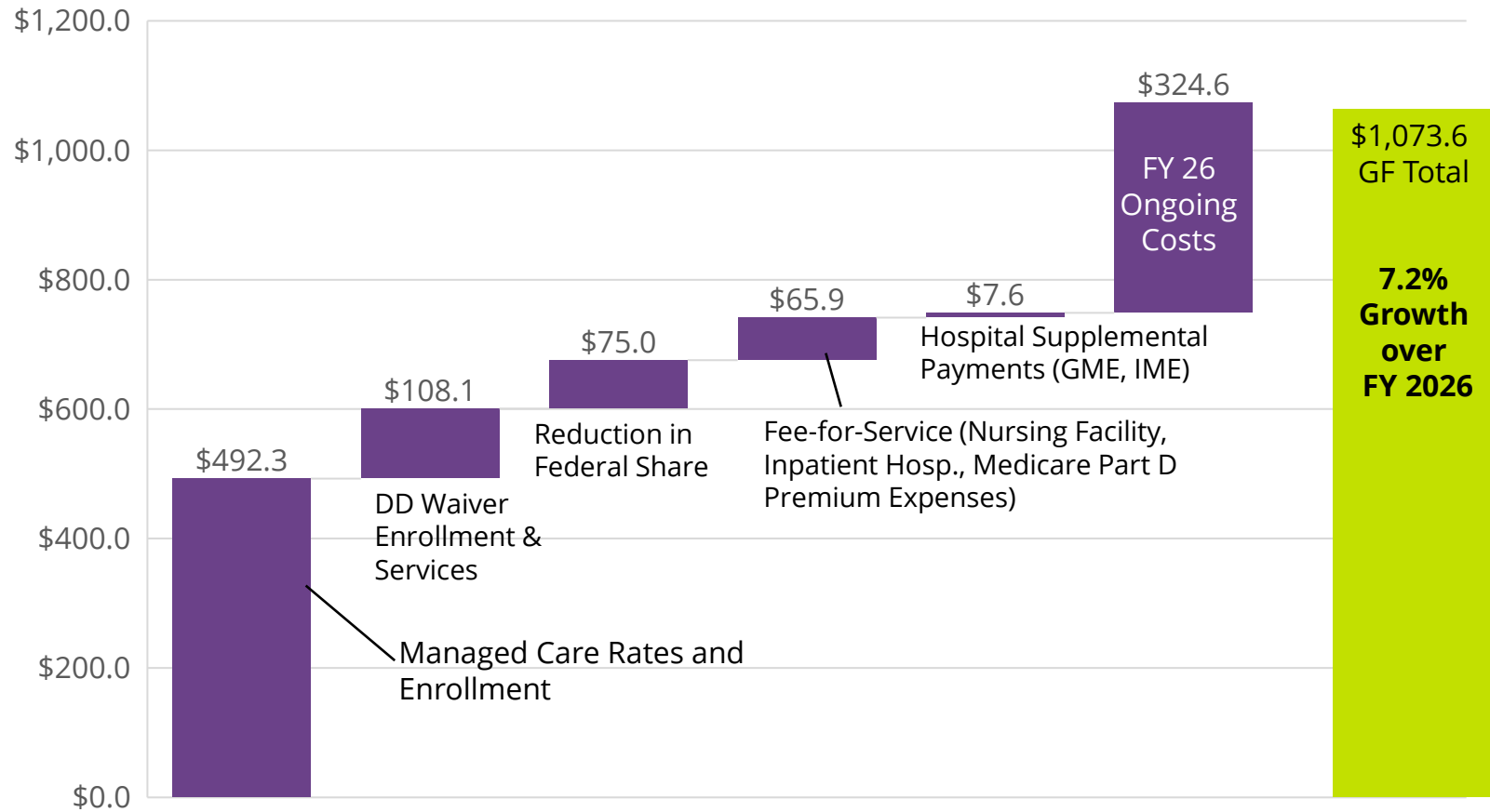
- State funded Medicaid expenditures declined during the Public Health Emergency, due primarily to enhanced federal reimbursement (eFMAP), including:
 - About \$3.1 billion in eFMAP provided in all of FY 2021, FY 2022 and FY 2023, and two quarters of FY 2020 and FY 2024
 - \$407.0 million in a one-time 10% enhanced federal match for Home and Community Based Services from April 1, 2021 through March 31, 2022, and \$80.0 million in ARPA funding
 - Expenditures in FY 2024 were artificially low due to the use of one-time actions in the program to maximize enhanced federal reimbursement in FY 2023. FY 2025 expenditures reflect a return to normal. For example, FY 2024 expenditures included 11 monthly MCO capitated payments, FY 2025 expenditures include the full 12 payments usually paid to MCOs.

MEDICAID ESTIMATED TO GROW BY \$410.3 MILLION IN STATE SPENDING IN FY 2026



BASE MEDICAID ESTIMATED TO REQUIRE ALMOST \$1.1 BILLION GF IN FY 2027

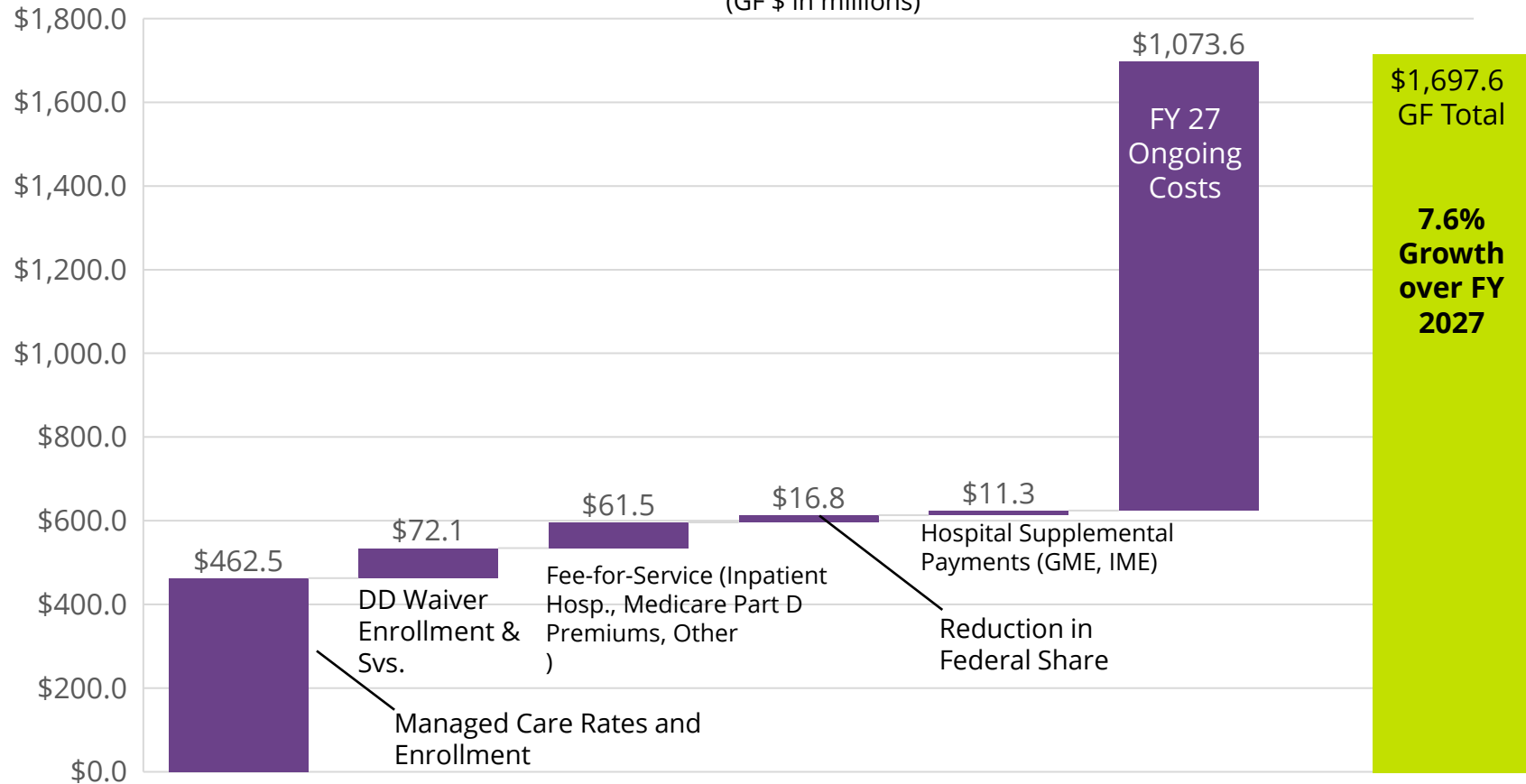
Factors Driving FY 2027 Forecast Total \$749 Million over FY 2026 Ongoing Costs
(GF \$ in millions)



BASE MEDICAID ESTIMATED TO REQUIRE \$1,697.8 MILLION GF IN FY 2028

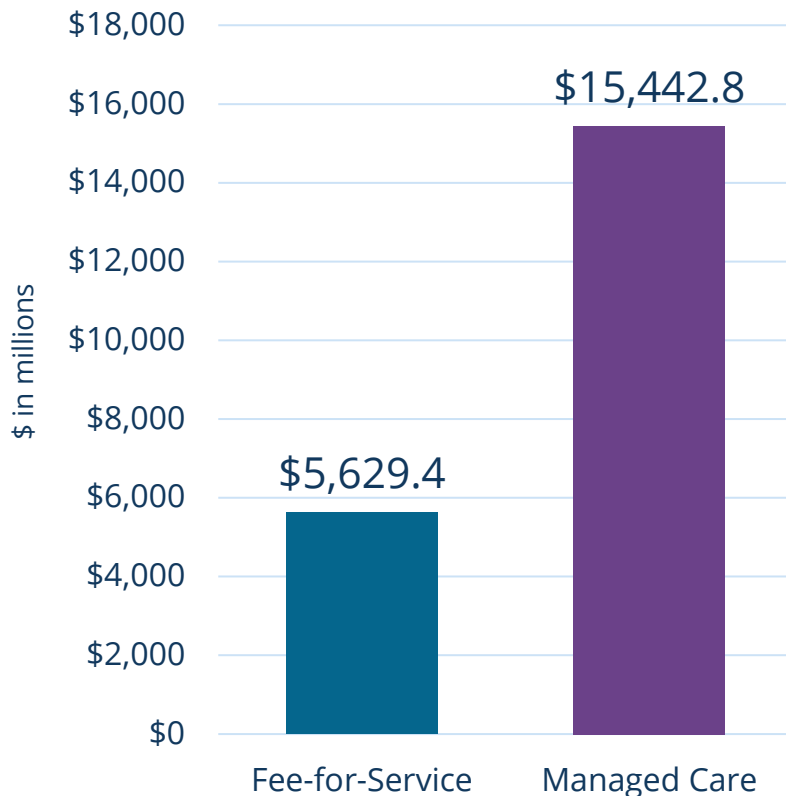
Factors Driving FY 2028 Forecast Total \$624 Million over FY 2027 Ongoing Costs

(GF \$ in millions)



MANAGED CARE ACCOUNTS FOR MOST PROGRAM EXPENDITURES

FY 2026 Estimate*



*Estimate based on claims expenditures to date, extrapolated for full year. Does not include lump sum payments to hospitals & nursing homes, among others.

Services As Percentage of Managed Care Expenditures

Type of Service	% of Exp.
LTC - Home and Community Based Services	15.9%
Inpatient Hospital	13.6%
LTC - Nursing Facility	12.1%
Pharmacy	12.4%
Physician Services	12.2%
Outpatient Hospital	10.9%
InstitutionalCommunity Behavioral Health/Addiction Recovery Treatment Services (ARTS)/Case Management	9.5%
Other Medical	4.5%
MCO Administration	8.9%

MANAGED CARE RATE INCREASES DRIVE MEDICAID FORECAST

	Nov. 2024 Forecast	Nov. 2025 Forecast		
Managed Care Rates	FY 2026	FY 2026	FY 2027	FY 2028
Base Medicaid	4.5%	8.2%	7.1%	7.0%
Medicaid Expansion	5.8%	15.0%	10.6%	10.6%
Blended Rate	5.0%	10.6%	8.2%	8.2%

- Key drivers of managed care rates in FY 2025 are expected to continue into FY 2026 and 2026-28
- Medical services - higher utilization by enrollees with complex medical needs and higher costs per claim
 - 15.6% increase in inpatient hospital cost per claim and 7.6% increase in PMPM amount
 - 13.5% increase in physician services per member per month (PMPM) amount for those receiving for receiving long-term care services
 - 12% increase in Pharmacy PMPM amount and 7% increase in cost per claim
- Home and community-based services – higher utilization and higher costs
 - 22% increase in claims
 - 10% increase in PMPM for home and community-based services
 - 10.6% increase in cost per claim for home and community-based services
- Behavioral health – higher utilization
 - Mobile/crisis services
 - Addiction and Recovery Treatment Services (ARTS)
 - Applied Behavioral Analysis (ABA) services

IMPACT OF PROVIDER INFLATION ADJUSTMENTS

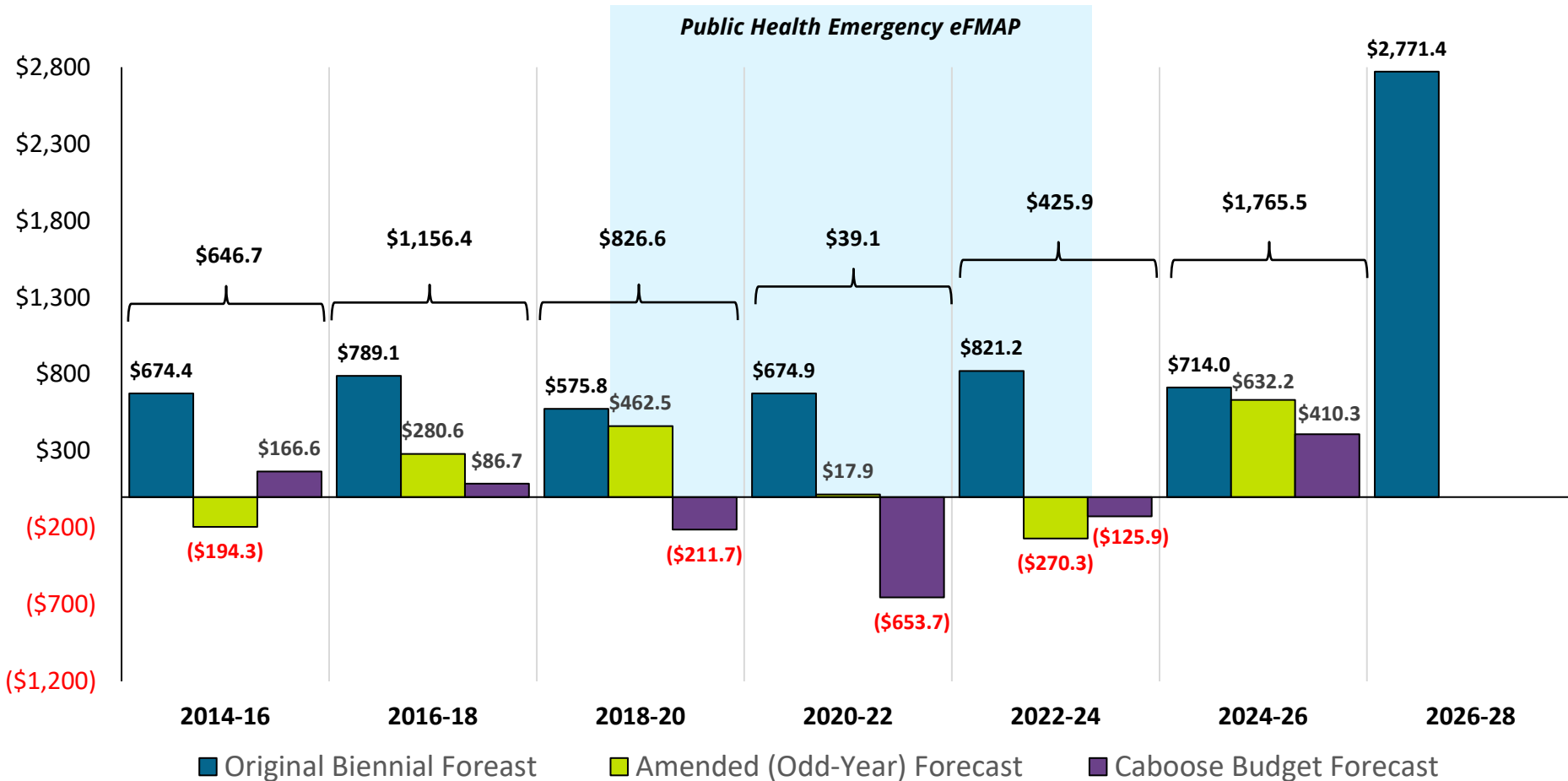
- Hospital and nursing home inflationary adjustments (required by regulations) impact both managed care and fee-for-service expenditures

	Nov. 2024	Nov. 2025 Forecast			
Provider Inflation Adjustments	FY 2027 %	FY 2027 %	FY 2027 GF Impact	FY 2028 %	FY 2028 GF Impact
Hospital & Other Facilities*	3.0%	3.2%	\$37.2	3.2%	\$80.8
Nursing Facility, Hospice and Home Health**	3.1%	3.3%	\$36.8	3.3%	\$83.3
Total			\$74.0		\$164.1

*Includes inpatient, outpatient, and freestanding psychiatric hospitals, and outpatient rehab. facilities.

**Inflation rates and the GF impact for Nursing facilities, hospice and home health are merged to illustrate the combined GF impact each year. The majority of the GF impact each year is due to nursing facility inflation of 3.3% each year. The projected inflation for hospice is 2.9% each year and the projected inflation for home health is 3.4% each year.

BASE MEDICAID BIENNIAL FORECAST CHANGES OVER TIME



KEY TAKEAWAYS

- Managed care rates are major driver of the increasing Medicaid forecast
 - May be some flexibility to control Medicaid costs
 - Program and benefit changes may need to be considered
 - Hospital and nursing home inflationary changes
 - Prescription drugs and pharmacy services
 - Implementation of current and newly designed behavioral health services
 - Value based purchasing of high cost services
- Introduced budget may contain policy decisions that will impact the forecast
- Virginia Health Care Fund estimates will impact GF share of forecast
 - Amounts will be included in introduced budget