



Update on Medicaid FMAP Extension

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House Appropriations Committee

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2010-12 Adopted Budget for Health and Human Resources

- Budget adopted for the 2010-12 biennium provides net new spending of \$1,064.2 million GF and a reduction of \$294.3 million NGF
 - Spending totals almost \$2.1 billion GF
 - Reductions total about \$1.0 billion GF
- Majority of spending and reductions affects the Medicaid program
 - \$1.2 billion GF in spending to backfill the loss of temporary federal fiscal relief beginning January 1, 2011
 - \$670.7 million GF to fund increases in enrollment and health care costs
 - \$556.3 million GF in reductions to providers, eligibility, services and other efficiencies (not including reductions based on Medicaid forecast policy adjustments)

Ch. 874 Medicaid Spending

(GF \$ in millions)

Medicaid	FY 2011	FY 2012
Backfill Federal Stimulus Funds	\$376.8	\$814.6
Medicaid Utilization and Inflation Official Forecast*	\$277.3	\$500.4
Policy Adjustments to Medicaid Forecast*	(\$56.2)	(\$98.1)
Adjust funding for Virginia Health Care Fund	\$8.1	\$5.9
Medicaid costs in state mental health treatment centers and intellectually disabled training centers	-	\$31.9
Added Medicaid coverage for pregnant women to comply with changes in federal law	\$0.7	\$0.7
Medicaid Program Spending	\$606.7	\$1,255.4
*Official forecast includes policy decisions in the 2010-12 biennium which are rescinded through policy adjustments including inflationary increases to hospital, nursing home and other provider payments, rebasing of nursing home costs, and new slots for MR & DD waivers, pursuant to legislation.		



Policy Adjustments to Medicaid Forecast

(GF \$ in millions)

Policy Adjustments (GF only)*	FY 2011	FY 2012
Defer inflation of hospital payments	(\$29.4)	(\$46.6)
Defer inflation of Graduate and Indirect Medical Education hospital payments	(\$2.0)	(\$2.8)
Defer inflation of nursing home payments and rebasing	(\$11.2)	(\$18.3)
Defer inflation of residential psychiatric facility payments	(\$1.2)	(\$2.8)
Defer home health agency inflation rate	(\$0.2)	(\$0.4)
Defer inflation of outpatient rehabilitation agency payments	(\$0.1)	(\$0.1)
Postpone increase of 400 MR and 67 DD waiver slots	(\$12.1)	(\$27.1)
Total Policy Adjustments to Medicaid Forecast	(\$56.2)	(\$98.1)
*A like amount of savings accrues to the federal government as a result of these policy adjustments.		



Medicaid Reductions

- Adopted budget includes \$556.3 million GF in Medicaid reductions (not including forecast policy adjustments)
 - \$247.9 million GF in savings from lower provider payments (in most instances 3% reduction in FY 2011 and 4% reduction in FY 2012)
 - \$144.2 million GF in savings from eligibility changes
 - Does not include \$19.3 million in savings from FAMIS eligibility changes
 - \$44.2 million GF in savings from service limitations or eliminations
 - \$34.3 million GF in savings from efficiencies and other reductions
 - \$85.7 million GF from the receipt of an enhanced Federal Medical Assistance Percentage (FMAP) rate for Part D prescription drug expenses
 - Not originally recognized as eligible for the enhanced FMAP provided to states under the ARRA legislation



FMAP Extension

- ARRA of 2009 provided state fiscal relief by enhancing the federal Medicaid match rate (Federal Medical Assistance Percentage or FMAP) for 9 quarters from October 2008 through December 2010
 - SFY 2010 – 61.59%
 - SFY 2011 – 55.80% (Q1 and Q2 at 61.59%; Q3 and Q4 at 50%)
- From mid-December 2010 through the 2010 General Assembly Session, Congress passed several pieces of legislation extending the enhanced FMAP for two additional quarters through June 30, 2011
- February 1, 2010, President's budget included the FMAP extension



Building a Budget Around FMAP Extension

- NCSL reported that by the end of April, 29 states had factored in the added FMAP into their budgets
- Virginia took responsible approach to budgeting additional enhanced FMAP
 - U.S. House and Senate legislation was not reconciled by end of our Session
 - General Assembly adopted reductions to balance the budget without assuming receipt of FMAP
 - Contingent language was added to restore cuts in FY 2011 and FY 2012 if Congress extends the enhanced FMAP
 - Budget language allows the Governor discretion to either partially or fully change the allocation of the enhanced FMAP for any of the provider rates, eligibility changes or services that are proposed for restoration in either FY 2011 or FY 2012 since final amount of FMAP was imprecise
 - Some of the funding must be used to restore certain Medicaid eligibility reductions and other reductions in FY 2011 that would jeopardize the receipt of the enhanced FMAP funds
- As of Friday, June 18th, the U.S. Senate had not taken a final vote on H.R. 4213, the surviving piece of legislation which contains the FMAP extension
 - NCSL reported that there have been “hints” that the FMAP amount may be reduced or phased down over the 6-month extension period

FMAP Estimated Resources & Spending

Estimated FMAP Resources	\$ in millions
Medicaid	\$376.8
Medicaid Part D	\$20.4
DBHDS State Facilities	\$13.1
CSA	\$3.8
IV-Foster Care	\$3.0
<i>Estimated Total</i>	417.1

Difference between FMAP resources and spending = \$13.8 million

FMAP Spending	\$ in millions
Restore provider rates	\$175.9
Restore eligibility	\$163.5
Restore Medicaid svcs.	\$41.1
Restore behavioral health & social svcs.	\$24.5
Tech. adj. impact of Medicaid cuts on FMAP calculation	\$21.0
Restore local match changes	\$4.8
<i>Total</i>	430.8

Provider Restorations Contingent on FMAP Extension
Total = \$175.9 million

Hospital & Nursing Home Payment Reductions To Be Restored with FMAP Extension	GF \$ in millions	
	FY 2011	FY 2012
<i>Hospitals</i>		
Reduce inpatient payments by 3% in FY11 / 4% in FY12	(\$14.6)	(\$24.2)
Reduce outpatient payments 3% / 4%	(\$6.9)	(\$10.8)
Reduce indigent care payments to teaching hospitals by 3%	(\$7.1)	(\$7.1)
Reduce capital payments by 3% / 4%	(\$1.6)	(\$2.6)
Impose reciprocal payments to out-of-state hospitals	(\$2.3)	-
Reduce incentive payment for long-stay hospitals	(\$0.5)	(\$0.5)
<i>Total for hospitals</i>	(\$33.0)	(\$45.2)
<i>Nursing Homes</i>		
Reduce operating rates by 3% in FY11 / 4% in FY12	(\$11.9)	(\$13.8)
Reduce capital payments by 0.25% in FY11 / 0.5% in FY12	(\$1.0)	(\$2.5)
<i>Total for nursing homes</i>	(\$12.9)	(\$16.3)

Provider Restorations Contingent on FMAP Extension
Total = \$175.9 million

Other Provider Payment Reductions To Be Restored with FMAP	GF in millions	
	FY 2011	FY 2012
Reduce Medicaid waiver provider rates by 5%	(\$18.2)	(\$18.0)
Reduce physician & other practitioner fees by 3% in FY11 / 4% in FY12	(\$8.8)	(\$14.7)
Reduce dental services fees by 3% in FY11 / 4% in FY12	(\$1.5)	(\$2.3)
Reduce therapeutic day treatment services by 3% in FY11 / 4% in FY12	(\$1.5)	-
Reduce psychiatric residential treatment facility rates by 3% in FY11 / 4% in FY12	(\$1.3)	-
Reduce pharmacy drug acquisitions costs from Avg. Wholesale Price (AWP) -10.25% to AWP -13.1%	(\$0.8)	(\$0.9)
Reduce pharmacy dispens. fee from \$3.75 to \$3.50 in FY12	-	(\$0.5)
Reduce Auxiliary Grant payment to Assisted Lvg. Facilities by 4% in FY12	-	(\$2.4)
Total for other providers	(\$32.0)	(\$36.5)

Eligibility Restorations Contingent on FMAP Extension

Total = \$163.5 million

Medicaid and FAMIS Eligibility Limits To Be Restored with FMAP Extension	GF \$ in millions	
	FY 2011	FY 2012
<i>Medicaid</i>		
Reduce income limits for long-term care optional eligibility group from 300% of Supplemental Security Income (SSI) payment to 275% beginning January 1, 2011	(\$16.9)	(\$36.4)
Further reduce income limit from long-term care optional group from 275% of SSI to 250% of SSI in FY 2012	-	(\$36.5)
Reduce income limits for aged, blind and disabled from 80% to 75% of federal poverty level (FPL) in FY 2012	-	(\$36.2)
Freeze on Medicaid waiver enrollments beginning January 1, 2011	(\$3.7)	(\$13.3)
Lower Medicaid enrollments from Aux. Grant rate cut	-	(\$0.6)
Freeze inflation adj.-Medically Needy Income limit in FY 2012	-	(\$0.6)
<i>Total for Medicaid</i>	(\$20.6)	(\$123.6)
<i>FAMIS</i>		
Reduce income limits from 200% to 175% of FPL in FY 12	-	(\$19.3)
<i>Total for FAMIS</i>	-	(\$19.3)

Service Restorations Contingent on FMAP Extension

Total = \$41.1 million

Service Eliminations and Limits To Be Restored with FMAP Extension	GF \$ in millions	
	FY 2011	FY 2012
Limit respite care hours from 720 hrs. to 240 hrs. annually	(\$5.2)	(\$21.2)
Eliminate 200 Intellectual Disability waiver slots (budget action restores 250 slots)	(\$5.4)	(\$7.8)
Eliminate optometry services	(\$0.3)	(\$0.4)
Eliminate podiatry services	*	(\$0.5)
Limit annual cap on environmental modifications/assistive technology from \$5,000 to \$3,000 per project	(\$0.3)	-
Total	(\$11.2)	(\$29.9)
*Adopted budget provided \$430,950 GF to delay implementation of the elimination of podiatry services until FY 2012.		

Behavioral Health and Social Services Restorations Contingent on FMAP Extension

Total = \$24.5 million

Behavioral Health & Social Services Reductions To Be Restored with FMAP Extension	GF \$ in millions	
	FY 2011	FY 2012
<i>Behavioral Health Services</i>		
Reduce earmark for community treatment of uninsured children served by the CCCA	(\$2.1)	(\$2.1)
<i>Social Services</i>		
Reduce funding for local social services departments (LDSS)	(\$1.6)	(\$4.6)
Reduce GF for foster care & adoption services	(\$3.0)	-
Reduce General Relief payments to LDSS	(\$2.4)	(\$2.4)
Reduce Auxiliary Grant payment by 4% in FY 2012	-	(\$2.4)
Reduce funding for Healthy Families	(\$1.4)	-
Reduce chore & companion funding to LDSS	(\$1.0)	-
Reduce other purchased services funding to LDSS	(\$1.0)	-
Reduce funding to Centers for Independent Living	(\$0.5)	-
Total	(\$13.0)	(\$11.5)

Local Match Restorations Contingent on FMAP Extension
 Total = \$4.8 million

Local Match Changes To Be Restored with FMAP Extension	GF \$ in millions	
	FY 2011	FY 2012
Retain 5% of federal financial participation for Medicaid administration of school health services in FY 2012	-	(\$0.6)
Implement an assessment on providers of Intermediate Care Facilities for the Intellectually Disabled (formerly ICF-MRs)	(\$4.2)	-
Total	(\$4.2)	(\$0.6)



Impact of Federal Health Care Reform on Medicaid Reductions

- Federal health care reform was passed after Virginia's General Assembly adjourned
- Legislation requires states to maintain Medicaid and SCHIP eligibility levels in place as of the date of enactment (March 23, 2010)
- Absent receipt of additional enhanced FMAP, Virginia may need to restore about \$165.9 million GF to comply with federal legislation
 - \$163.5 million in Medicaid & FAMIS programs to restore eligibility
 - \$20.6 million GF in FY 2011
 - \$142.9 million GF in FY 2012
 - \$2.4 million GF in FY 2012 if the Auxiliary Grant rate provided through the Dept. of Social Services must be restored to maintain these recipients in Medicaid