

---

# Update on Medicaid Issues

*Presentation to the*  
**Senate Finance Committee**

---

Patrick Finnerty, Director  
Department of Medical Assistance Services

October 22, 2009

# Presentation Outline

---

- Update on Medicaid Budget & Enrollment*
- American Recovery & Reinvestment Act (ARRA) of 2009**
- Potential Role of Medicaid in National Health Care Reform**

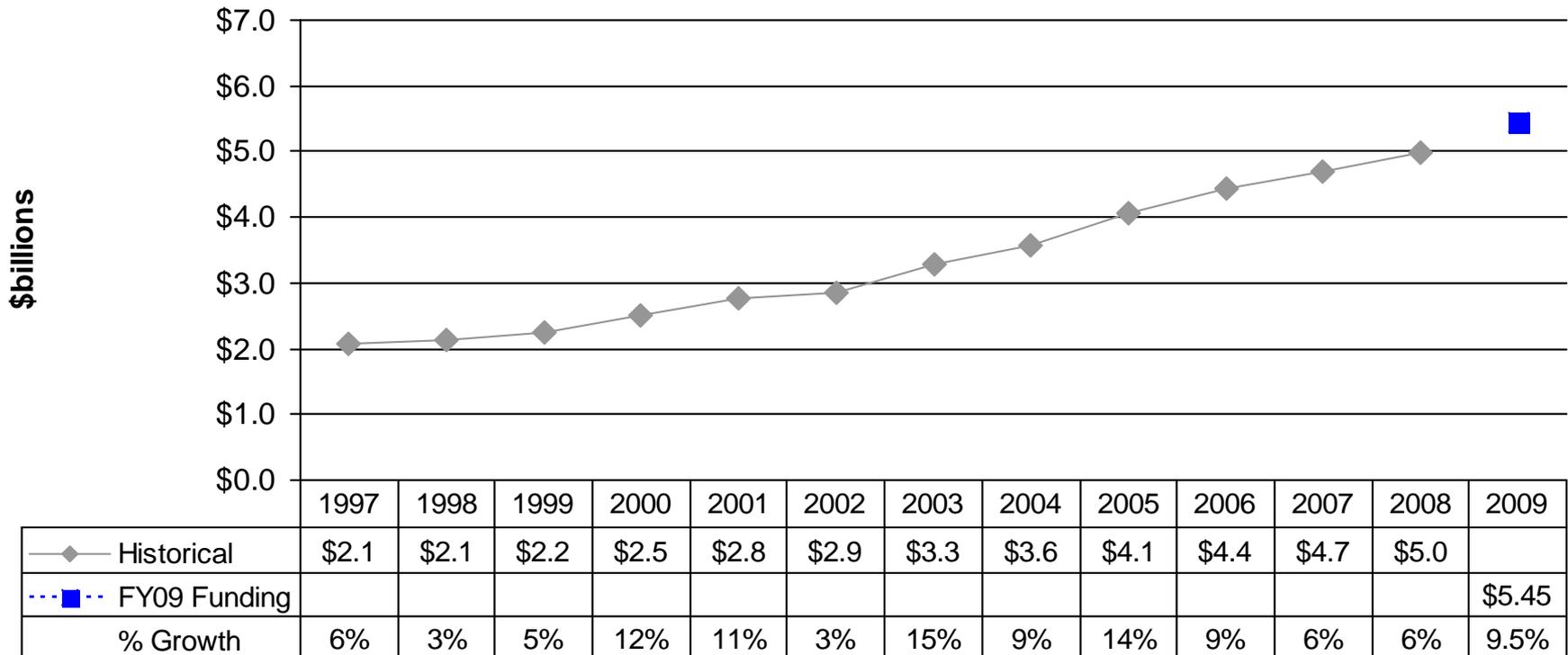
# DMAS Funding – 2009 Appropriation Act (All Programs)

	Total Funds in Millions	
	FY2009	FY2010
Base Appropriation	\$5,841.8	\$6,165.2
Funding Items	\$420.5	\$692.7
Reductions	(\$269.8)	(\$155.7)
Revised Budget	\$5,992.5	\$6,702.2
Year-End GF Balance	\$2.8	

\*Totals may not sum due to rounding.

# FY 2009 Medicaid Funding (Projected)

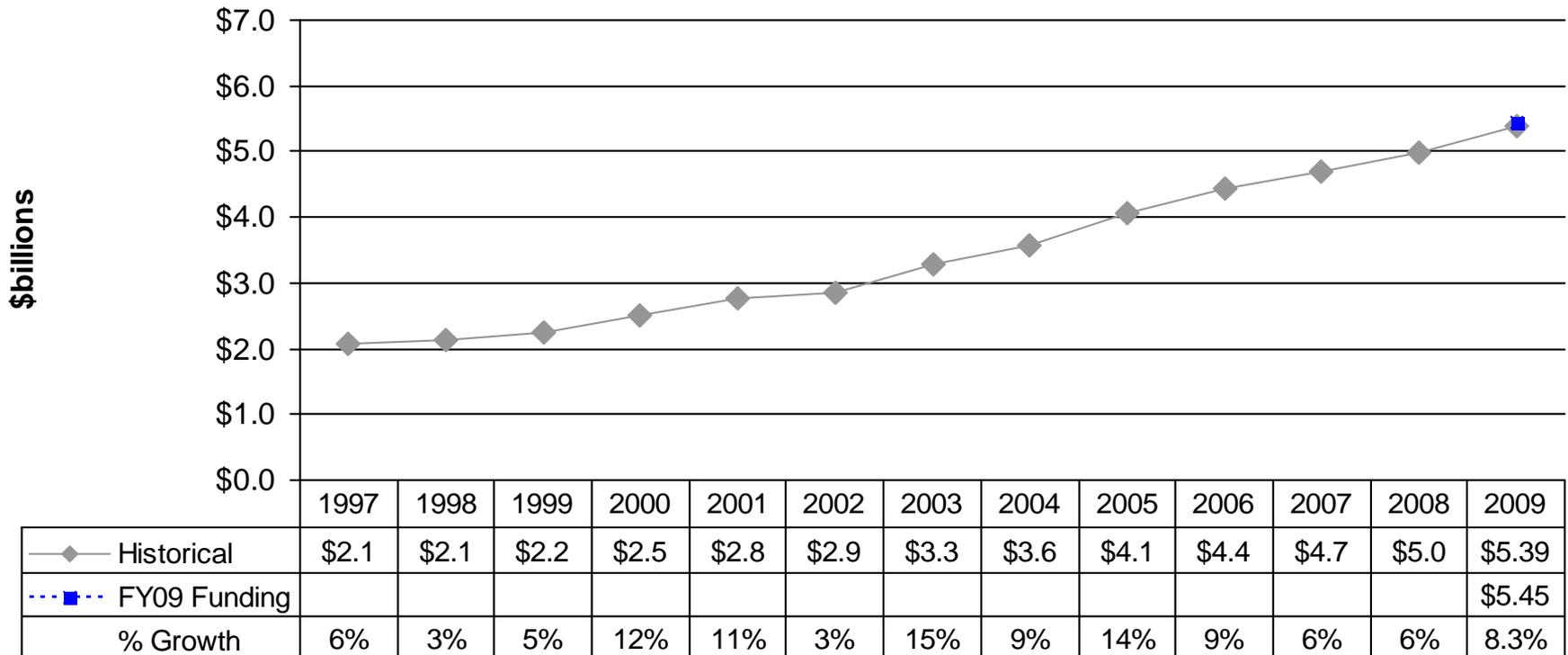
**Historical and Projected Expenditures for General Medicaid, Long-Term Care and Mental Health Services (\$billions)**



% Growth reflects annual growth of actual expenditures and the FY09 funding.

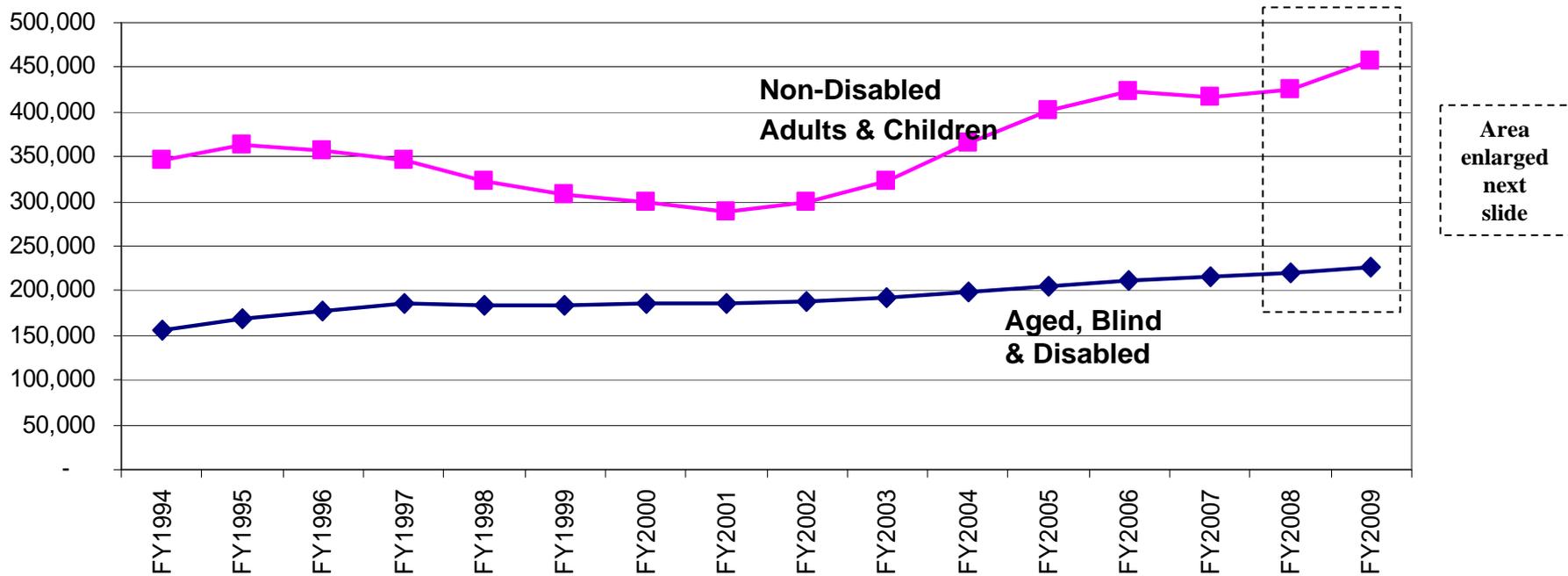
# FY 2009 Medicaid Funding (Actual)

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

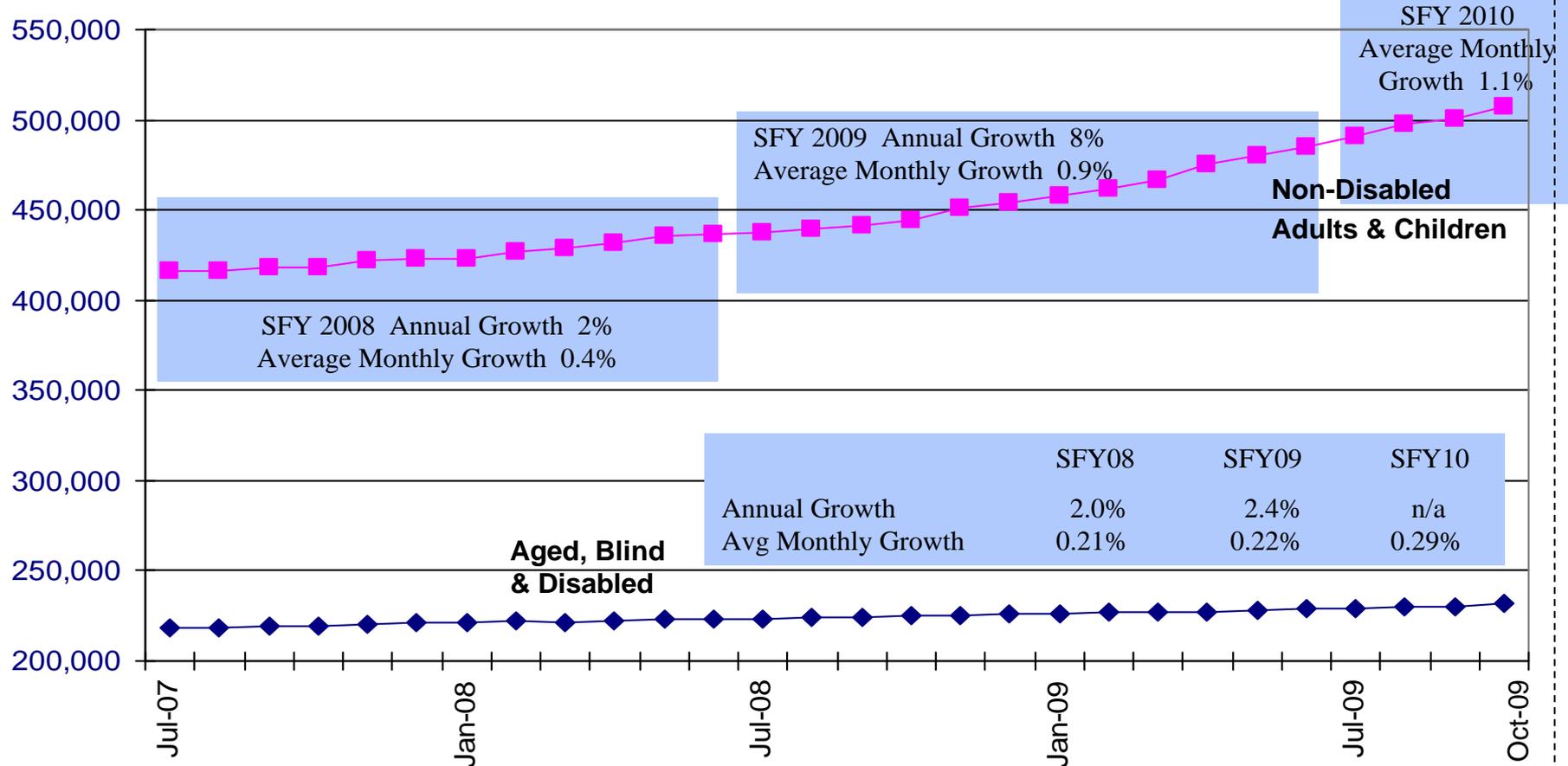


% Growth reflects annual growth of actual expenditures.

# Medicaid Enrollment Trends



# Continued Growth in Non-Disabled Adults & Children



# Medicaid Enrollment Trends

---

- 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 federal citizenship and identity requirements implemented on July 1, 2006.
- The consensus forecast developed in November 2008 projected total enrollment growth of 5.1% in FY 2009. Actual total enrollment growth was 5.9%.
  - Updated Medicaid forecast in February 2009 incorporated into the 2009 Appropriation Act captured the associated increase in expenditures.

# November 2008 Medicaid Forecast Revised in February 2009

<b>FY 2009</b>	<b>November 2008</b>	<b>February 2009</b>	<b>Difference</b>
Acute Care	\$3,441.5	\$3,531.1	\$89.6
Long-Term Care	\$1,673.6	\$1,692.0	\$18.4
Mental Health	\$431.0	\$467.1	\$36.1
<b>Total Medicaid Forecast</b>	<b>\$5,546.2</b>	<b>\$5,690.2</b>	<b>\$144.0</b>
State Funds*			\$62.1
<b>FY 2010</b>			
Acute Care	\$3,618.8	\$3,828.5	\$209.8
Long-Term Care	\$1,734.9	\$1,790.7	\$55.8
Mental Health	\$486.2	\$524.9	\$38.7
<b>Total Medicaid Forecast</b>	<b>\$5,839.9</b>	<b>\$6,144.1</b>	<b>\$304.3</b>
State Funds*			\$121.1
<b>2008-2010 Biennium</b>			
<b>Total Medicaid Forecast</b>	<b>\$11,386.0</b>	<b>\$11,834.3</b>	<b>\$448.3</b>
State Funds*			\$183.2

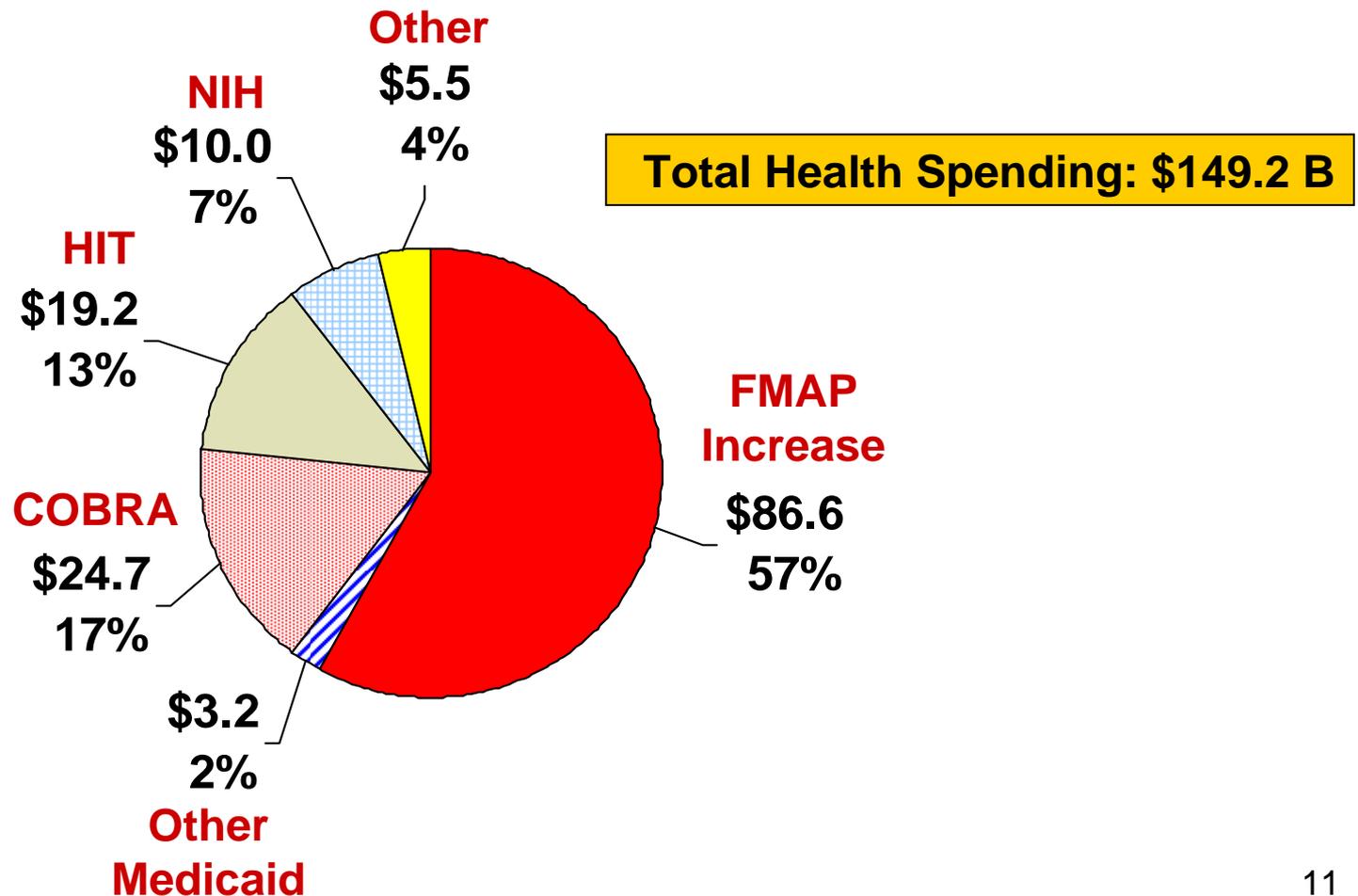
\*State funds were calculated based on an estimated weighed average FMAP of 0.5685 for SFY 2009 and 0.6019 for SFY 2010.

# Presentation Outline

---

- Update on Medicaid Budget & Enrollment
- American Recovery & Reinvestment Act (ARRA) of 2009*
- Potential Role of Medicaid in National Health Care Reform

# National Distribution of Health Spending in ARRA (in billions)



# Enhanced Medicaid Match Rate in the American Recovery & Reinvestment Act

- Section 5001 of the federal stimulus legislation provides for a temporary increase in the Medicaid federal medical assistance percentage (FMAP)
  - The Recession Adjustment Period (for which the enhanced FMAP applies) is October 1, 2008 – December 31, 2010
- The FMAP increase consists of three components:
  1. Hold Harmless (no effect for Virginia)
  2. General 6.2 percentage point increase
  3. Additional adjustment based on unemployment rate:
    - Tier 1: unemployment rate up by 1.5 - 2.5 percentage points
    - Tier 2: unemployment rate up by 2.5 - 3.5 percentage points
    - Tier 3: unemployment rate up by >3.5 percentage points

# Requirements for Receipt of Increased Federal Medicaid Funding

---

- Maintenance of Eligibility Requirements (MOE)
  - Approximately \$22.8 M was appropriated by 2009 General Assembly to address potential MOE concerns
- States Cannot Impose Greater Cost-Sharing by Political Subdivisions
- States Must Meet Prompt Pay Requirements
- States Cannot Directly or Indirectly Deposit or Credit Any Amounts to Reserves or Rainy Day Fund

# Enhanced Medicaid Match Rate in the American Recovery & Reinvestment Act

- Non-stimulus FMAP is 50%
- Under the stimulus, DMAS estimates the following FMAPs for the biennium:
  - State Fiscal Year 2009 - 57.29% (1 Q @ 50%; 2 Qs in Tier 1; 1 Q in Tier 3)
  - State Fiscal Year 2010 - 61.59% (all Qs in Tier 3)
- To date, DMAS has drawn down a total of \$617.7 million in increased FMAP under ARRA
- Total ARRA FMAP increase estimated to be \$1.4 billion during Recession Adjustment Period

# Enhanced Medicaid Match Rate in the American Recovery & Reinvestment Act

---

- Stimulus funding ends December 31, 2010
  - In FY11, one-half of the stimulus dollars will need to be replaced (approximately \$360 M)
  - In FY12, all of the stimulus dollars will need to be replaced (approximately \$720 M)

# Presentation Outline

---

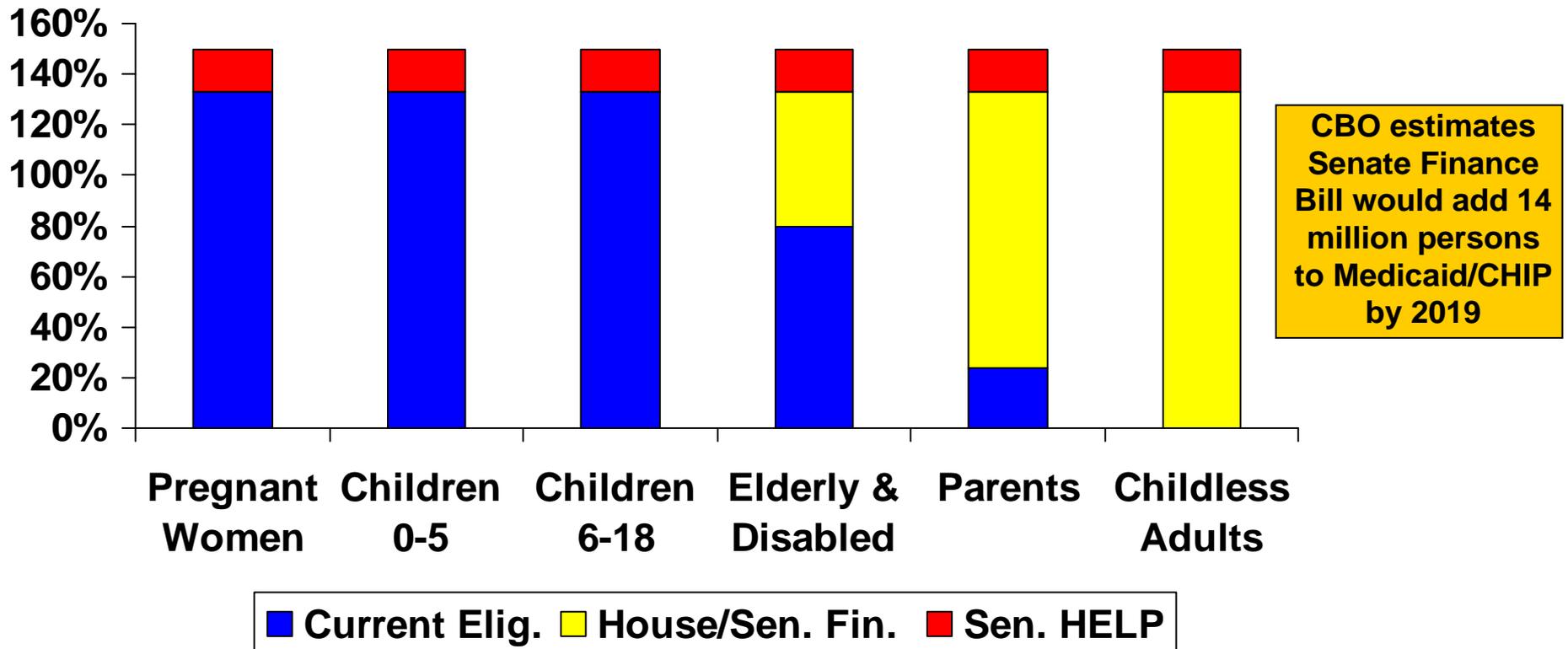
- Update on Medicaid Budget & Enrollment
- American Recovery & Reinvestment Act (ARRA) of 2009
- Potential Role of Medicaid in National Health Care Reform*

# National Health Care Reform: Key Medicaid Provisions

<b>Provision</b>	<b>Senate Finance Committee</b>	<b>Senate HELP Committee</b>	<b>House Tri-Committee (H.R. 3200)</b>
Expansion Levels	All individuals up to 133% FPL	All individuals up to 150% FPL	All individuals up to 133% FPL
Delivery System	Medicaid program; or Health Exchange if $\geq 100\%$ FPL	Medicaid program only; not eligible for Health Benefit "Gateways"	Newly eligible enrollees may enroll through Exchange
Financing	Additional FMAP of 37.3% in 2014*, gradually declining to 32.3% in 2019	Unclear	100% FMAP for new eligibles through 2014; 90% beginning in 2015

\* States that already cover at least some of the newly eligible persons would receive additional FMAP of 27.3% in 2014

# Medicaid Expansions Compared to Current Virginia Eligibility Levels



# Other Medicaid Provisions

- Requires Medicaid payments to primary care providers to be 100% of Medicare rates by 2012 (House)
- Increases minimum rebate percentage for single-source drugs to 22.1% after December 31, 2009 (House); 23.1% - brand, 13% generic (Senate Finance)
- Extends Medicaid rebates to Medicaid Managed Care Organizations (House and Senate Finance)
  - Rebate payments made to state rather than the MCO (House)
- Other cost offsets may include: reduction in DSH payments; enhanced CHIP match rate