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

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

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Department of Medical Assistance Services

January 18, 2010

# Presentation Outline

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

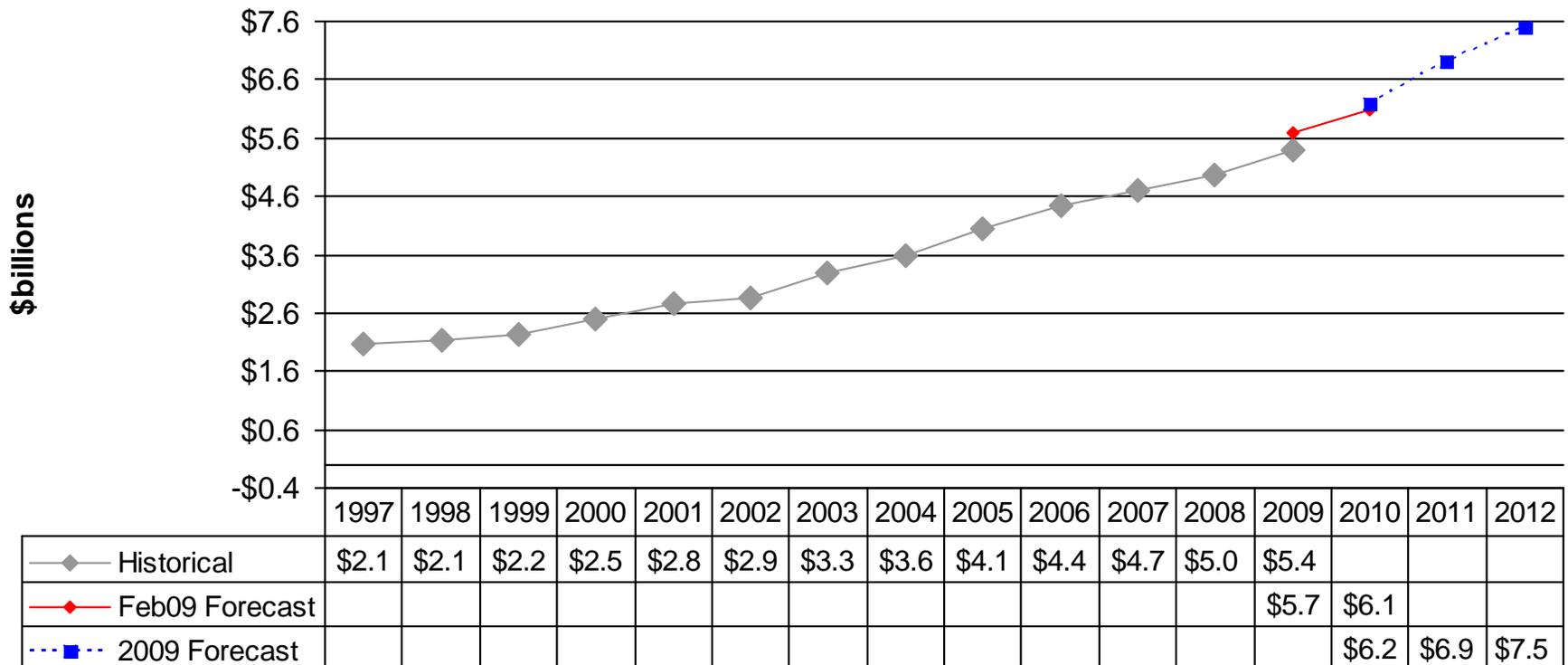
# Funding Initiatives - Introduced Budget

	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

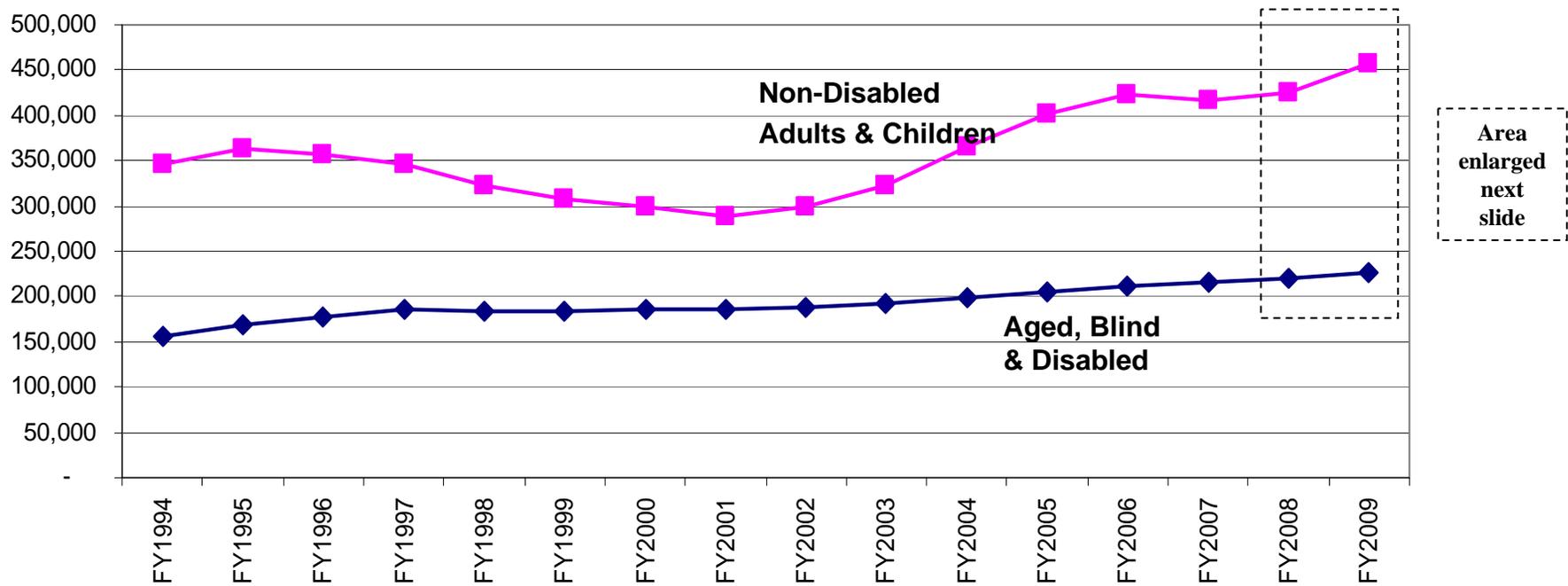
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# Funding Initiatives – Medicaid Forecast

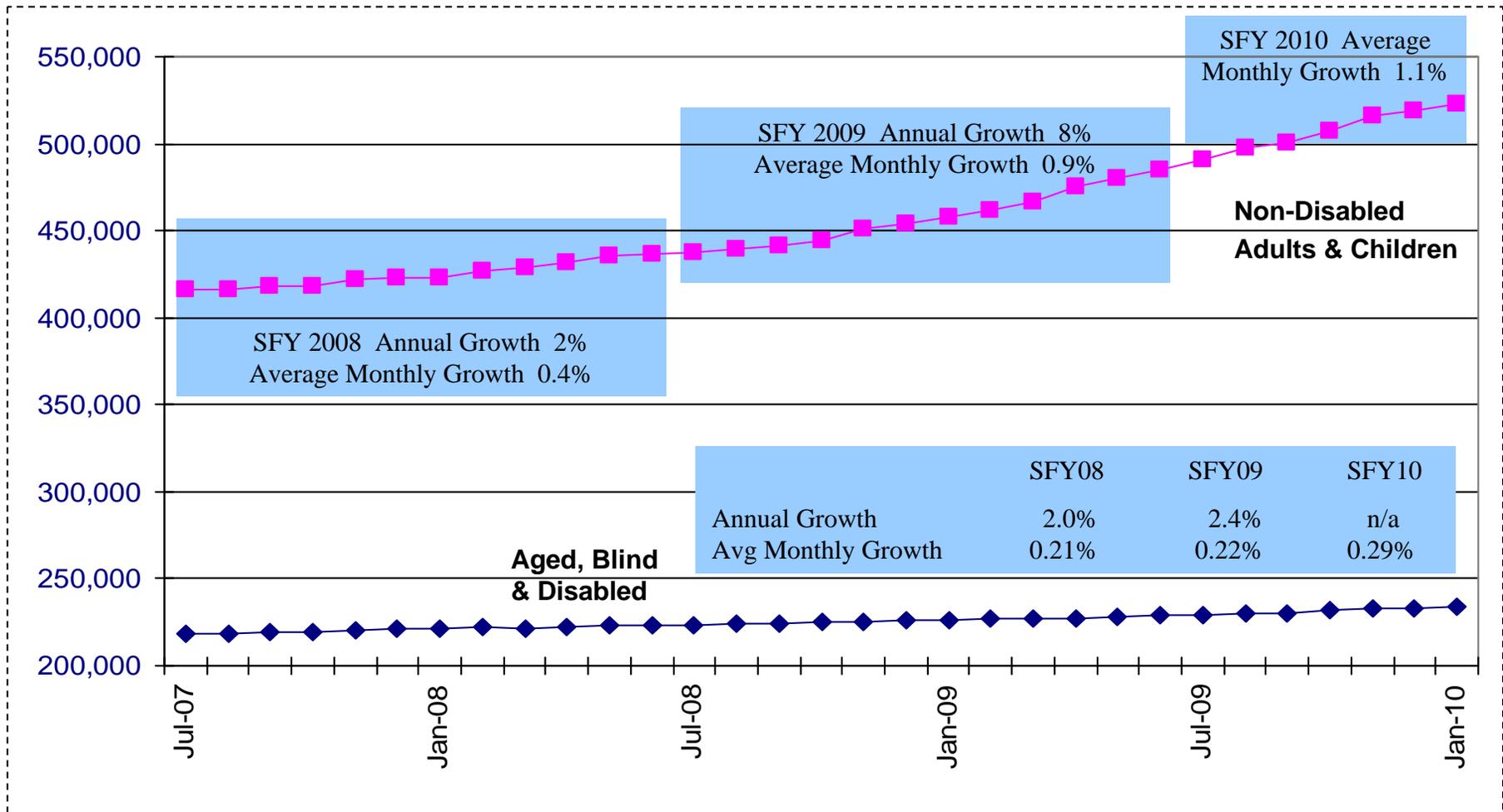
**Historical and Projected Expenditures for  
General Medicaid, Long-Term Care and Mental Health Services  
(Total Funds, \$billions)**



# Medicaid Enrollment Trends



# Continued Growth in Non-Disabled Medicaid Adults & Children



# ***ARRA Restoration***

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- **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
<b>FY2010</b>	<b>\$80.1</b>	<b>\$2.0</b>	<b>\$82.1</b>
<b>FY2011</b>	<b>\$654.2</b>	<b>\$134.6</b>	<b>\$788.7</b>
<b>FY2012</b>	<b>\$1,315.1</b>	<b>\$34.2</b>	<b>\$1,349.2</b>

## 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
<b>FY2010</b>	<b>(\$2.1)</b>	<b>(3.8)</b>	<b>(\$5.9)</b>
<b>FY2011</b>	<b>\$14.1</b>	<b>\$26.2</b>	<b>\$40.3</b>
<b>FY2012</b>	<b>\$24.5</b>	<b>\$45.6</b>	<b>\$70.1</b>

## ■ TDO Funding:

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

	Funds in Millions		
	GF	NGF	Total
<b>FY2010</b>	<b>\$3.1</b>	<b>\$0</b>	<b>\$3.1</b>
<b>FY2011</b>	<b>\$3.1</b>	<b>\$0</b>	<b>\$3.1</b>
<b>FY2012</b>	<b>\$3.1</b>	<b>\$0</b>	<b>\$3.1</b>

# 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
<b>FY2010</b>	<b>\$14.8</b>	<b>(\$14.8)</b>	<b>\$0</b>
<b>FY2011</b>	<b>\$11.8</b>	<b>(\$11.8)</b>	<b>\$0</b>
<b>FY2012</b>	<b>\$9.6</b>	<b>(\$9.6)</b>	<b>\$0</b>

## ■ 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
<b>FY2010</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FY2011</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FY2012</b>	<b>\$31.9</b>	<b>\$28.1</b>	<b>\$60.0</b>

# Presentation Outline

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

# Budget Reductions - Introduced Budget

	General Funds in Millions		
	FY2010	FY2011	FY2012
<b>Base Appropriation</b>	\$2,442.6	\$2,442.6	\$2,442.6
<b>Funding Initiatives</b>	\$99.4	\$689.4	\$1,390.4
<b>Budget Reductions</b>	<b>(\$120.0)</b>	<b>(\$162.8)</b>	<b>(\$258.9)</b>
<b>Total Proposed Budget</b>	\$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
<b>FY2010</b>	<b>(\$7.0)</b>	<b>\$0</b>	<b>(\$7.0)</b>
<b>FY2011</b>	<b>(\$52.7)</b>	<b>(\$58.9)</b>	<b>(\$106.6)</b>
<b>FY2012</b>	<b>(\$72.1)</b>	<b>(\$63.9)</b>	<b>(\$136.1)</b>

- 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
<b>FY2010</b>	<b>(\$1.9)</b>	<b>(\$1.9)</b>	<b>(\$3.1)</b>
<b>FY2011</b>	<b>(\$72.7)</b>	<b>(\$86.4)</b>	<b>(\$159.2)</b>
<b>FY2012</b>	<b>(\$140.6)</b>	<b>(\$140.6)</b>	<b>(\$281.1)</b>

# 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
<b>FY2010</b>	<b>(\$3.5)</b>	<b>(\$5.6)</b>	<b>(\$9.1)</b>
<b>FY2011</b>	<b>(\$11.4)</b>	<b>(\$14.1)</b>	<b>(\$25.5)</b>
<b>FY2012</b>	<b>(\$12.6)</b>	<b>(\$12.6)</b>	<b>(\$25.2)</b>

# 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
<b>FY2010</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FY2011</b>	<b>(\$4.9)</b>	<b>(\$6.2)</b>	<b>(\$11.1)</b>
<b>FY2012</b>	<b>(\$5.8)</b>	<b>(\$5.8)</b>	<b>(\$11.5)</b>

- 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
<b>FY2010</b>	<b>(\$1.0)</b>	<b>(\$1.1)</b>	<b>(\$2.1)</b>
<b>FY2011</b>	<b>(\$5.4)</b>	<b>(\$5.0)</b>	<b>(\$10.4)</b>
<b>FY2012</b>	<b>(\$7.4)</b>	<b>(\$5.9)</b>	<b>(\$13.3)</b>

# Budget Reductions

## ■ Durable Medical Equipment:

- Modify the current limit for incontinence supplies

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

- 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
<b>FY2010</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FY2011</b>	<b>\$170,000</b>	<b>(\$1.5m)</b>	<b>(\$2.1m)</b>	<b>(\$3.8m)</b>
<b>FY2012</b>	<b>\$0</b>	<b>(\$1.8m)</b>	<b>(\$4.0m)</b>	<b>(\$5.8m)</b>

- 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
<b>FY2010</b>	<b>(\$0.6)</b>	<b>(\$1.0)</b>	<b>(\$1.6)</b>
<b>FY2011</b>	<b>(\$2.1)</b>	<b>(\$2.6)</b>	<b>(\$4.7)</b>
<b>FY2012</b>	<b>(\$2.3)</b>	<b>(\$2.4)</b>	<b>(\$4.7)</b>

# 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
<b>FY2010</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FY2011</b>	<b>(\$4.1)</b>	<b>\$4.1</b>	<b>\$0</b>
<b>FY2012</b>	<b>(\$8.5)</b>	<b>\$8.5</b>	<b>\$0</b>

# Budget Reductions

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## ■ 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

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## ■ 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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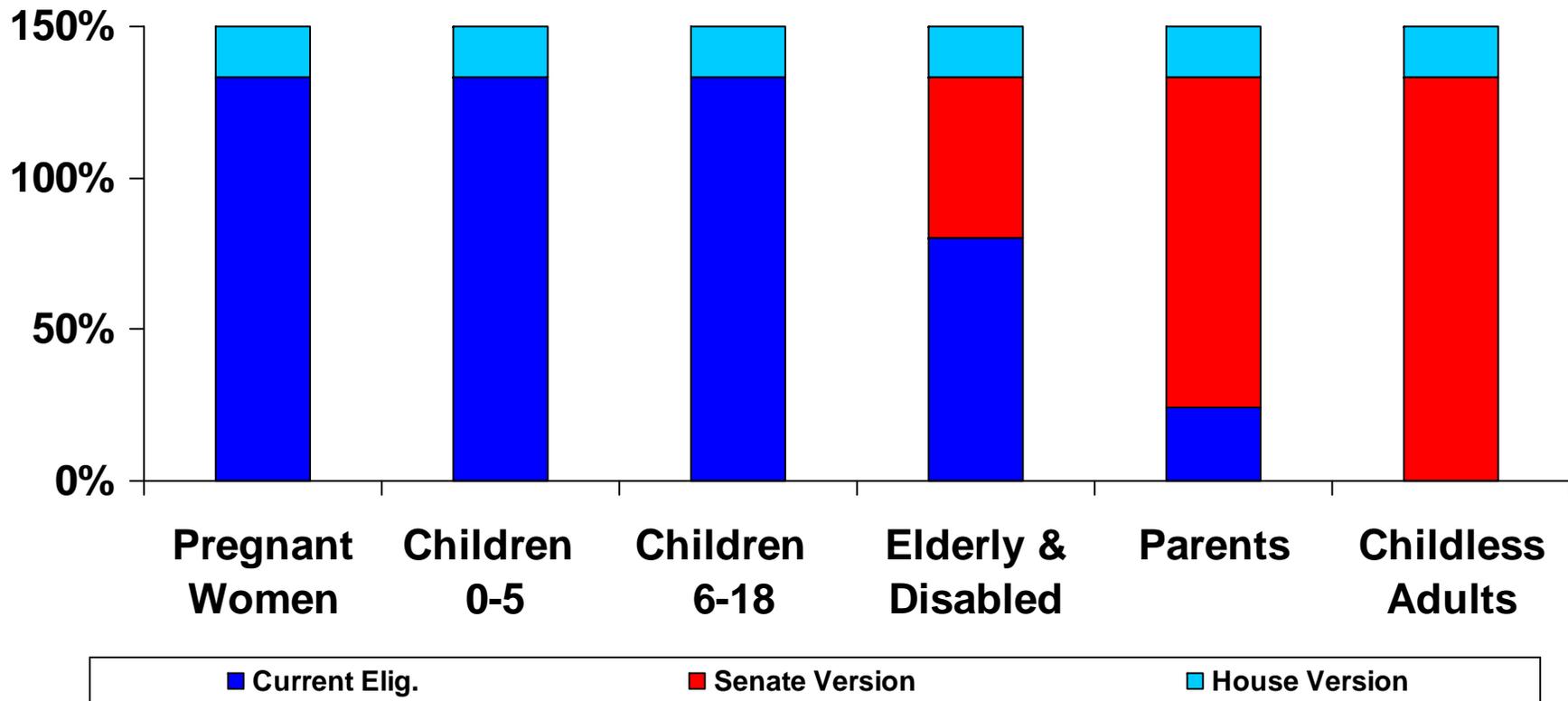
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# National Health Care Reform: Key Medicaid Provisions

	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 &gt;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 (&lt;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

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- 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)**