

DMAS Budget Briefing

Presentation to:

**Senate Finance Committee
Health and Human Resources Subcommittee**

➤ Fiscal Year End 2010

➤ 2000 – 2010 Cost Trends

➤ Future Trends and Cost Drivers

➤ Update on FMAP Stimulus Extension

Medicaid Expenditures in FY 2010 were LOWER than Budgeted

	Medicaid Title XIX FY 2010 Expenditures					
	Final Appropriation	Funded Increase	Final Expenditures	Actual Increase	Appropriation Variance	Year-End GF Cash Balance
TOTAL FUNDS	\$6,570,246,682	13.8%	\$6,548,853,842	13.5%		
State Funds	\$2,611,493,317	0.6%	\$2,590,004,221	-0.2%	\$21,489,096	\$22,678,783
Federal Funds	\$3,958,753,365	24.6%	\$3,958,849,621	24.6%		

- **Disparity between the growth rates of state and federal funds reflects an increase in the federal funding share from FY 2009 (57.29%) to FY 2010 (61.59%)**
 - **FY 2010 includes a full 12 months of stimulus FMAP**
 - **FY 2009 included only 9 months of stimulus FMAP**

Medicaid Expenditures in FY 2010 were LOWER than Budgeted ... due to timing of Part D Savings

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- Year-end balance reverts to the General Fund and will be available for budgeting in FY 2011
- 2010 Appropriation Act assumed savings related to Part D ARRA adjustment in FY 2011; Significant portion of the savings were actually realized in FY 2010

	FY 2010	FY 2011
Chapter 874 (297 #5c) Reduce GF Share of Medicare Part D Clawback Payment	\$0	(\$85,736,111)
Actual Timing of Savings	(\$62,001,196)	(\$23,734,915)
Increase/(Decrease) Compared to Appropriation by State Fiscal Year	\$62,001,196	(\$62,001,196)

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- **Without the Part D savings, there *would have been* a \$41 million GF need in FY 2010**
 - The need is within the normal forecast error range (less than 1%)
 - Annual growth in total funds would have 14.5%; 2.2% growth in state funds
 - Higher than projected expenditures in community mental health services were the primary contributor; Expenditures for nursing facilities, dental services and Medicare Part A and B premiums (due to federal rate increases) were also contributing factors

CHIP Expenditures in FY 2010 were also LOWER than Budgeted

	CHIP Title XXI FY 2010 Expenditures					
	Final Appropriation	Funded Increase	Final Expenditures	Actual Increase	Appropriation Variance	Year-End GF Cash Balance
TOTAL FUNDS	\$243,206,559	16.8%	\$240,750,068	15.7%		
State Funds	\$84,511,044	17.3%	\$82,882,238	15.1%	\$1,628,806	\$1,628,806
Federal Funds	\$158,695,515	16.5%	\$157,867,830	16.0%		

- Expenditures were lower than projected due to slower enrollment growth
 - CHIP enrollment growth was 7.9% in FY 2008; 10% in FY 2009
 - CHIP enrollment growth was only 4.4% in FY 2010

- Fiscal Year End 2010
- **2000 – 2010 Cost Trends**
- Future Trends and Cost Drivers
- Update on FMAP Stimulus Extension

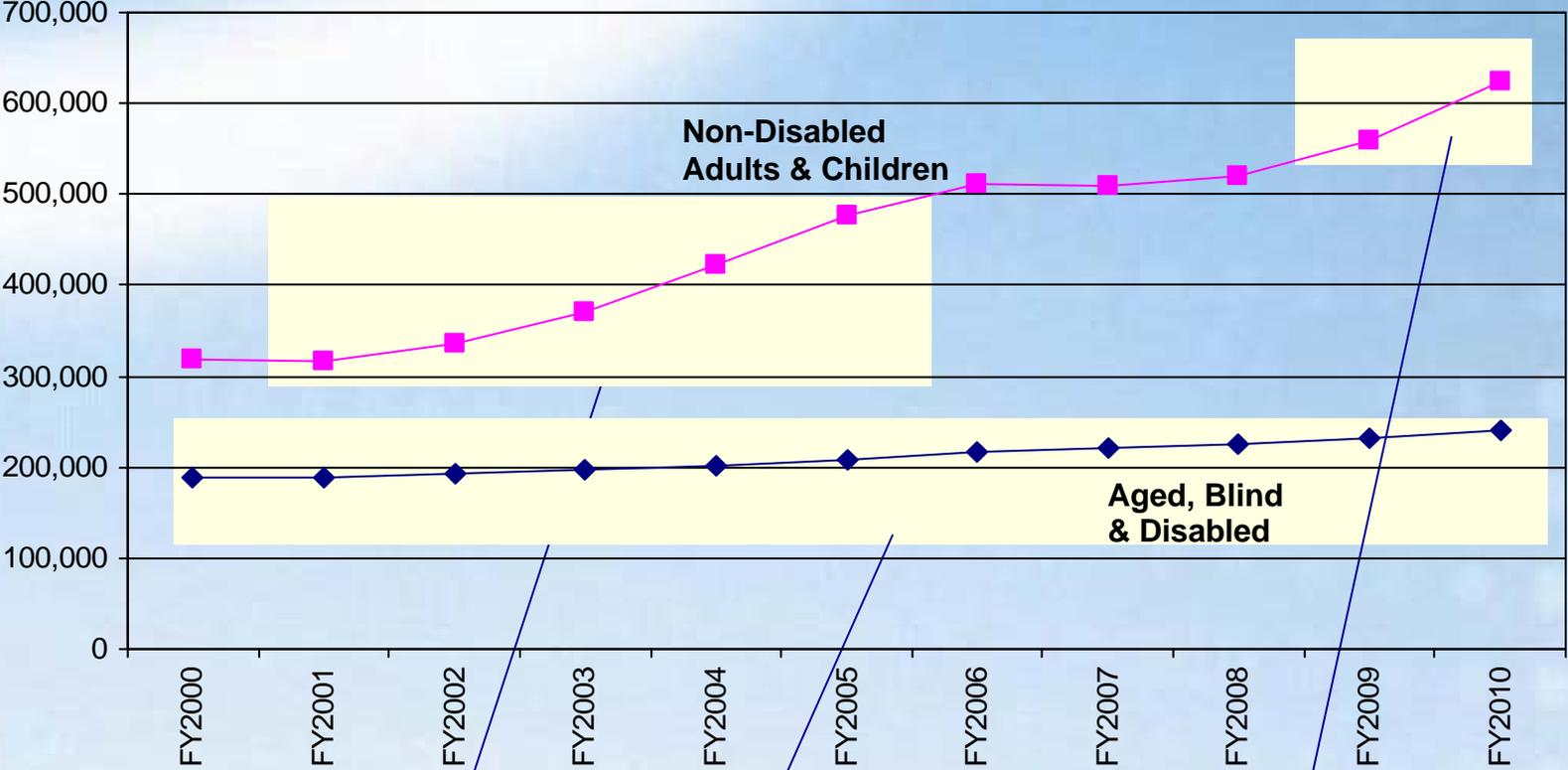
Expenditures have increased significantly over the past ten years

	FY 2000	FY 2010	10-Year Increase
Title XIX Medicaid	\$2,732,426,274	\$6,548,853,842	140%
Title XXI CHIP	\$21,491,478	\$240,750,068	1020%
TOTAL EXPENDITURES	\$2,753,917,752	\$6,789,603,911	147%
State Funds	\$1,331,521,152	\$2,672,886,459	101%

- Medicaid expenditures have increased 140%
- CHIP expenditures have increased ten-fold
- State expenditures have increased at a slower rate because of increased federal assistance rates in FY 2004 and ARRA in FY 2009 and FY 2010

Enrollment Trends

Title XIX Medicaid and XXI CHIP Enrollment

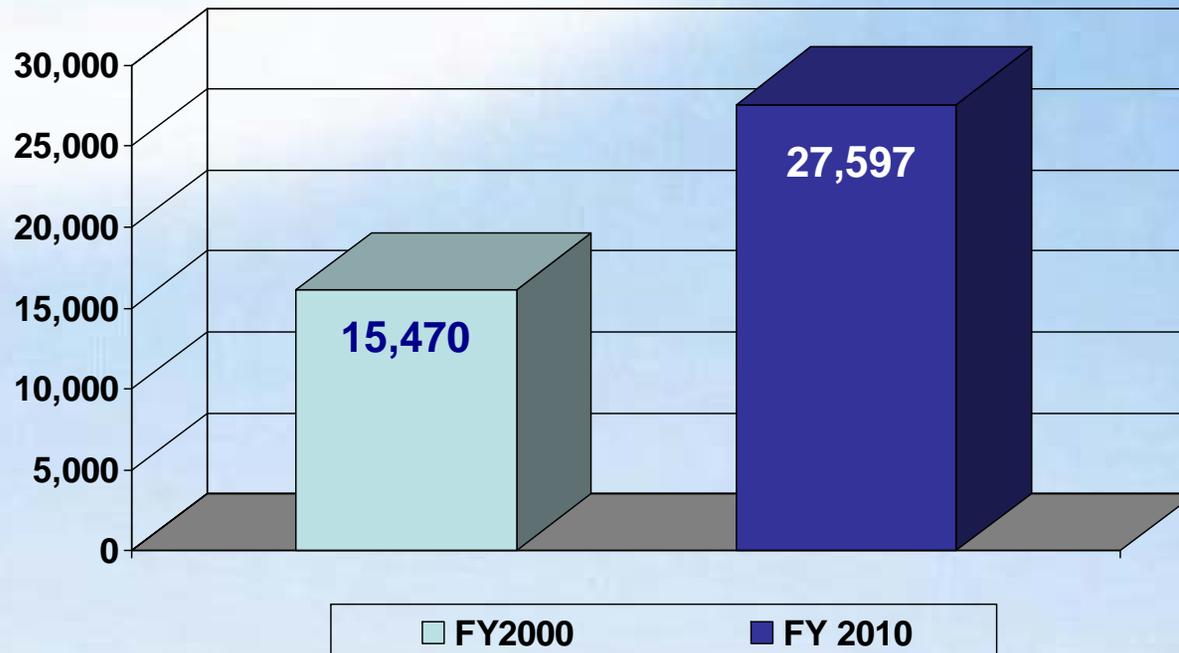


Concerted outreach and enrollment efforts

LTC Community Waiver Increases

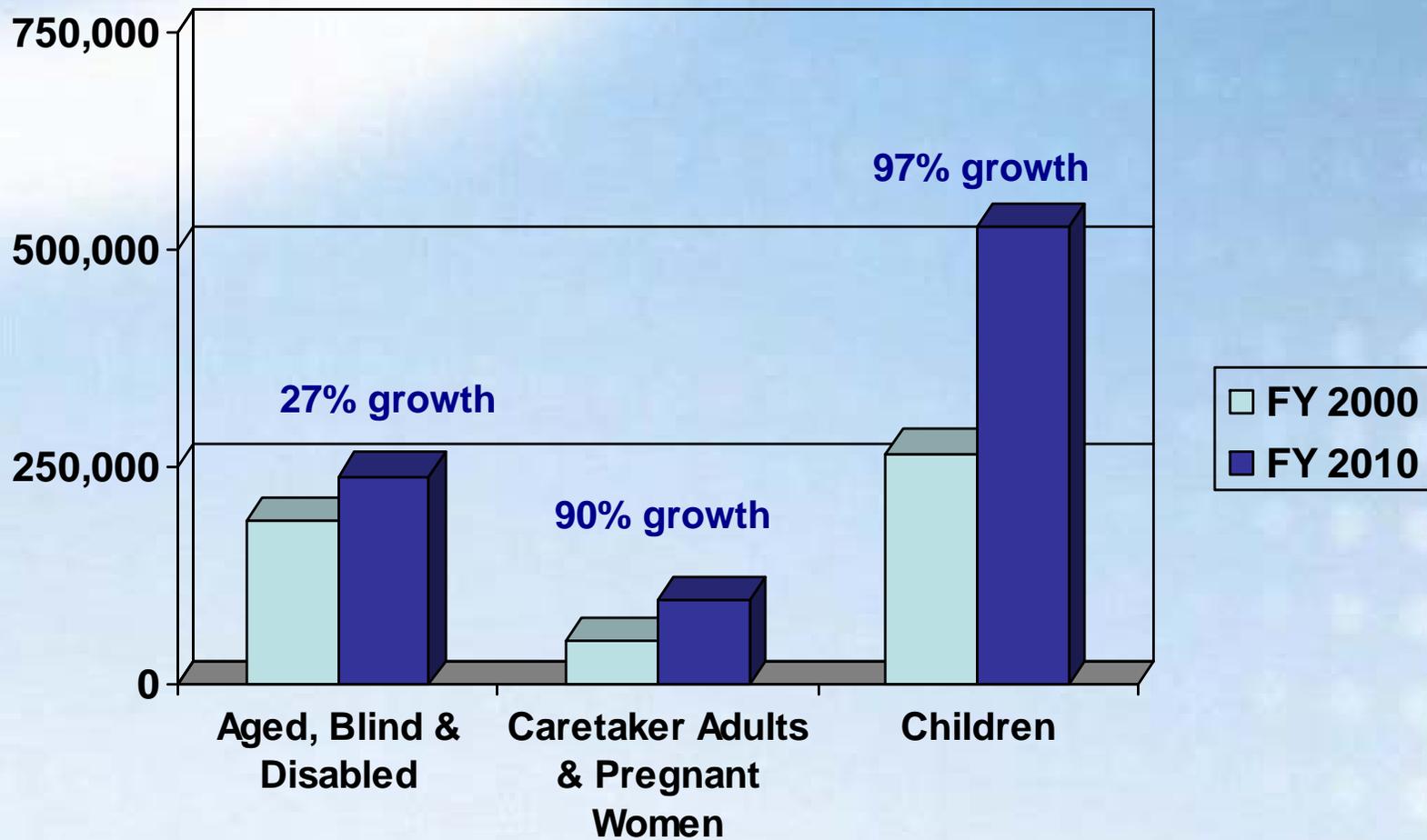
Economy-driven enrollment growth

LTC Community Waiver enrollment has increased over 70% since 2000

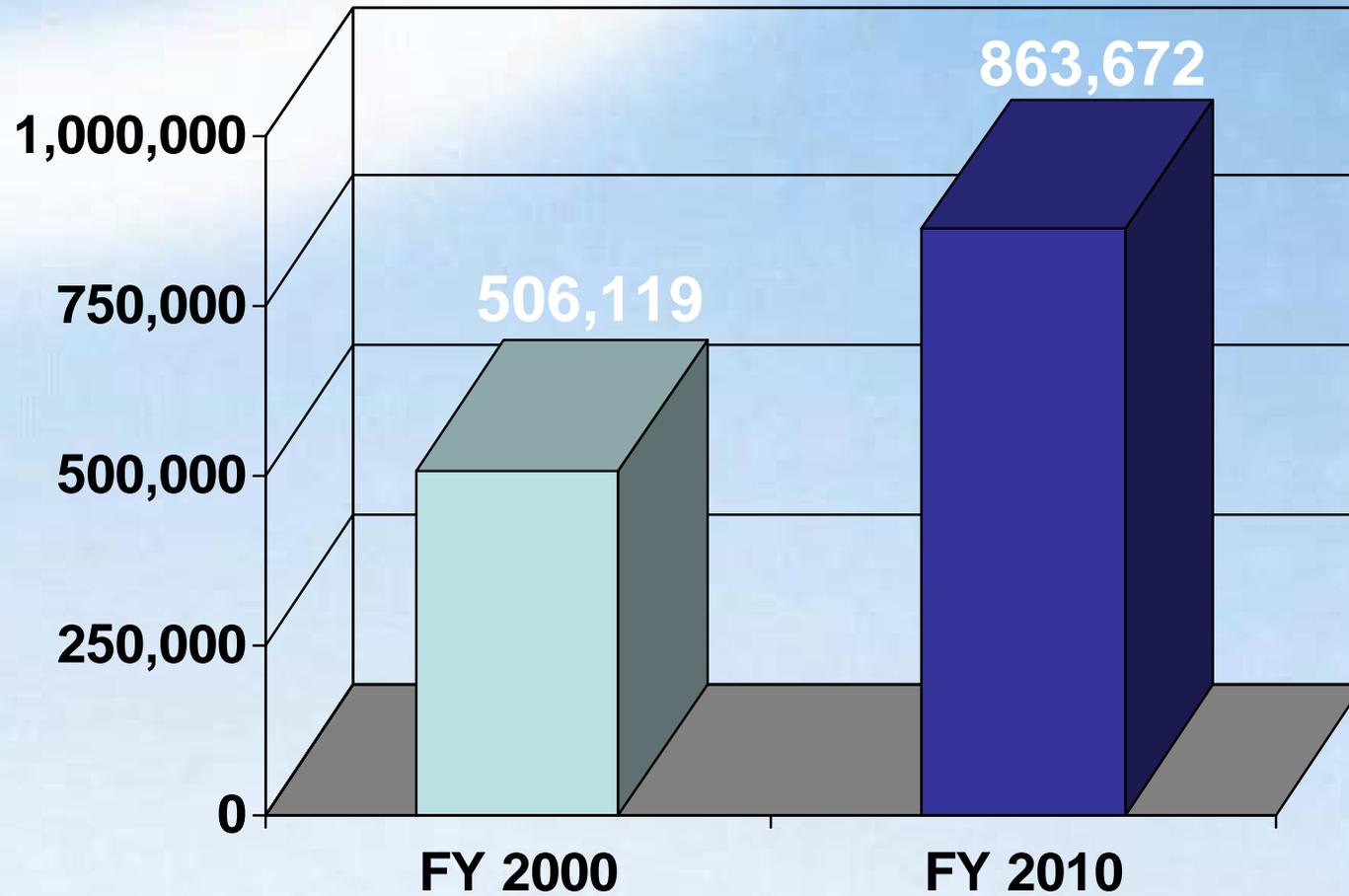


- 2,451 new MR/ID Slots
- Day Support Waiver with 300 Slots
- IFDDS Waiver with now 595 Slots
- Alzheimer Waiver with 200 slots
- 81% increase in EDCD Waiver

Fastest growth has been in low-income adults & children categories



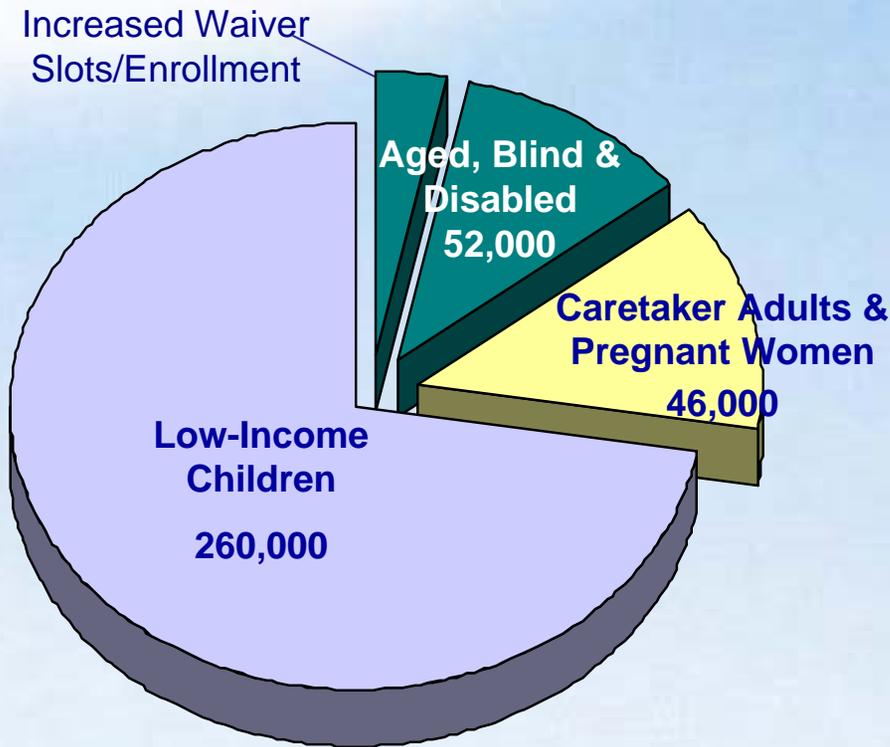
Average Monthly Enrollment has Increased 71%



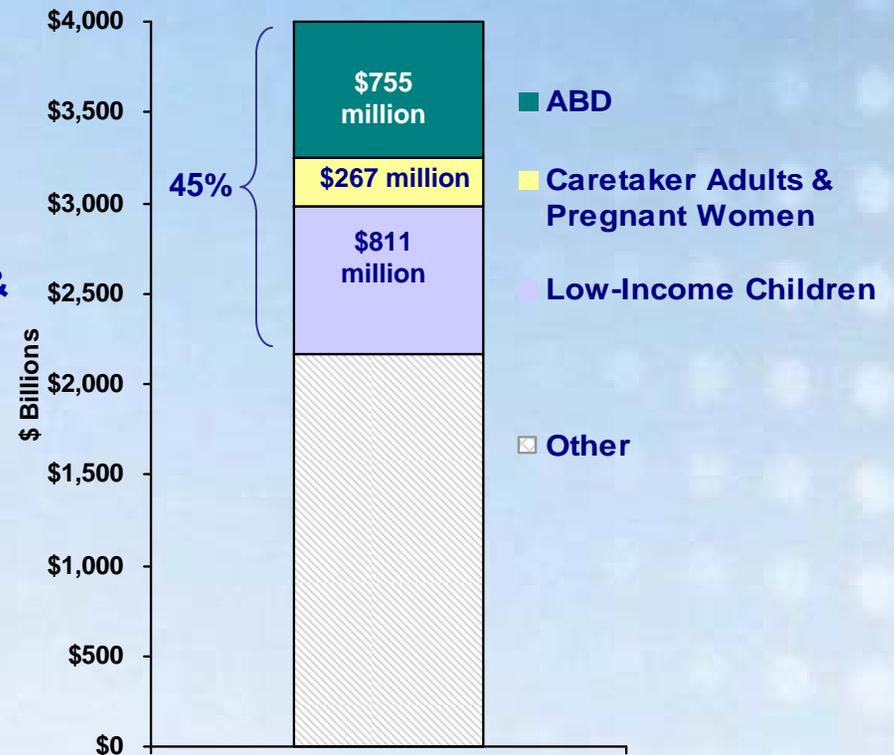
Breakdown & Cost of the Enrollment Growth

➤ Now provide coverage to over 350,000 more members per month than 10 years ago

➤ Cost of the increased enrollment accounts for almost half (45%) of the \$4 billion increase in spending over the past 10 years

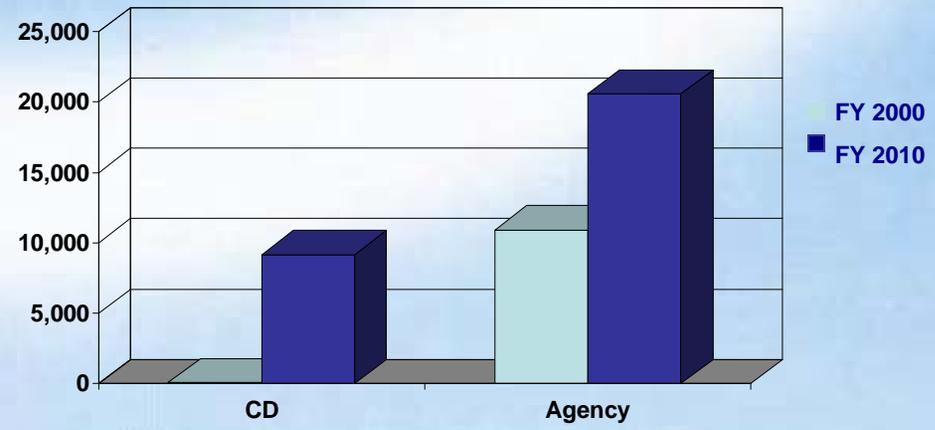


10 Year Increase = \$4 billion

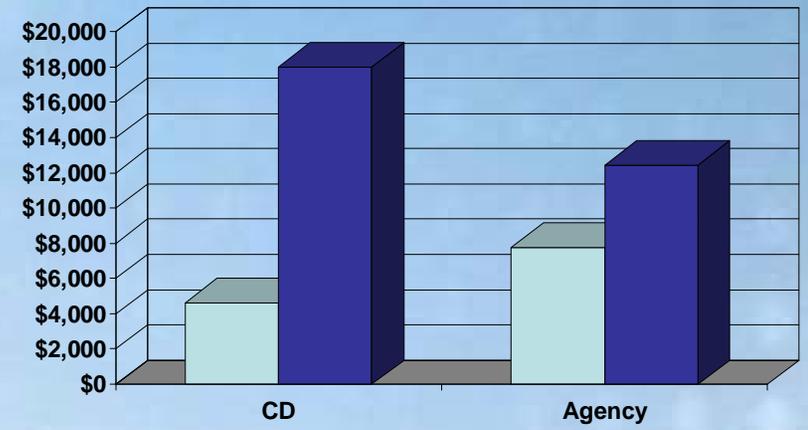


Growth in Spending on Personal Care Services in LTC Community Waivers

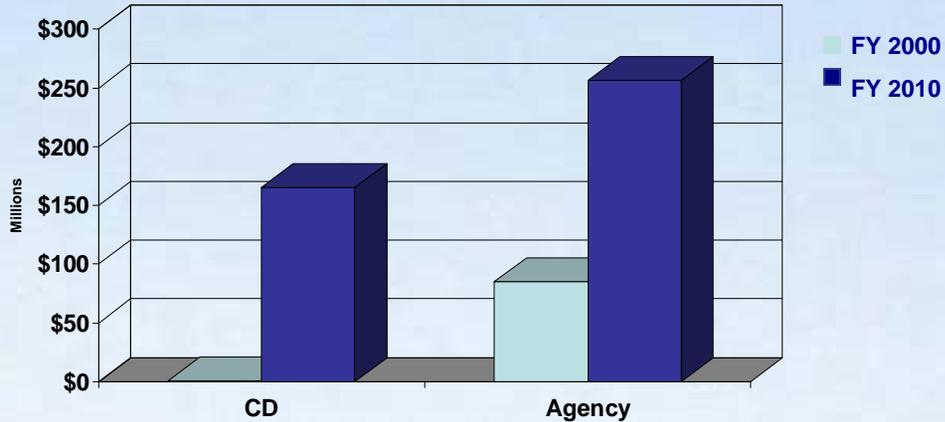
➤ More members utilizing service



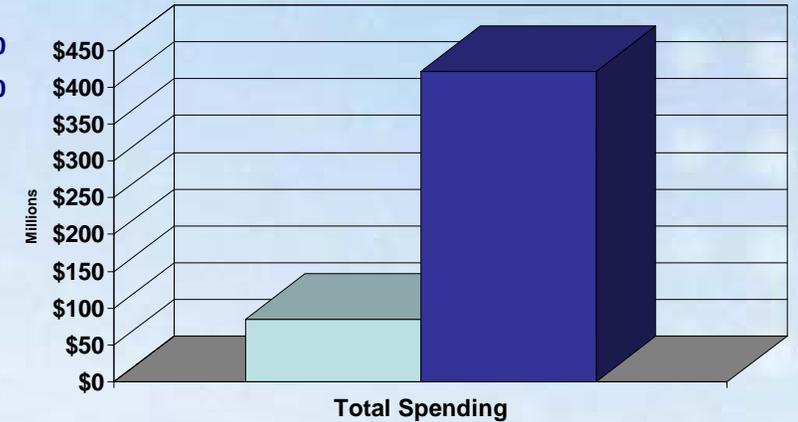
➤ Increase in average cost per person



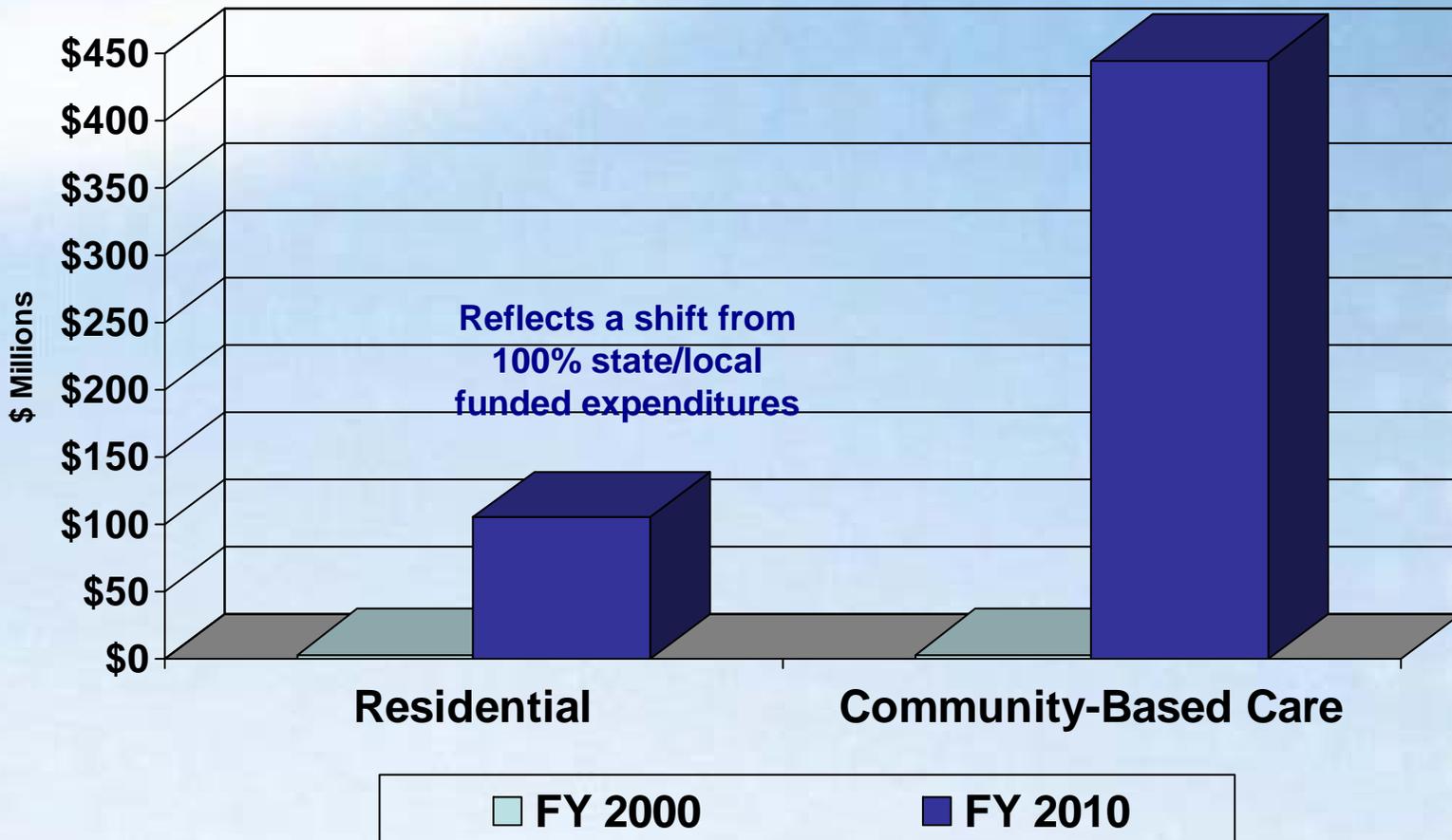
➤ Higher spending in both delivery options



➤ Spending has increased almost 400%

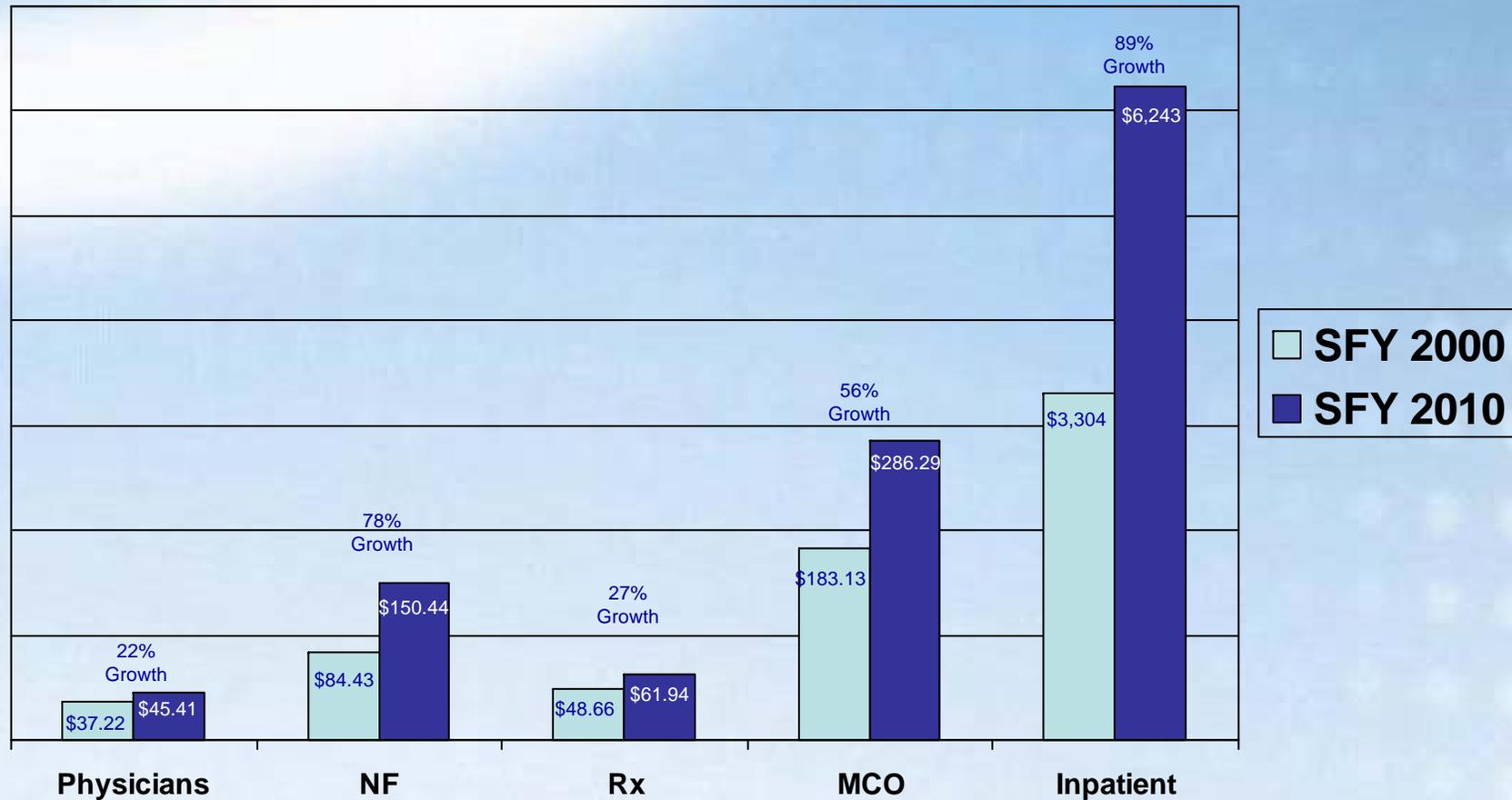


Growth in Spending on Community-Based Mental Health Services



Growth in Cost of Health Care

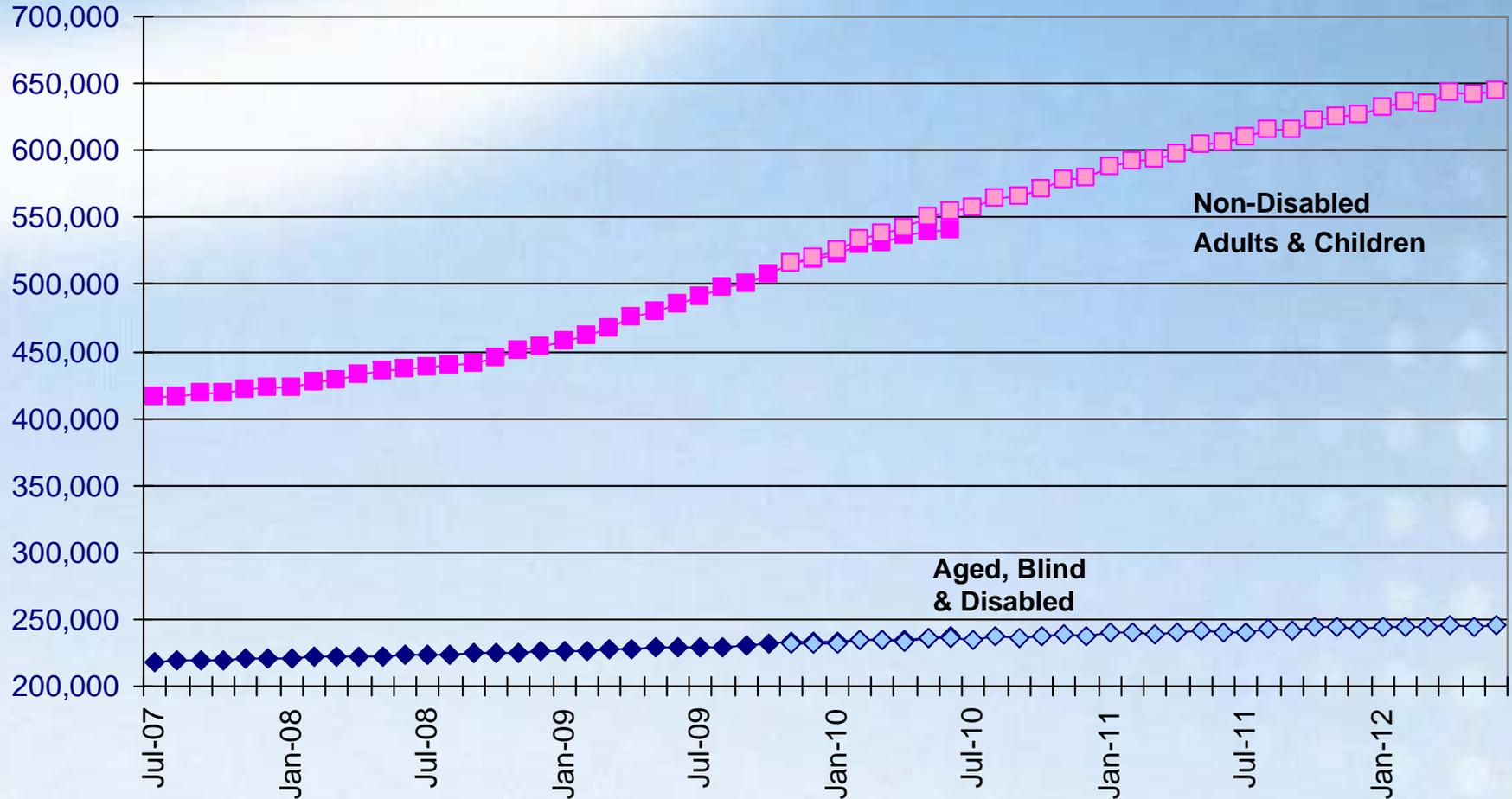
Average Cost per Unit



- Fiscal Year End 2010
- 2000 – 2010 Cost Trends
- **Future Trends and Cost Drivers**
- Update on FMAP Stimulus Extension

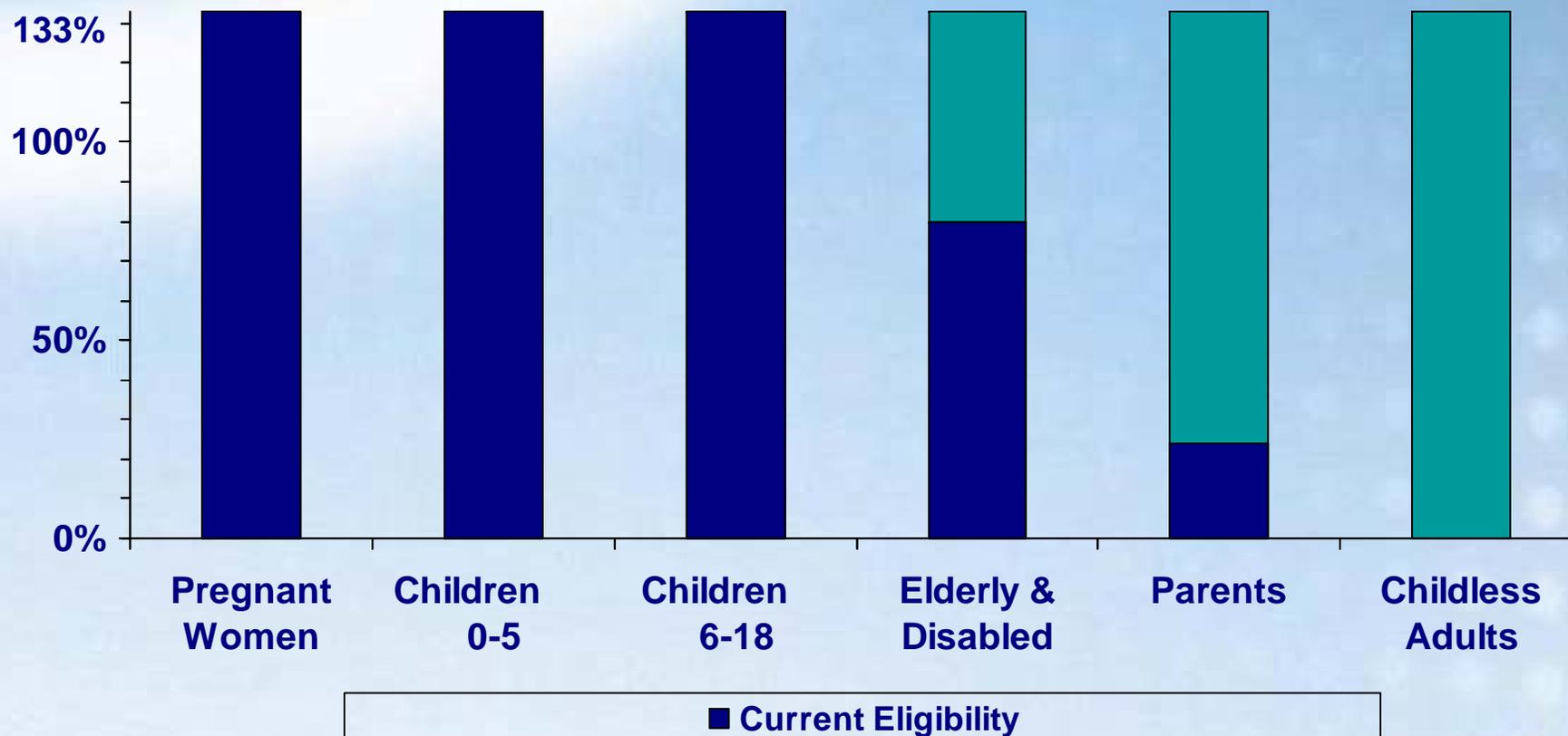
Projected Enrollment Growth

Title XIX Medicaid Enrollment – Historical and Projected



Excludes populations not included in forecast (family planning waiver, and federally-funded QI-1 enrollees)

Major Medicaid/CHIP Provisions of Federal Health Reform



*Does not include 5% income disregard

Note: Virginia currently provides coverage up to 200% FPL for pregnant women and children;

Major Medicaid/CHIP Provisions of Federal Health Reform

- **Estimated Increase in Monthly Enrollment**
 - Between 270,000 – 425,000 new enrollees (average monthly recipients)
 - Includes approximately 50,000 estimated children currently eligible but un-enrolled entering the program due to the coverage mandate

- **Estimated 13 Year Virginia Net Cost of Medicaid/CHIP Provisions of Federal Health Reform (SFY 2010 – 2022)**
 - \$1.5 billion State Funds
 - Plus a potential \$176 million in eligibility restorations to meet Maintenance of Eligibility requirements

- Fiscal Year End 2010
- 2000 – 2010 Cost Trends
- Future Trends and Cost Drivers
- **Update on FMAP Stimulus Extension**

Update on Federal Stimulus FMAP Extension Discussions

- As of today, Congress has not yet acted in the affirmative to extend the increased Federal Medical Assistance Percentage (FMAP) established under the American Recovery and Reinvestment Act (ARRA, or the federal stimulus)
- The 2010 Appropriation Act contains several provisions with contingency language related to the potential for additional funding in the event that the stimulus FMAP is extended for six months
 - **Primarily, the contingent provisions in the Act reduced, postponed, or eliminated additional Medicaid budget savings initiatives (further reductions in payment rates, elimination of services, etc.)**
 - **There were also some funding initiatives contingent upon the extension (MR/ID waiver slots, for example)**
- To the extent the Act's contingent provisions were to be effective July 1, 2010 (absent the FMAP extension), DMAS was required to take action to implement the provisions.

Update on Federal Stimulus FMAP Extension Discussions, cont.

- The FMAP extension idea is still alive at the federal level, but it is unclear if it will be agreed upon, and if so, what form it will take
- The most recent consideration in Congress is a six-month extension at a stepped-down level over the additional six months

Resulting FMAP from Recent Congressional Proposal (SFY 2011)

Jun10 - Sep10	Oct10 - Dec10	Jan11 – Mar11	Apr11-Jun11
61.59%	61.59%	58.59%	56.59%

Update on Federal Stimulus FMAP Extension Discussions, cont.

- This extension would still trigger the contingency language in the Appropriations Act, but as the contingency items in the Act were based on a continuation of the full stimulus FMAP increase (61.59% federal for the full 12 months), the most recent extension proposal would result in a reduction in federal dollars available to fund the contingent provisions
- This would trigger Item 297 KKKK which states:

The Governor shall have authority to direct that the reduction or funding, contingent on an extension through June 30, 2011, of increased Federal Medical Assistance Percentage, be imposed, either partially or in full, as he deems necessary in order to ensure that the costs to the Commonwealth of contingent restorations in various items within this act do not exceed the amount of funding available from an extension of the increased Federal medical Assistance Percentage.

Update on Federal Stimulus FMAP Extension Discussions, cont.

- Further complicating matters, Federal Health Reform will force several contingent provisions from the Act to the front of the line, so-to-speak, as they are no longer legal under the new federal law's maintenance of eligibility requirements
- Under Federal Health Reform, states are prohibited from implementing:
...eligibility standards, methodologies, or procedures under the State plan under this title or under any waiver of such plan that is in effect during that period, that are more restrictive than the eligibility standards, methodologies, or procedures, respectively, under the plan or waiver that are in effect on the date of enactment of the Patient Protection and Affordable Care Act. [until the Exchange is fully operational]

The requirement ... shall continue to apply to a State through September 30, 2019, with respect to the eligibility standards, methodologies, and procedures under the State plan under this title or under any waiver of such plan that are applicable to determining the eligibility for medical assistance of any child who is under 19 years of age...

Update on Federal Stimulus FMAP Extension Discussions, cont.

Budget Items In <i>Potential</i> Conflict with MOE	FY 2011 GF Cost	FY 2012 GF Cost	Biennium Total Cost
Reduce FAMIS and FAMIS MOMS from 200% to 175% FPL	\$0	\$19,295,228	\$19,295,228
Reduce income eligibility level for 300% SSI group to 250%	\$16,870,746	\$72,881,622	\$89,752,368
Reduce ABD from 80% to 75% FPL	\$0	\$36,167,138	\$36,167,138
Medically Needy Income Limits	\$0	\$563,081	\$563,081
Intermediate Care Facility for the Mentally Retarded Provider Assessment	\$4,168,066	\$8,486,183	\$12,654,249
Retention of school rev max	\$0	\$592,869	\$592,869
Medicaid Impact of Aux Grant reduction	\$0	\$623,520	\$623,520
Freeze enrollment in long-term care waivers beginning 1/1/2011 for one year	\$3,745,802	\$13,310,010	\$17,055,812
TOTAL	\$24,784,614	\$151,919,651	\$176,704,265

- Thus, the flexibility granted to the Governor to modify the contingent items in the event that less funding is available is somewhat limited by the federal health reform requirement to reverse the (potential) items listed above
- Once these items are restored, whatever federal funds remain from a FMAP extension (to the extent one occurs) would be available for the other contingent items, but would likely be insufficient for full implementation of all contingent items