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

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

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# Utilization & Inflation: Medicaid Forecast

## ■ Medicaid Forecast Drivers:

### ➤ MCO Capitation Payments

- FY 2011 actual rate increases were not as high as expected
- FY 2012 projected rate increases slightly lower than assumed last year

### ➤ Personal Care Services (Agency & Consumer-Directed)

- Strong growth is continuing; projection has been revised upward from last year

### ➤ Mental Health Rehabilitative Services

- While policy initiatives have significantly curtailed the growth, expenditures were higher than projected in FY 2010, setting the base for FY 2011 and FY 2012 at a higher level

### ➤ Medicare Part D “Clawback” Payments

- \$86 million savings associated with the ARRA adjustment were assumed in FY 2011; however \$62 million of those savings were actually realized in FY 2010
- Increase in the “clawback” amount for CY 2011 was lower than expected

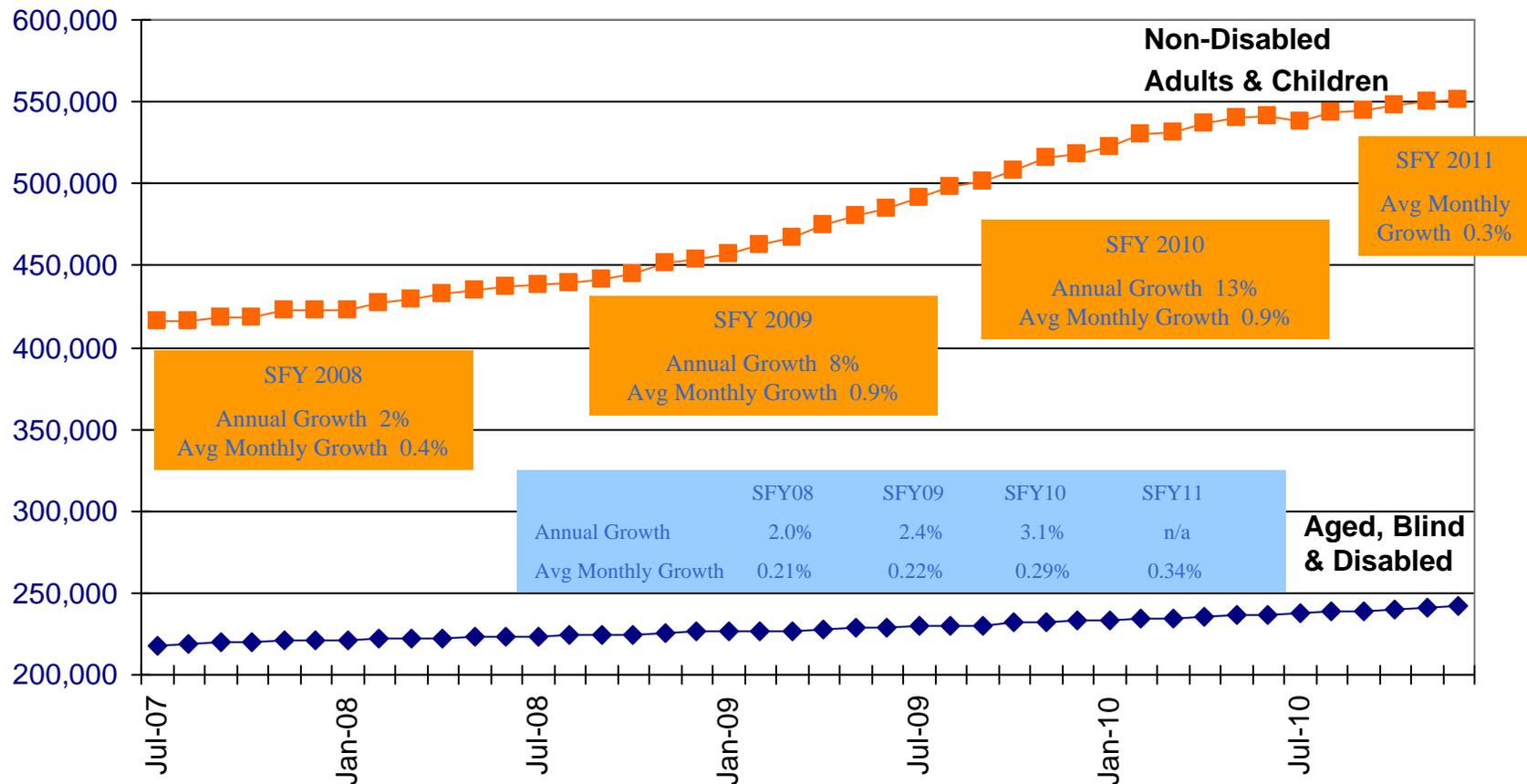
### ➤ Medicare Part A/B Premiums

- Estimated rate increases for CY 2011 and CY 2012 have been revised upwards

	Funds in Millions		
	GF	NGF	Total
FY2011	(\$87.6)	\$376.6	\$289.0
FY2012	\$157.1	\$135.2	\$292.3

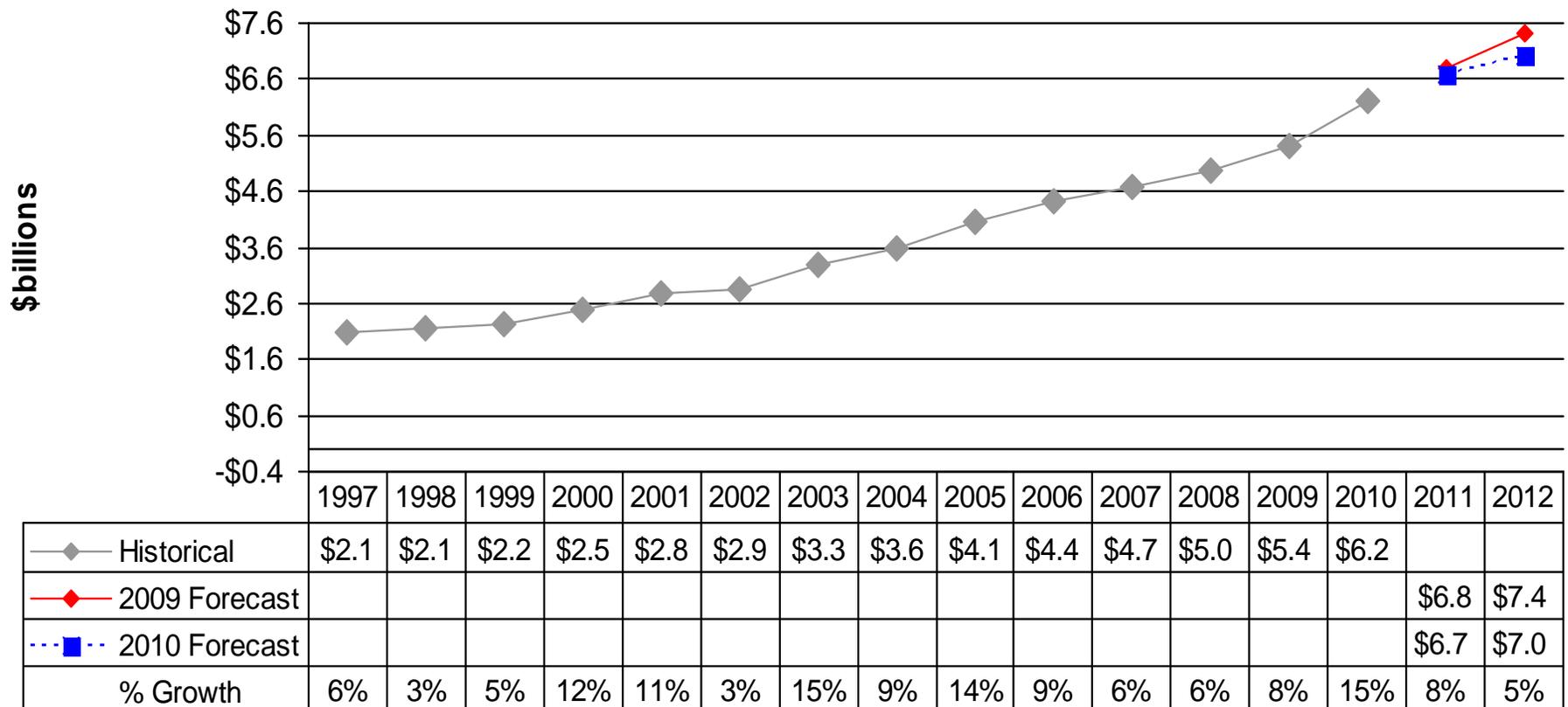
# Medicaid Enrollment Trends

- Enrollment is still growing but at a slower rate



# Utilization & Inflation: Medicaid Forecast

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



% Growth reflects annual growth of historical expenditures and the 2010 forecast.

# Utilization & Inflation: Other Forecasts

## ■ FAMIS/CHIP Expenditure Forecast:

- Enrollment has increased, but not to the level previously projected
- Lower projections in capitation payment rate increases reduces funding need for this program as well

	Funds in Millions		
	GF	NGF	Total
FY2011	(\$12.6)	(\$24.4)	(\$37.0)
FY2012	\$5.0	\$8.4	\$13.4

## ■ TDO Funding:

- The forecast reduction is driven an increase in the number of same day or next day TDOs

	Funds in Millions		
	GF	NGF	Total
FY2011	(\$0.9)	\$0	(\$0.9)
FY2012	(\$0.9)	\$0	(\$0.9)

# Health Information Technology (HIT)

## ■ Funding for:

- Design, development and implementation of an on-line, real-time automated Medicaid eligibility determination system
- Design, development and implementation of linking existing VDH and DCLS systems to the new Health Information Exchange
- Medicaid participation in use of electronic health records (EHR)
- Cost of implementing and administering the federally-funded grants to providers for adoption of electronic health records

	Funds in Millions		
	GF	NGF	Total
FY2011	\$1.6	\$7.9	\$9.5
FY2012	\$4.3	\$31.2	\$35.5

## ■ Benefits include:

- Quality and cost improvement from use of electronic health records
- On-line eligibility avoids cost to prepare local DSS offices for influx of up to 400,000 new recipients in 2014
- Relatively small investment of state funds allows health care providers in Virginia to receive \$200 to \$300 million in federal grants for implementation of EHR

# Care Coordination Expansion

- **Expand principles of care coordination to all services, populations, and regions**

	Funds in Millions		
	GF	NGF	Total
FY2011	\$0	\$0	\$0
FY2012	(\$3.5)	(\$3.5)	(\$6.9)

- **Southwest Virginia expansion**
- **Foster care children in Richmond City**
- **HCBC waiver members – for medical care**
- **EDCD waiver members**
- **Behavioral health services**
- **Dually eligible members**
- **ID waiver members**

# Program Integrity Efforts

- **Require independent assessments for selected children's community mental health services**
- **Fund increased audits, data mining activities, and appeals caseload**
- **Fund administrative costs associated with federally-mandated Recovery Audit Contractor program**

	Funds in Millions		
	GF	NGF	Total
FY2011	\$0	\$0	\$0
FY2012	(\$6.3)	(\$6.2)	(\$12.5)

# Agency Management Initiatives

- **Authorize emergency regulations to implement paperless claims submission and electronic funds transfer payment requirements**
- **Fund mandatory HIPAA transaction and code set upgrades for the MMIS**
- **Outsource the Provider/Recipient Call Center**

	Funds in Millions		
	GF	NGF	Total
<b>FY2011</b>	<b>\$0.7</b>	<b>\$4.7</b>	<b>\$5.5</b>
<b>FY2012</b>	<b>\$1.1</b>	<b>\$6.0</b>	<b>\$7.1</b>

# Program Funding Changes

- **275 ID Waiver slots**
- **Funding to reduce operating rate decrease for nursing facilities**
- **Funding for freestanding children's hospitals**
  
- **Reduce the nursing facility capital floor**
- **Further increase the pharmacy network discount**
- **Reduce rates for residential level A & B services for children**
- **Implement a provider assessment for ICF/MRs**

# Provider Rate Reductions Included in 2010 Appropriation Act

	SFY 2012	
	Total Funds	GF
Reimburse long-stay hospitals at their average Medicaid costs	(\$1,044,204)	(\$522,102)
Reduce inpatient hospital rates by 4%	(\$48,328,528)	(\$24,164,264)
Reduce inpatient hospital capital rates by 4%	(\$5,299,070)	(\$2,649,535)
Reduce outpatient hospital rates by 4%	(\$21,604,678)	(\$10,802,339)
Reduce payment rates to out-of-state hospitals	(\$5,930,580)	(\$2,965,290)
Reduce indigent care at teaching hospitals	(\$7,100,000)	(\$7,100,000)
Reduce LTC waiver rates by 5%	(\$35,922,570)	(\$17,961,285)
Reduce hours for respite care from 720/yr to 240/yr	(\$42,477,892)	(\$21,238,946)
Reduce the annual limit for EM/AT from \$5,000 to \$3,000	(\$1,250,612)	(\$625,306)
Reduce dispensing fee by \$0.25 to \$3.50	(\$1,047,158)	(\$523,579)
Increase network discount from AWP-10.25% to AWP-13.1%	(\$1,854,000)	(\$927,000)
<b>NF Reductions</b>	<b>(\$32,668,122)</b>	<b>(\$16,334,061)</b>
Reduce rates for therapeutic day treatment services by 4%	(\$4,507,210)	(\$2,253,605)
Reduce PRTF rates by 4%	(\$3,971,600)	(\$1,985,800)
Reduce practitioner fees by 4%	(\$29,428,550)	(\$14,714,275)
Reduce dental fees by 4%	(\$4,669,680)	(\$2,334,840)
Eliminate coverage of services provided by podiatrists	(\$975,000)	(\$487,500)
Retention of school revenue maximization funds	\$0	(\$592,869)
<b>Provider Rate Reduction Subtotal</b>	<b>(\$248,079,454)</b>	<b>(\$128,182,596)</b>