

# **Virginia House of Delegates Emergency Committee**

## **Impacts of Federal Work-force and Funding Reductions**

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**Chris Gordon, CFO**

**May 12, 2025**

# Agenda

## ① Medicaid Basics

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## ② Federal Policy Considerations

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## ③ Economic Analysis

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# Medicaid in Virginia

## ➡ Medicaid **provides**:

- ▶ Access to medical, dental, and behavioral health services to people who qualify
- ▶ Supports to older adults and individuals with disabilities

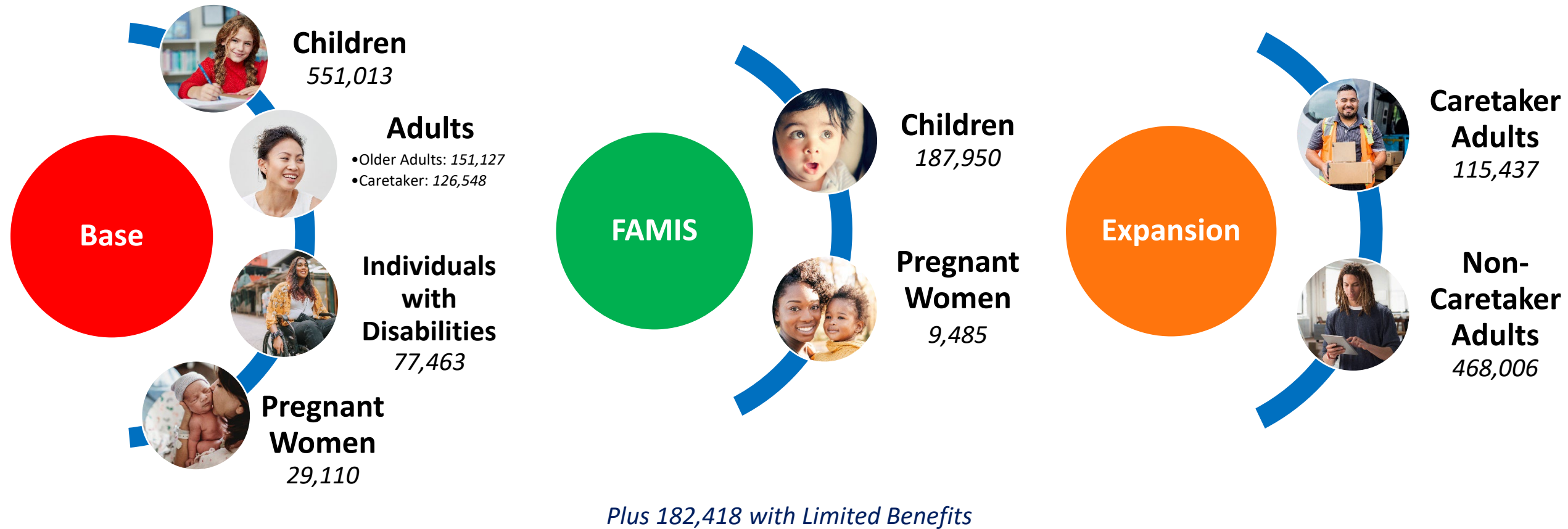
## ➡ Medicaid **includes**:

- ▶ Classic coverage for individuals 65 and older who have blindness or a disability (Base)
- ▶ Expanded coverage for individual adults and parents/caretakers (Affordable Care Act)
- ▶ Family Access to Medical Insurance Security (FAMIS) for children and pregnant women

## ➡ Medicaid **covers**:

- ▶ 1,898,555 Virginians as of May 1, 2025

# Who Do We Cover



# Who Administers Medicaid

- ➔ Virginia Department of Medical Assistance Services is the single-state agency responsible for overseeing Virginia's Medicaid program.

## Our Mission & Values

To improve the health and well-being of Virginians through access to high-quality health care coverage and services



Service



Collaboration



Trust



Adaptability



Problem  
Solving

# How is Virginia Medicaid Funded

➔ Medicaid programs and services are **state and federally funded**

➔ Federal **Centers for Medicare and Medicaid Services (CMS)** provide program governance

➔ Virginia operates within this framework and makes three decisions:

- ▶ What populations to cover
- ▶ What services to offer
- ▶ How much to pay providers

➔ **Federal funds** pay about 50% of most of the classic (Base) and administrative program costs



➔ **Federal funds** pay 90% of the cost of Medicaid Expansion under the Affordable Care Act




▶ Note: Financed through assessment on hospitals

# What Services and Benefits does Virginia Medicaid Cover

Office Visits with a doctor or health care professional	Emergency Medical Care	Maternity and newborn care
Mental health services	Treatment for chemical or alcohol dependence	Pediatric services including dental and vision care
Adult dental care	Prescription medications	Laboratory services
Skilled nursing facilities and residential habilitation centers	Home and community-based services	Non-emergency medical transportation
	Hospitalization	

# How We Care for Virginians



Cardinal Care is DMAS's program name that includes all Medicaid members served through managed care and fee-for-service delivery systems



Aetna Better Health® of Virginia



Offered by HealthKeepers, Inc.



**Sentara**  
Health Plans



**United  
Healthcare**



# Who are Virginia Medicaid Members

The Medicaid income limit for Expansion adults between the ages of 19-64 years of age is up to 138% of the Federal Poverty Level.



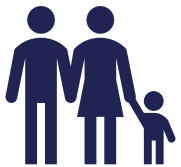
Household of 1:

- \$1,800 per month
- \$21,597 annually



Household of 2:

- \$2,433 per month
- \$29,187 annually



Household of 3:

- \$3,065 per month
- \$36,777 annually



Household of 4:

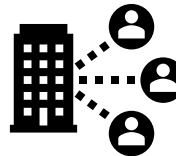
- \$3,698 per month
- \$44,367 annually



\$1,695: Average Virginia Monthly Rent



\$152.64: Average Monthly Virginia Electric Bill



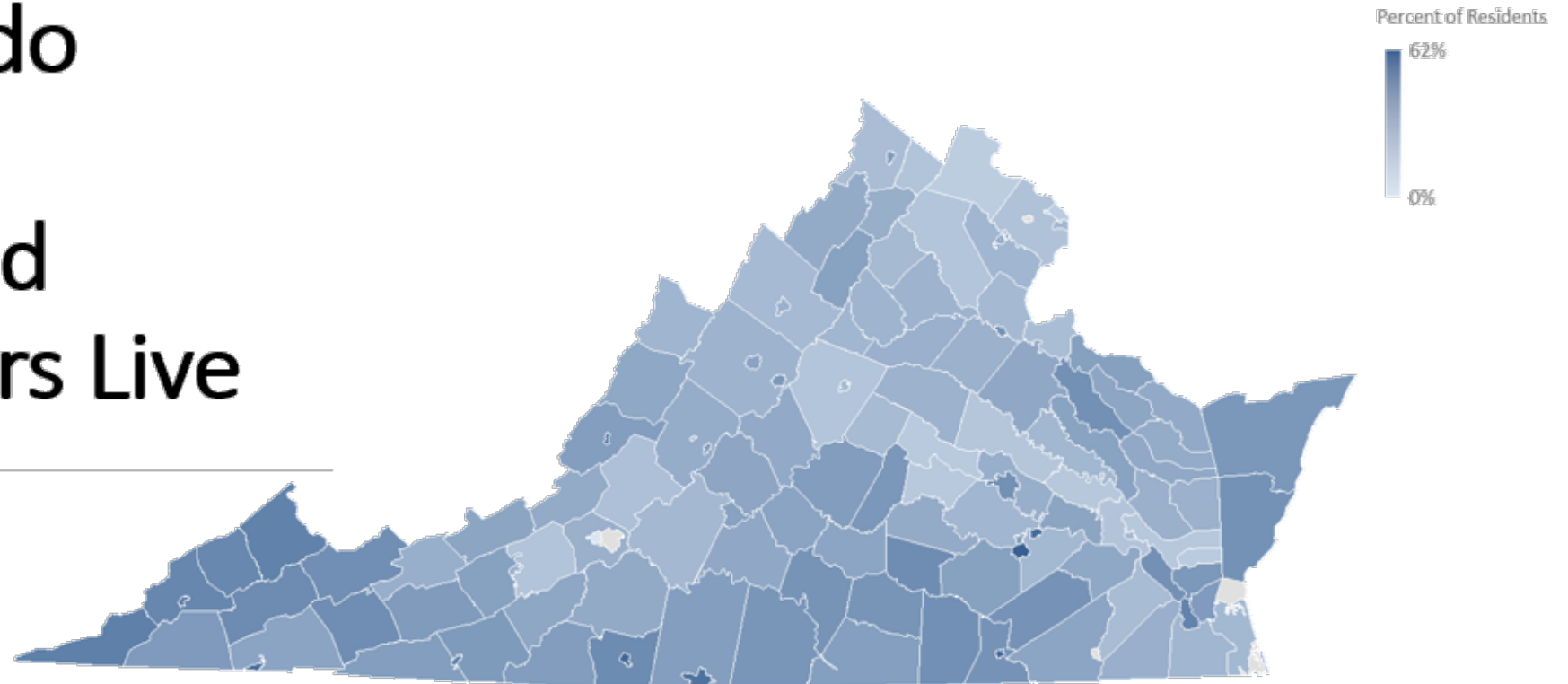
\$1,221.40: Average Monthly Income of Employed Adults in Medicaid

# Virginia Medicaid Residents



Where do  
Virginia  
Medicaid  
Members Live

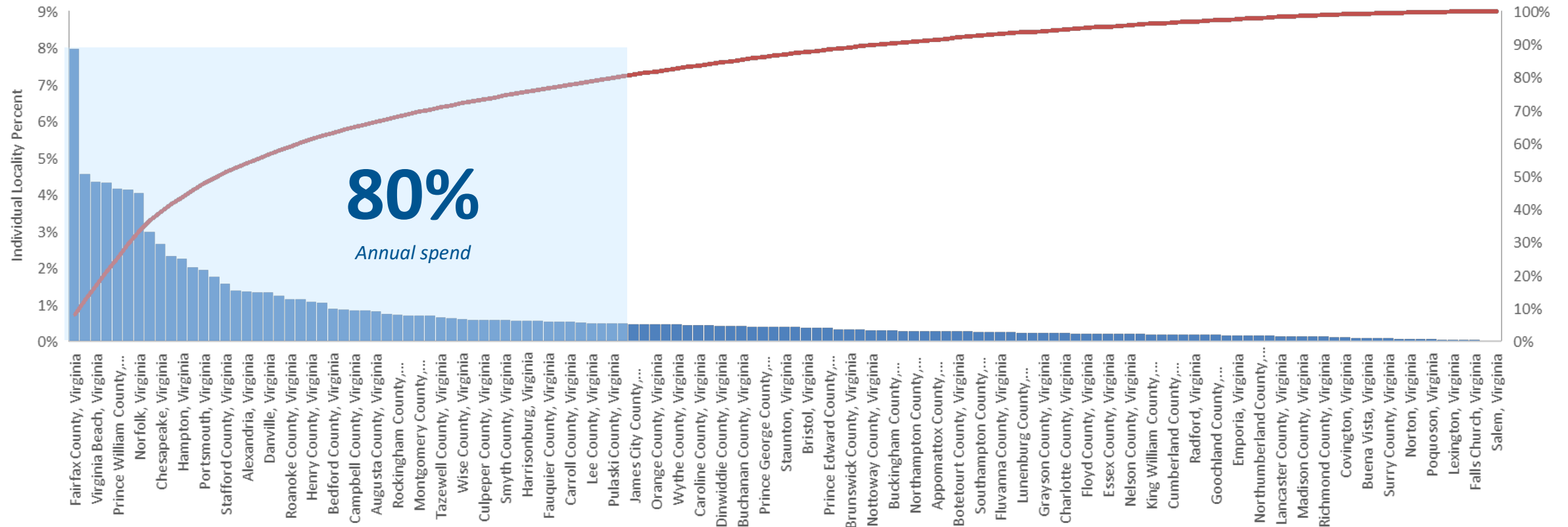
Virginia Medicaid Members  
*as percent of locality residents*



# Virginia Medicaid Spend by Locality

## Annual Medicaid Spend by Locality

80% of spend in 40% of Localities (52)



# Federal Policies Under Consideration

Work Requirements as Medicaid-eligibility criteria

Directed payments and provider taxes

Federal match rate for services and administration

Per capita cap on Federal Medicaid funding

Tariff impact on Medicaid program costs

# Work Requirements as Eligibility Criteria

- ➡ Likely Congress will mandate work requirement but we do not have specific details yet
- ➡ Potential new condition of Medicaid eligibility for adults; exemptions will apply to certain populations such as elderly, disabled, and others.
- ➡ Coverage could be contingent on minimum number of hours of paid employment, education, volunteer hours, or other qualifying activities
- ➡ Virginia approved work requirements in 2018 General Assembly (Compass waiver, pulled back prior to implementation)
- ➡ JLARC Fiscal Impact Review<sup>1</sup> in 2018 for HB338 analyzed how work requirements would affect Medicaid Expansion

# Directed and Supplemental Payments Support Medicaid Providers to Increase Reimbursement

FY24 Supplemental and Directed Payments Type	Total Payments
Enhanced Supp Payment - Primary Acute Care Hospitals for Expansion (63 hospitals)	2,810,557,330
Indirect and Graduate Medical Education, Disproportionate Share Hospital (85 hospitals)	201,583,612
Physician MCO (VCU, UVA, EVMS)	159,383,385
Non-State Government Owned Hospitals (Chesapeake Regional, Norfolk Lake Taylor)	68,967,867
State Government Owned Nursing Facilities (VCU, Dept. of Veterans Svcs)	19,344,820
Physician Fee-for-Service (CHKD, DC Children's National, VCU, UVA, EVMS)	10,941,572
Non-State Government Owned Nursing Facilities (Five locally owned)	3,899,123
Graduate Medical Education High-Needs Specialty Slots (46 slots)	3,450,000
Physician Non-State Government Owned Hospitals (Chesapeake Regional)	572,026
Non-State Government Owned Clinics (Community Service Boards)	92,499
<b>Total Supplemental Payments</b>	<b>\$3,278,792,236</b>

- ➡ Supplemental and Directed Payments directly fund Virginia Medicaid providers to increase reimbursement

# Lowering Cap on Provider Rate Taxes Will Reduce Directed and Supplemental Payments to Hospitals

6%

*Of Net Patient Revenue.  
Current cap on provider class  
tax rate*

## ➔ Three requirements<sup>1</sup> to collect Medicaid provider taxes:

- ▶ **Broad-based:** must tax all providers in a class (e.g., all 63 private acute care hospitals in Virginia)
- ▶ **Uniform:** taxes imposed in same way and same rate for entire provider class
- ▶ **No “hold harmless” deals:** providers cannot be guaranteed to get back what they paid in taxes through higher Medicaid payments

## ➔ Virginia’s tax on hospitals to fund Expansion and Supplement Payments is currently set at 6%

## ➔ Two provider taxes:

- ▶ **Private Acute Care Hospitals<sup>2</sup>:** 63
  - ▶ Taxed to provide state-share of Expansion as well as Supplemental Rate Payments
  - ▶ FY24 tax revenue collected \$1.5 billion state share to draw down federal funding
- ▶ **Intermediate Care Facilities<sup>3</sup>:** 54
  - ▶ Annually collect \$15M for Virginia Health Care Fund
  - ▶ Dollar for dollar offset of state general fund match

## ➔ Any reduction in provider tax will lower reimbursement to 63 private acute care hospitals

### Sources:

1. 42 CFR 433.68 Permissible Health Care-Related Taxes; <https://www.law.cornell.edu/cfr/text/42/433.68>
2. 2025 Appropriation Act: 3-5.14 Provider Coverage Assessment and 3-5.15 Provider Payment Rate Assessment; <https://budget.lis.virginia.gov/item/2025/1/HB1600/Introduced/3/3-5.14/>
3. 2025 Appropriation Act: Item 288 (Y); <https://budget.lis.virginia.gov/item/2025/1/HB1600/Introduced/1/288/>

# Reduction in Federal Match Rates Shifts Costs to State

**-1%**

*Potential federal share adjustment  
shown only for ease of calculation*

**Base**

• **-\$146M**

**FAMIS**

• **-\$1.8M**

**Admin**

• **-\$686K**

**Expansion\***

• **-\$63M**

**\*Virginia is one of nine states with an automatic trigger law:**

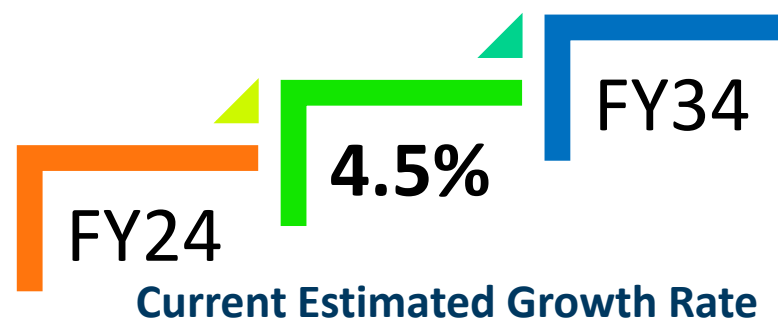
➡ **2025 Appropriation Act Item 288(J):**

- ▶ Any modification of methodology to calculate federal match rates that results in reduction of federal funding
- ▶ Disenroll and eliminate coverage for individuals in Expansion



# Per Capita Caps Would Shift Costs to the State

- ➡ No specific details yet
- ➡ Generally places upper limit on the amount of federal funding for state
- ➡ Typically based on consumer price index (CPI-U or CPI-M)



- ➡ Any gap between actual growth and index used would shift costs to Virginia
- ➡ If implemented in Medicaid Expansion, it would likely enact trigger clause

# US Tariff Effects on Medicaid Program

- ➡ New tariffs apply to medical supplies like medical devices, syringes, masks, respirators, and gloves
- ➡ Currently pharmaceuticals are exempt
- ➡ Virginia has automatic inflation for hospitals, nursing facilities, and psychiatric residential treatment facilities
- ➡ Any increased costs in medical supplies or pharmaceuticals can lead to changes in inflation rates applied to program costs

# Questions

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