Attachment A
Monitoring Budget Neutrality for the Virginia Family Planning Demonstration

The following is the method by which budget neutrality will be monitored for the Virginia section 1115 Family Planning Demonstration.

Virginia will be subject to a limit on the amount of Federal title XIX funding it will receive for extending Medicaid eligibility for family planning services during the demonstration extension period. This limit will be determined using a pre/post comparison of fertility rates for demonstration participants. Thus, Virginia will be at risk for the cost of family planning services (including traditional family planning services at the enhanced match rate and ancillary services at the Federal Medical Assistance Percentage (FMAP) rate described in the Special Terms and Conditions) that are not offset by the demonstration intervention. The demonstration aims to provide family planning services to uninsured women losing their Medicaid eligibility 60 days after the birth of their child. These women are automatically eligible for women's health services for a maximum of 1 year after their Medicaid eligibility. The demonstration also aims to provide family planning services to men and women of childbearing age who are U.S. citizens with a net family income at or below 133 percent of the Federal poverty level (FPL). The demonstration will not change the current division of Federal and State responsibility for costs of the current Medicaid program. The Centers for Medicare & Medicaid Services (CMS) will confirm that the demonstration expenditures do not exceed the levels that would have been in the absence of the demonstration.

Annual Budget Limits

To calculate the overall expenditure limit for the demonstration, separate budget limits will be calculated for each year, and will be on a demonstration year (DY) basis. These annual estimates will then be added to obtain an expenditure estimate over the entire demonstration period. The Federal share of the estimate will represent the maximum amount of Federal financial participation (FFP) that the State can receive during the expanded family planning services demonstration. For each DY, the Federal share will be calculated using the FMAP rate(s) for that 12-month period.

The intent of the demonstration is to avert unintended pregnancies in order to offset the cost of family planning services for demonstration participants. During each year of the demonstration, the number of births averted (BA) will be estimated by the following equation:

> BA = (base year fertility rate - fertility rate of demonstration participants during DY) x (number of demonstration participants during DY), where fertility rates will be measured per thousand. The base year fertility rate will be adjusted for age groupings, using the age distribution of the actual demonstration participants and predetermined age-specific fertility rates. Participants are all women and men who obtain one or more covered medical family planning service(s) through the demonstration. At its option, the State may also adjust the fertility rates for ethnicity.

The base-year fertility rate must reflect fertility rates during 2001 for individuals in families with income up to 133 percent of the FPL and eligible for Medicaid only because of pregnancy. The fertility rates will include births paid by Medicaid.

The calculation of the average cost of a birth (BC) during each year of the demonstration will be the following:

BC = (cost of prenatal services + delivery and pregnancy related costs + costs for infants through year 1 of life)/number of deliveries, where the costs and number of deliveries pertain to the Virginia Medicaid program.

The annual budget limit will be the savings that are calculated by multiplying the number of BA by the BC.

How the Budget Limit Will Be Applied

The budget limit calculated above will apply to demonstration expenditures, as reported by the State on the CMS-64 forms. If, at the end of the demonstration period, the costs of the demonstration services exceed the budget limit, the excess Federal funds will be returned to CMS.

Expenditure Review

The CMS will enforce budget neutrality over the life of the demonstration, rather than annually. However, no later than 6 months after the end of each DY, or as soon thereafter as the data are available, the State will calculate annual expenditure targets for the completed year. This amount will be compared with the actual claimed FFP for Medicaid. Using the schedule below as a guide, if the State exceeds these targets, it will submit a corrective action plan to CMS for approval. The State will subsequently implement the approved program.

Year	Cumulative Target Expenditures	Percentage
Year 1	Year 1 budget limit amount	+4 percent
Year 2	Years 1 and 2 combined budget limit amount	+2 percent
Year 3	Years 1 through 3 combined budget limit amount	+0 percent

The State, whenever it determines that the demonstration is not budget neutral or is informed by CMS that the demonstration is not budget neutral, shall immediately collaborate with CMS on corrective actions, which shall include submitting a corrective action plan to CMS within 21 days of the date the State is informed of the problem. While CMS will pursue corrective actions with the State, CMS will also work with the State to set reasonable goals that will ensure the State is in compliance by the end of year 3.

The "with" and "without" demonstration costs (Federal share) follow. The "without" demonstration costs are estimates of the costs of births that would occur in the absence of the demonstration. The "with" demonstration costs are estimates of family planning services provided to demonstration participants.

YEAR	WITHOUT DEMONSTRATION	WITH DEMONSTRATION	TOTAL SAVINGS
2008	$213,630,186	$192,881,159	$20,749,027
2009	$228,479,900	$206,550,092	$21,929,809
2010	$244,361,838	$221,231,352	$23,130,486
TOTAL	$686,471,924	$620,662,593	$65,809,322