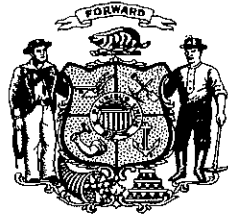


STATE OF WISCONSIN

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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: April 1, 2019

Re: DHS Report to JFC

Attached is a report on the overall condition of the Medicaid benefits budget and any changes to the program in the past quarter from the Department of Health Services, pursuant to s. 49.45(2n), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:JN:jm



State of Wisconsin
Department of Health Services

Tony Evers, Governor
 Andrea Palm, Secretary

March 29, 2019

APR 01 2019
St. Finance

The Honorable Alberta Darling, Senate Co-Chair
 Joint Committee on Finance
 Room 317 East
 State Capitol
 P.O. Box 7882
 Madison, WI 53707-7882

The Honorable John Nygren, Assembly Co-Chair
 Joint Committee on Finance
 Room 309 East
 State Capitol
 P.O. Box 8953
 Madison, WI 53708

Dear Senator Darling and Representative Nygren:

As required under s. 49.45(2n), I am writing to provide an update for the third quarter of FY 19 on the overall condition of the Medicaid benefits budget and any changes to the program in the past quarter.

The Department projects that Medicaid benefits costs will be below budgeted levels by \$233.9 million GPR by the end of the 2017-19 biennium. The table below reflects current estimates for Medicaid expenditures through FY 19, based on trends in enrollment, costs per enrollee, federal claiming rates, and third party revenues.

| Projected Medicaid Expenditures for the 2017-19 Biennium (in millions) | | | | |
|---|---------------------------------|----------------|------------------------------|----------------|
| | December 2018 Projection | | March 2019 Projection | |
| | GPR | All Funds | GPR | All Funds |
| Act 59 Budgeted Level | \$6,107.3 | \$20,010.6 | \$6,107.3 | \$20,010.6 |
| Projected Expenditures | \$5,894.6 | \$19,491.8 | \$5,873.4 | \$19,440.1 |
| <i>Difference</i> | <i>\$212.7</i> | <i>\$518.8</i> | <i>\$233.9</i> | <i>\$570.5</i> |

The projection has improved from the December report primarily due to additional months of expenditure data showing lower expenditure trends for various fee-for-service categories, including personal care, nursing homes, federally qualified health centers, and dental. Rebate revenues for prescription drugs have been higher than previously assumed, and federal matching funds for certain hospital payments have also been higher.

Senator Alberta Darling
Representative John Nygren
March 29, 2019
Page 2

Consistent with prior projections, this estimate assumes the June 2019 "Clawback" payment to the federal government for Medicare Part D costs will be paid in June 2019. The 2017-19 biennial budget assumed the payment would be delayed until July 2019.

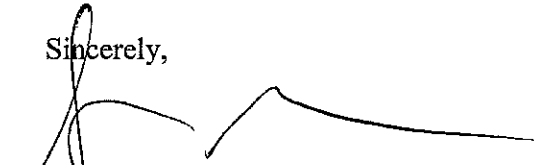
Given that one quarter remains in the biennium, this estimate is a good predictor of what the ending balance will be for Medicaid in June. However, the Department will continue to monitor expenditures in the program through the end of the fiscal year, as small changes in utilization can have a significant impact on final expenditure amounts.

State Plan and Waiver Amendments

The Appendix lists state plan amendments and waiver amendments submitted to the federal government this quarter.

Please contact me if you have any questions about this report.

Sincerely,



Andrea Palm
Secretary

Appendix

Proposed Medicaid State Plan Amendments and Waivers Submitted to the Federal Government for Approval

State Plan Amendments

Amendment 19-0001 Increased Fees for Dental Services for Special Needs Populations. As directed by the state legislature in the 2017-19 biennial budget (2017 Wisconsin Act 59), the Department shall provide enhanced MA reimbursement payment rates for dental services rendered by providers that provide at least 90% of their dental services to individuals with cognitive and physical disabilities. The enhanced MA reimbursement rate would equal 200% of the MA reimbursement rate that would otherwise be paid for these dental services. *Estimated annual fiscal effect: Approximately \$1 million All Funds.*

Amendment 19-0002 Family Care Partnership. The Centers for Medicare & Medicaid Services (CMS) have released a new version of the form that governs the Family Care Partnership program. Wisconsin is updating the Family Care Partnership program to use this new form and remain in compliance with CMS requirements. No changes to eligibility, benefits, covered services, or reimbursement rates have been made. *Estimated annual fiscal effect: None.*

Amendment 19-0003 PACE. The Wisconsin Programs of All-Inclusive Care for the Elderly (PACE) provides comprehensive medical and social services to certain frail, community-dwelling, elderly individuals, most of whom are dually eligible for Medicare and Medicaid benefits. Starting with rate year 2019, the Department will revise the methodology used to calculate capitation rates. The changes involve using managed care service and cost data to set rates, rather than data from adult legacy programs, and allowing pay for performance withholds. *Estimated annual fiscal effect: None.*

Amendment 19-0004 CHIP Lead Abatement Health Services Initiative. The Department requests approval to amend the state's Children's Health Insurance Program (CHIP) state plan to allow federal CHIP funds to be used for residential lead abatement and other efforts to reduce childhood lead poisoning in the state. *Estimated annual fiscal effect: \$14.5 million All Funds*

Amendment 19-0005 21st Century Cures Act Changes to Durable Medical Equipment (DME) Rates. This amendment would, effective January 1, 2019, adjust the payment rates for certain durable medical equipment and disposable medical supplies in accordance with Section 5002 of the federal 21st Century Cures Act, which requires that a state's Medicaid expenditures for these items not exceed what Medicare would pay for the same items in aggregate. *Estimated annual fiscal effect: A decrease of \$4.4 million All Funds.*

Amendment 19-0006 Inpatient Hospital Appeal Reasons. This amendment would no longer permit a hospital to make inpatient payment rate appeals based on the hospital having submitted incomplete or incorrect data in the Medicare cost report to the federal Healthcare Cost Report Information System (HCRIS) effective March 1, 2019. Hospital providers would continue to have the ability to appeal based on the remaining reasons in the state plan. *Estimated annual fiscal effect: None.*

Amendment 19-0007 Outpatient Hospital Appeal Reasons. This amendment would no longer permit a hospital to make an outpatient payment rate appeal based on the hospital having submitted incomplete or

incorrect data in the Medicare cost report to the federal Healthcare Cost Report Information System (HCRIS) effective March 1, 2019. Hospital providers would continue to have the ability to appeal based on the remaining reasons in the state plan. Wisconsin would also include an additional reason for appeal based on the Department using the incorrect cost report accessed under section 4214 in the outpatient hospital state plan. *Estimated annual fiscal effect: None.*

Amendment 19-0008 Cost of Living Adjustment. Effective January 1, 2019, this amendment increases program eligibility limits in accordance with the 2.8% annual cost of living adjustments to the SSI Benefit Amount announced in the Federal Register notice published October 24, 2018. *Estimated annual fiscal effect: None.*

Waiver Amendments

Children's Long Term Supports Waiver. The Department submitted a waiver amendment on March 1, 2019 to implement a state-based service rate methodology for waiver providers, reflect use of CLTS's automated enrollment system, align the waiver period to the calendar year, implement changes regarding person centered planning and provider directory, and updated projected enrollment for years 2019 through 2021.