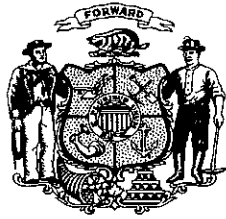


STATE OF WISCONSIN

SENATE CHAIR
Howard Markein

316 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-0703



ASSEMBLY CHAIR
Mark Born

308 East, State Capitol
P.O. Box 8953
Madison, WI 53708-8953
Phone: (608) 266-2540

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Howard Marklein
Representative Mark Born

Date: January 4, 2021

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

HM:MB:jm



State of Wisconsin
Department of Health Services

Tony Evers, Governor
 Andrea Palm, Secretary

December 30, 2020

JAN 04 2021
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 Mark Born, Assembly Co-Chair
 Joint Committee on Finance
 Room 324 East
 State Capitol
 P.O. Box 8952
 Madison, WI 53708

Dear Senator Darling and Representative Born:

As required under s. 49.45(2n), I am writing to provide an update for the second quarter of FY 21 on the overall condition of the Medicaid benefits budget and any changes to the program in the past quarter.

The Department projects a surplus in the Medicaid program of \$614.8 million GPR for the 2019-21 biennium. The table below reflects current estimates for Medicaid expenditures through FY 21, based on trends in enrollment, costs per enrollee, federal Medicaid financial participation, and third party revenues.

Projected Medicaid Expenditures for the 2019-21 Biennium (in millions)				
	September 2020 Projection		December 2020 Projection	
	GPR	All Funds	GPR	All Funds
Act 9 Budgeted Level	\$6,706.9	\$21,767.2	\$6,706.9	\$21,767.2
Projected Expenditures	\$6,417.9	\$22,365.8	\$6,092.1	\$21,906.9
<i>Difference</i>	<i>\$289.0</i>		<i>\$614.8</i>	

Multiple factors have led to an increase in the projected surplus since our September letter. First, this estimate reflects the fact that enhanced federal Medicaid matching funds will be available to the state for an additional calendar quarter, through March 2021.

The federal Families First Coronavirus Response Act (FFCRA) increased the Federal Medical Assistance Percentage (FMAP) for Medicaid benefits by 6.2 percentage points in the calendar quarters in which the federal COVID-19 public health emergency is in effect. Since our September letter, U.S. Department of Health and Human Services Secretary Alex Azar extended the COVID-19 public health emergency for an additional 90 days, until January 21, 2020. The extension of the public health emergency means that enhanced federal Medicaid funding will be available for five calendar quarters, from January 2020 through March 2021.

In addition, the updated estimate reflects actual Medicaid enrollment data through December and revised enrollment growth assumptions for the remainder of the fiscal year. In recent quarterly updates, including in our September 2020 letter, the Department's Medicaid enrollment growth projection for FY 21 was modeled on the program's experience during the Great Recession, along with additional growth expectations resulting from FFCRA continuous coverage requirements, which are a condition of receiving enhanced Medicaid FMAP funding. However, in recent months the Medicaid program experienced slower than projected enrollment growth overall, although enrollment among some eligibility groups grew faster than projected. Full benefit Medicaid enrollment totaled 1,049,270 in January 2020. The September projection assumed enrollment would grow to 1,265,589 by December 2020. Actual December 2020 full-benefit Medicaid enrollment, with projected retroactive adjustments, is expected to be 1,246,721. To better account for these recently observed trends, this quarter's projection includes revised Medicaid growth assumptions for the remainder of FY 21.

This projection also includes updates to reflect lower utilization trends in various service lines, including prescription drugs, hospitals, and managed care, and adjustments to federal claims from prior quarters that had the effect of reducing GPR costs.

For more perspective, the Medicaid budget ended FY 20 with a surplus of \$411 million GPR. Assuming only two quarters of enhanced FMAP and more robust enrollment growth, our September projection estimated a deficit of \$122 million GPR in FY 21, for a biennial surplus of \$289 million. With an additional quarter of enhanced FMAP, moderated enrollment growth assumptions, and other adjustments noted above, we now project a surplus of \$204 million GPR in FY 21, for a biennial projected surplus of \$615 million.

It is important to emphasize that the projected surplus for this biennium results entirely from the availability of enhanced FMAP under FFCRA. We expect enrollment to continue growing through next biennium, requiring additional GPR investments in the program after the enhanced FMAP period ends. We will update the Committee on expenditure and enrollment trends in subsequent quarterly reports.

Senator Alberta Darling
Representative Mark Born
December 30, 2020
Page 3

State Plan and Waiver Amendments

The appendix lists Medicaid waiver amendments submitted to the federal government in the past quarter. No state plan amendments were submitted.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Andrea Palm", with a horizontal line extending to the right.

Andrea Palm
Secretary-designee

Appendix

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

State Plan Amendments

None.

Waiver Amendments

SeniorCare 1115 Demonstration Project. Amendment to add vaccine coverage for SeniorCare members.

BadgerCare Reform 1115 Demonstration Project. Amendment to implement a Health Savings Account Program for childless adults.