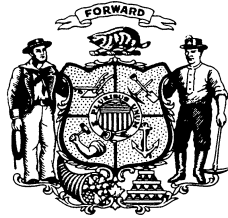


STATE OF WISCONSIN

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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Howard Marklein
Representative Mark Born

Date: January 2, 2025

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
 Kirsten L. Johnson, Secretary

Joint Finance Committee
 Received Jan 02 2025

December 30, 2024

The Honorable Howard L. Marklein, Senate Co-Chair
 Joint Committee on Finance
 Room 316 East
 State Capitol
 P.O. Box 7882
 Madison, WI 53707

The Honorable Mark Born, Assembly Co-Chair
 Joint Committee on Finance
 Room 308 East
 State Capitol
 P.O. Box 8952
 Madison, WI 53708

Dear Senator Marklein and Representative Born:

As required under s. 49.45(2n), I am writing to provide an update for the second quarter of FY 25 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 \$1.2 million GPR for the 2023-25 biennium. The table below reflects current estimates for Medicaid expenditures through FY 25, based on trends in enrollment, costs per enrollee, federal Medicaid financial participation, and third-party revenues.

Projected Medicaid Expenditures for the 2023-25 Biennium (in millions)				
	September 2024 Projection		December 2024 Projection	
	GPR	All Funds	GPR	All Funds
Act 19 Budgeted Level	\$8,674.6	\$28,267.8	\$8,674.6	\$28,267.8
Projected Expenditures	\$8,645.2	\$28,488.4	\$8,673.4	\$28,724.6
<i>Difference</i>	<i>\$29.4</i>		<i>\$1.2</i>	

The most significant update to the projection since September is that the Department finalized CY 25 monthly per-person capitation rates for Medicaid managed care programs. These programs include managed care organizations (MCOs) serving long-term care participants in Family Care, Family Care Partnership, and PACE and health maintenance organizations

(HMOs) providing acute and primary care services to BadgerCare Plus and SSI Managed Care enrollees. The Department sets the rates with assistance from its rate setting vendor to ensure the rates are actuarially sound, as required by federal law. Monthly per member rates for CY 25 reflect a significant overall increase from CY 24. Rates increased by over 8% on average for long-term care MCOs and by 5.7% on average for BadgerCare Plus and SSI Managed Care HMOs. By contrast, Act 19, the 2023-25 Biennial Budget, assumed rates would increase by 3.0% and 2.0% respectively.

In addition to the updated managed care cost assumptions, this quarter's projection includes higher expenditures for multiple fee-for-service categories, including inpatient and outpatient hospital, nursing home, and prescription drug expenditures. With six months remaining in the biennium, we have a better idea of expenditure trends in these areas and have adjusted the projection accordingly. The higher projected costs reflect updates to both enrollment and per-member assumptions in these areas.

Medicaid enrollment has decreased since 2023, with the end of federal continuous coverage requirements in place during the COVID-19 public health emergency. Enrollment for Medicaid has decreased from 1.49 million in May 2023 to 1.18 million in November 2024. However, it is important to note that current Medicaid members have higher average service utilization compared to what was the case when enrollment was at much higher levels during the COVID-19 pandemic. These more acute care needs are reflected in the managed care and fee-for-service expenditure trends described above.

The Department will continue to monitor expenditure trends for the remainder of fiscal year. We will update the Committee in our March and June quarterly reports.

State Plan and Waiver Amendments

The appendix lists Medicaid state plan amendments and waiver amendments submitted to the federal government in the past quarter.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Kirsten L. Johnson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kirsten L. Johnson
Secretary-designee

Appendix

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

State Plan Amendments

Amendment 24-0022 Changes to Startup Periods and Default Rates for Per Diem Hospital Providers. This amendment modifies the hospital inpatient and outpatient sections of the State Plan to change the cost reporting period, require ad hoc cost reporting data from psychiatric hospitals receiving reimbursement settlements for the startup period, and adjust default rate paid to per diem providers with insufficient claims volume to calculate an individual rate. *Net annual fiscal effect: None.*

Amendment 24-0023 Child and Adult Core Set Reporting Assurances. This amendment will bring Wisconsin in compliance with CMS reporting requirements. More specifically, the change will result in required annual reports, which were previously voluntary, on the measures in the Child Core Set and the behavioral health measures in the Adult Core Set established under 42 CFR Parts 433, 437, and 457. *Net annual fiscal effect: None.*

Amendment 24-0024 Mandatory Reporting of the Substance Use Disorder (SUD) Health Home Quality Measure (HHQM) Sets. This amendment will bring Wisconsin in compliance with mandatory CMS reporting requirements for SUD data in accordance with Section 1945 of the Social Security Act and a recently finalized rule from CMS. *Net annual fiscal effect: None.*

Amendment 24-0025 Mandatory Reporting of the HIV/AIDS HHQM Sets. This amendment will bring Wisconsin in compliance with mandatory CMS reporting requirements for HIV/AIDS data in accordance with Section 1945 of the Social Security Act and a recently finalized rule from CMS. *Net annual fiscal effect: None.*

Amendment 24-0026 Intensive Outpatient for Behavioral Health. This amendment is necessary to bring the State Plan in alignment with the integrated Intensive Outpatient Treatment Service Program established under the revised Wisconsin Administrative Code DHS 75.51 which went into effect in October 2022. *Net annual fiscal effect: \$1,010,600 All Funds.*

Amendment 24-0027 Complex Rehab Technology Rates. This amendment will establish a Medicaid reimbursement rate for complex rehabilitation technology wheelchair repair and accessories equivalent to the maximum fee paid in Wisconsin under the federal Medicare program. This SPA is necessary to comply with 2023 Wisconsin Act 182. *Net annual fiscal effect: \$154,000 All Funds.*

Waiver Amendments

Amendment to BadgerCare Reform 1115 Demonstration Waiver to provide services in institutions for mental disease, submitted. As directed by 2023 Act 177.