



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 313: Medical Assistance Federal Matching Funds for School-Based Medical Services

BACKGROUND

Distribution of Federal MA Matching Funds for School-Based Medical Services. Under the state's medical assistance (MA) program, certified schools, school districts, cooperative educational service agencies, county children with disabilities education boards, and charter schools may request reimbursement for certain medically necessary, school-based medical services they provide to MA-eligible children. These providers may be reimbursed for the following services: (a) developmental testing and assessments if these activities are conducted to create or revise an individualized education program (IEP); (b) durable medical equipment; (c) nursing; (d) occupational therapy; (e) physical therapy; (f) psychological services, counseling, and social work; (g) speech and language pathology, audiology, and hearing services; and (h) transportation. Only services that are identified in a child's IEP may be reimbursed under the program.

Under current law, the Department of Health and Family Services (DHFS) reimburses certified providers for 60% of the federal share of allowable charges for school-based medical services. In addition, DHFS is also required to reimburse providers for 90% of the federal share of administrative costs related to school-based medical services they provide. The federal funds that remain after DHFS reimburses providers for covered school-based medical services and their related administrative costs are deposited into the general fund.

In 2004-05 federal claims for school-based medical services totaled approximately \$36,100,000. Of this amount, DHFS paid providers approximately \$21,660,000, and the remaining \$14,440,000 was deposited into the general fund.

Claims for Common Carrier Transportation Services. Under current law, providers may submit, and DHFS must allow, claims for common carrier transportation costs as a school medical service, unless DHFS receives notice from the federal Health Care Financing Administration (now, the Centers for Medicare and Medicaid Services) that, under a change in federal policy, the claims are not allowed. If DHFS receives a notice, providers may submit, and DHFS must allow, unreimbursed claims for common carrier transportation costs incurred before the date of the change in federal policy.

Supplemental Payments to School Districts. 2003 Wisconsin Act 33 (the 2003-05 biennial budget act) authorized DHFS to make supplemental payments to school districts for MA services these entities provide that would have been in addition to the current payments school districts receive. As part of these provisions, the Department of Public Instruction (DPI) was required to lapse funds from its appropriation for aids for special education and school age parents programs, an amount equal to the amount of supplemental payments for school medical services that DHFS would pay school districts under this provision.

These provisions were intended to create a mechanism for claiming additional federal funds under the state's MA program. However, the state did not receive federal approval to make these supplemental payments. 2005 Wisconsin Act 25 (the 2005-07 biennial budget act) repealed all of the Act 33 provisions relating to these supplementary payments.

SUMMARY OF BILL

Distribution of Federal MA Matching Funds for School-Based Services. Senate Bill 313, as amended by Senate Amendment 1, would change the way that DHFS reimburses providers for school-based medical services. Beginning July 1, 2007, DHFS would reimburse providers for 100% of the portion of the federal share of allowable charges for school medical services that exceed \$36,100,000 (the amount of federal MA funds the state claimed for school-based medical services in 2004-05). Providers would continue to receive 60% of the federal portion up to \$36,100,000. DHFS would be required to distribute the federal matching funds that exceed \$36,100,000 based on the percentage of total reimbursement that providers received in the immediately previous fiscal year.

Amendment 1 would correct two numbers in the bill to meet the author's intent. First, the new allocation of funding between the state and providers would begin in the 2007-08 fiscal year, rather than in the 2008-09 fiscal year as provided in the bill. Second, the annual upper limit on federal funds subject to the 60%/40% allocation would be changed from "\$21,660,000" to "\$36,100,000," after which providers would receive 100% of the federal MA matching funds.

Common Carrier Transportation Services. The bill would permit providers to submit claims for common carrier transportation costs as a school medical service if DHFS receives notice from the federal Health Care Financing Administration that, under a change in federal policy, the claims

are not allowed. Further, the bill would repeal the provision that if DHFS receives the notice from the Health Care Financing Administration, providers could submit, and DHFS must allow, unreimbursed claims for common carrier transportation costs incurred before the date of the change in federal policy change.

These changes should be deleted, as they would permit providers to submit claims for common carrier transportation services as a school medical service, even though DHFS has received notice from CMS that the claims are not allowed.

Supplemental Payments to School Districts. The bill would repeal provisions created in 2003 Act 33 relating to supplemental payments to school districts. However, 2005 Act 25 already repealed these provisions. Consequently, the provisions in Senate Bill 313, as amended, relating to supplemental payments to school districts should be deleted from the bill.

FISCAL ESTIMATE

In its fiscal note to the bill, DHFS projected that, under current law, school-based services claims will increase annually so that, by 2007-08, total claims would equal approximately \$40.6 million.

Based on the Department's estimates of projected growth in claims, under the amended bill, providers would receive approximately \$26.2 million $[(0.6 \times \$36.1 \text{ million}) + (\$40.6 \text{ million} - \$36.1 \text{ million}) = \$26.2 \text{ million}]$, or approximately \$1.8 million more in 2007-08 than they would receive under current law. There would be a corresponding reduction in GPR revenue in that year. The difference (\$1.8 million) represents an estimate of the increase in federal MA matching revenues that would be available to providers, with a corresponding reduction in federal MA matching revenues deposited to the general fund.

If claims do not increase from the 2004-05 level, the bill, as amended, would have no effect on general fund revenues, since the general fund would continue to receive 40% of the federal MA matching funds the state receives. Hence, the effect of the bill, as amended, would be to eliminate a potential source of additional GPR revenue in the future, and instead direct these funds to school-based service providers.

As stated above, the provisions in Senate Bill 313, as amended, relating to supplemental payments to school districts and common carrier transportation services should be deleted from the bill.

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