



1999 SENATE BILL 438

March 3, 2000 - Introduced by Senators SHIBILSKI and WIRCH. Referred to Committee on Health, Utilities, Veterans and Military Affairs.

1 **AN ACT to create** 49.665 (3m) and 49.665 (5m) of the statutes; **relating to:**
2 contracts to provide health care services under the badger care health care
3 program, reimbursement rates paid to health maintenance organizations
4 under the badger care health care program, requiring the legislative audit
5 bureau to conduct an audit of the badger care health care program and making
6 an appropriation.

Analysis by the Legislative Reference Bureau

Under current law, the department of health and family services (DHFS) administers the badger care health care program that provides health care coverage to certain low-income individuals. Currently, DHFS contracts with health care providers, including health maintenance organizations (HMOs), to provide health care services to eligible individuals under the badger care health care program.

This bill requires DHFS to contract with an independent actuarial firm to determine whether the rates paid to HMOs as reimbursement for health care services under the badger care health care program are actuarially sound and, if the firm determines the rates are not actuarially sound, to specify actuarially sound rates of reimbursement. The rates specified by the independent firm apply to health care services provided by an HMO from July 1, 1999, (the date on which the badger care health care program began) to December 31, 2001. In addition, if the rates of reimbursement are determined to be actuarially unsound, an HMO that has a

SENATE BILL 438

contract with DHFS ending no later than December 31, 2001, may cancel the contract after providing DHFS with 30 days' notice.

This bill also requires that any contract to provide health care services under the badger care health care program that is entered into by DHFS and an HMO be separate from any contract DHFS may have with the HMO to provide health care services under the medical assistance program. Under this bill, if an HMO provides health care services to an individual who DHFS determines is eligible for the badger care health care program at the time the services are provided by the HMO but who DHFS later determines was ineligible at the time the services were provided, DHFS is required to reimburse the HMO on a fee-for-service basis.

This bill also requires the legislative audit bureau to conduct an audit of the badger care health care program. Specifically, the audit must examine whether the program is operated under sound insurance principles and whether ineligible individuals are allowed to enroll in the program. The legislative audit bureau is required to submit an audit report to the legislature no later than January 1, 2001.

Finally, this bill increases funding for the badger care health care program for the 2000–01 fiscal year.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 49.665 (3m) of the statutes is created to read:

2 49.665 (**3m**) CONTRACTS WITH HEALTH MAINTENANCE ORGANIZATIONS. If the
3 department contracts with a health maintenance organization to provide health care
4 services to individuals under this section, the contract shall be separate from any
5 contract the health maintenance organization has with the department to provide
6 health care services under subch. IV.

7 **SECTION 2.** 49.665 (5m) of the statutes is created to read:

8 49.665 (**5m**) HEALTH CARE SERVICES PROVIDED TO INELIGIBLE INDIVIDUALS. The
9 department shall reimburse a health maintenance organization on a fee-for-service
10 basis for any health care services that are provided to an individual who, at the time
11 the health care services are provided, the department determines is eligible for
12 health care coverage under this section but who the department later determines

SENATE BILL 438

1 was ineligible to receive health care coverage under this section at the time the
2 health care services were provided.

3 **SECTION 3. Nonstatutory provisions.**

4 (1) BADGER CARE REIMBURSEMENT RATES. The department of health and family
5 services shall contract with an independent actuarial firm to determine whether the
6 rates of reimbursement paid to health maintenance organizations for health care
7 services provided from July 1, 1999, to December 31, 2001, under section 49.665 of
8 the statutes, as affected by 1999 Wisconsin Acts 9 and this act, are actuarially sound
9 and, if the rates of reimbursement are not actuarially sound, to specify rates that are
10 actuarially sound. If the firm specifies new rates of reimbursement, the new rates
11 shall apply to health care services provided from July 1, 1999, to December 31, 2001.

12 (2) RIGHT TO CANCEL. If an independent actuarial firm determines under
13 subsection (1) that the rates of reimbursement paid to health maintenance
14 organizations for health care services provided under section 49.665 of the statutes,
15 as affected by 1999 Wisconsin Acts 9 and this act, are not actuarially sound, a health
16 maintenance organization that has a contract ending no later than December 31,
17 2001, to provide health care services under section 49.665 of the statutes, as affected
18 by 1999 Wisconsin Acts 9 and this act, may, after providing the department of health
19 and family services with 30 days' notice, cancel the contract.

20 (3) AUDIT. The legislative audit bureau shall conduct both a financial audit and
21 performance evaluation audit of the badger care health care program to examine
22 whether the program is operated under sound insurance principles and whether
23 ineligible individuals are allowed to enroll. No later than January 1, 2001, the
24 legislative audit bureau shall file its report as described under section 13.94 (1) (b)
25 of the statutes.

SENATE BILL 438**1 SECTION 4. Appropriation changes.**

2 (1) BADGER CARE HEALTH CARE PROGRAM. In the schedule under section 20.005
3 (3) of the statutes for the appropriation to the department of health and family
4 services under section 20.435 (4) (bc) of the statutes, as affected by the acts of 1999,
5 the dollar amount is increased by \$20,000,000 for fiscal year 2000-01 for the badger
6 care health care program.

7 SECTION 5. Initial applicability.

8 (1) The treatment of section 49.665 (3m) and (5m) of the statutes first applies
9 to contracts entered into, extended, modified or renewed on the effective date of this
10 subsection.

11 (END)