

**2003 DRAFTING REQUEST**

**Bill**

Received: 01/30/2004

Received By: dkennedy

Wanted: As time permits

Identical to LRB:

For: Dale Schultz (608) 266-0703

By/Representing: Eileen O'Neill (aide)

This file may be shown to any legislator: NO

Drafter: dkennedy

May Contact:

Addl. Drafters:

Subject: Health - medical assistance

Extra Copies:

Submit via email: YES

Requester's email: Sen.Schultz@legis.state.wi.us

Carbon copy (CC:) to:

---

**Pre Topic:**

No specific pre topic given

---

**Topic:**

Medical Assistance contract reimbursement on "actuarially sound" basis

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**Instructions:**

See Attached

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**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	dkennedy 02/06/2004	kfollett 02/06/2004		_____			S&L
/1			pgreensl 02/09/2004	_____	Inorthro 02/09/2004		S&L
/2	dkennedy	jdyer	jfrantze	_____	sbasford	sbasford	

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
	02/11/2004	02/12/2004	02/12/2004	_____	02/12/2004	02/20/2004	
				_____		sbasford	
				_____		02/20/2004	

FE Sent For:

<END>

02-20-04  
("12")  
Requested  
By Eileen O'Neill

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	02/11/2004	02/12/2004	02/12/2004	_____	02/12/2004		

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/?	dkennedy 02/06/2004	kfollett 02/06/2004		_____			S&L
/1			pgreensl 02/09/2004	_____	Inorthro 02/09/2004		S&L
/2	dkennedy 02/11/2004	jdyer 02/12/2004	lrb_lps	_____			

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Addl. Drafters:

Subject: Health - medical assistance

Extra Copies:

Submit via email: YES

Requester's email: Sen.Schultz@legis.state.wi.us

Carbon copy (CC:) to:

**Pre Topic:**

No specific pre topic given

**Topic:**

Medical Assistance reimbursement on "actuarially sound" *contract* and "economically and efficiently operated" ~~basis~~ *basis*

**Instructions:**

See Attached

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	dkennedy 02/06/2004	kfollett 02/06/2004		_____			S&L
/1		<i>1/2 2/12 jld</i>	pgreensl 02/09/2004	_____	inorthro 02/09/2004		

*2/12* *JRS*  
*2/12*

FE Sent For:

**<END>**



**2003 DRAFTING REQUEST**

**Bill**

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By/Representing: **Eileen O'Neill (aide)**

This file may be shown to any legislator: **NO**

Drafter: **dkennedy**

May Contact:

Addl. Drafters:

Subject: **Health - medical assistance**

Extra Copies:

*KJF*

Submit via email: **YES**

Requester's email: **Sen.Schultz@legis.state.wi.us**

Carbon copy (CC:) to:

---

**Pre Topic:**

No specific pre topic given

---

**Topic:**

Medical Assistance reimbursement on "actuarially sound" and "economically and efficiently operated" bases

---

**Instructions:**

See Attached

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**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
1?	dkennedy	<i>11/15/03 2/16</i>	<i>2/19 ps</i>	<i>2/19 psch</i>			

FE Sent For:

<END>

# Bill Request Form

Legislative Reference Bureau  
100 N. Hamilton Street  
Legal Section. 266-3561

You may use this form or talk directly with the LRB attorney who will draft the bill.

Date 1-29-04

Legislator, agency, or other person requesting this draft Senator Dale Schultz

Person submitting request (name and phone number) Eileen O'Neill, 266-0703

Persons to contact for questions about this draft (names and phone numbers) Eileen O'Neill, 266-0703

Describe the problem, including any helpful examples. How do you want to solve the problem?

See attached.

Please attach a copy of any correspondence or other material that may help us. If you know of any statute sections that might be affected, list them or provide a marked-up copy.

You may attach a marked-up copy of any LRB draft or provide its number (e.g., 2001 LRB-2345/1 or 1999AB-67).

Requests are confidential unless stated otherwise. May we tell others that we are working on this for you?  YES  NO  
If yes: Anyone who asks? YES  NO  
Any legislator? YES  NO  
Charlie Morgan

Only the following persons Eric Bergerding, WHA  
RJ Pirlot, WMC Laura Letch, WHA 268-1823  
Tim Size, Rural WI Health Coops Kelly Rosati, Rosati Consulting 254-5050

Do you consider this request urgent? YES NO If yes, please indicate why \_\_\_\_\_

Should we give this request priority over any pending request of this legislator, agency, or person?  
YES NO

**General fund balance to Medicaid**

“In total my vetoes will reduce appropriations from all funding sources by \$315 million compared to the Legislature's budget. I also exercised my veto authority to increase the size of the general fund balance to \$205 million. This amount will help fill the shortfall in the Medical Assistance program created by the Legislature's unwillingness to tap the reserves of the Patients Compensation Fund and their unrealistic estimates of future federal Medicaid funding.”

Governor Doyle's veto message, 2003 WI Act 33.

The following amendment to the statutes would appropriate the \$205 million from the general fund balance to the Medicaid program to provide the state share of medical assistance program benefits administered under s. 49.45.

Section 20.435(4)(b) is amended to read:

(b) Medical assistance program benefits

*This is not the actual schedule amount under Act 33.*  
✓ 2004-05  
~~1,047,627,100~~ 1,252,627,100

Non-statutory language:

The amount appropriated to s. 20.435(4)(b) in this Act shall not be used for expanding eligibility or expanding program benefits.

Laura  
Leitch

## Reimbursing economically and efficiently operated hospitals

The following statute amendments would require DHFS to reimburse hospitals for services provided to Medical Assistance recipients at a rate that is reasonable and adequate to meet the costs that must be incurred by an efficiently and economically operated hospital complying with all state and federal laws.

Section 49.45(3)(e)1. is amended to read:

The department may shall develop, implement, and periodically update methods for reimbursing hospitals for allowable services or commodities provided a recipient. The methods may shall include standards and criteria for limiting any given hospital's total reimbursement or payment to that which would be provided to an economically and efficiently operated facility provide a reimbursement rate for each hospital that is reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated facilities in order to provide care and services in conformity with applicable state and federal laws, regulations, and quality and safety standards. This method does not apply to hospitals reimbursed based on costs. Hospitals may, in addition to the implemented reimbursement rate, receive supplemental payments as provided by state or federal law.

what  
does?

Section 49.45(3)(e)4. is amended to read:

*determined under  
sub. 1.*

If the department maintains a retrospective reimbursement system under subd.1 for specific provided services or commodities, total reimbursement for allowable services, care or commodities provided recipients during the hospital's fiscal year may not exceed the lower of the hospital's charges for the services or the actual and reasonable allowable costs to the hospital of providing the services, plus any disproportionate share funding the hospital is qualified to receive under 42 USC 1396r-4.

How  
if  
this  
diff.  
from  
sub. 1.  
?

2/5/03 From Laura Leitch: Section 49.45(3)(e) does not specify reimbursement to hospitals based on costs (e.g., critical access, psych inpt, rural providers) - is done by K-ref.

Keely  
Rosatti

414-254-5050

## Actuarially Sound Rate-Setting for the Medicaid/Managed Care Program

### Federal Law

Federal law dictates that states receive no federal payments for services rendered by a Medicaid managed care organization unless 'such services are provided in accordance with a contract between the State and the entity under which prepaid payments to the entity are made on an actuarially sound basis. . . ' 42 U.S.C. Section 1396b (m) (2) (A) (iii)

### Other States

Several states, including California and Colorado, have enacted similar state statutes requiring actuarially sound rate-setting methodologies.

### Purpose of 'Actuarially Sound' Requirements

The purpose of these provisions is to ensure adequate payments to Medicaid HMOs in order to safeguard beneficiaries' access to and continuity of high quality health care.

### Proposed change to Wisconsin Statutes

Section \_\_\_\_ . 49.45 (2) (b) 2 of the statutes is amended to read:

49.45 (2) (b) 2. Contract with any organization whether or not organized for profit to administer, in full or in part, the benefits under the medical assistance program including prepaid health care, provided any such prepaid health care benefits shall be provided in accordance with a contract under which prepaid payments to the organization are made on an actuarially sound basis consistent with 42 U.S.C. Section 1396b (m) (2) (A) (iii).

same?

- same?

what about 1396b (m) (2) (B)? Does it apply?

Note: 49.45 (2) (b) (intro.) says "may," not "shall"



TUESDAY, if possible  
State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-41677  
DAK: [signature]

D-NOTE

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

Gen

payment or

methods

1 AN ACT ...; relating to: hospital reimbursement and contracts for services under  
2 Medical Assistance and making an appropriation.

**Analysis by the Legislative Reference Bureau**

Under current law, the Department of Health and Family Services (DHFS) is authorized to develop, implement, and periodically update methods for reimbursing or paying hospitals for allowable services or commodities that are provided to Medical Assistance (MA) recipients. The methods may include standards and criteria that limit reimbursement or payment to that which would be provided to an economically and efficiently operated facility. If DHFS reimburses hospitals retrospectively under these methods, total reimbursement for allowable services, care, or commodities may not exceed the lower of the hospital's charges or the actual and reasonable allowable costs to the hospital of providing the services, plus any federal disproportionate share funding that the hospital is qualified to receive.

This bill requires, rather than authorizes, DHFS to develop, implement, and update the methods for reimbursing or paying hospitals for MA services or commodities. The bill changes the standard related to an economically and efficiently operated facility to one under which the reimbursement or payment rate for each hospital must be reasonable and adequate to meet costs that must be incurred by efficiently and economically operated facilities in order to provide care and services in conformity with state and federal law. The bill also specifies that hospitals may receive federally or state authorized supplemental payments in addition to the reimbursement or payment under the methods. The methods do not apply to hospitals that are reimbursed based on costs. If DHFS reimburses hospitals

that is

retrospectively under the methods, total reimbursement may not exceed the hospital's charges for the services, plus any federal disproportionate share funding.

Currently, DHFS may contract with any organization to administer MA benefits, including prepaid health care. This bill requires that any contract that includes provision of prepaid health care benefits require that prepaid payments be made on an actuarially sound basis that is consistent with federal law.

This bill increases the general purpose revenues appropriation account within DHFS for the state share of MA benefits by \$205,000,000 for fiscal year 2004-05 and specifies that this money may not be expended to expand MA eligibility or program benefits.

For further information see the *state and local* 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. 49.45 (2) (b) 2. of the statutes is amended to read:

2 49.45 (2) (b) 2. Contract with any organization whether or not organized for

3 profit to administer, in full or in part, the benefits under ~~the medical assistance~~

4 ~~program~~ including prepaid health care. Any contract that includes provision of

5 prepaid health care benefits shall require that prepaid payments to the organization

6 be made on an actuarially sound basis that is consistent with 42 USC 1396b (m) (2)

7 (A) (iii). The department shall accept bids on contracts for administrative services

8 and services evaluating ~~the medical assistance program~~ Medical Assistance as provided in ch. 16, but

9 may accept the contract deemed most advantageous for claims processing services;

10 or contract with any insurer authorized under the insurance code of this state to

11 insure the program in full or in part and on behalf of the department. The

12 department shall submit a report each December 31 to the governor, the joint

13 committee on finance and the chief clerk of each house of the legislature, for

14 distribution to the appropriate standing committees under s. 13.172 (3), regarding

Medical Assistance

- 1 the effectiveness of the management information system for monitoring and  
2 analyzing medical assistance expenditures.

**History:** 1971 c. 40 s. 93; 1971 c. 42, 125; 1971 c. 213 s. 5; 1971 c. 215, 217, 307; 1973 c. 62, 90, 147; 1973 c. 333 ss. 106g, 106h, 106j, 201w; 1975 c. 39; 1975 c. 223 s. 28; 1975 c. 224 ss. 54h, 56 to 59m; 1975 c. 383 s. 4; 1975 c. 411; 1977 c. 29, 418; 1979 c. 34 ss. 837f to 838, 2102 (20) (a); 1979 c. 102, 177, 221, 355; 1981 c. 20 ss. 839 to 854, 2202 (20) (r); 1981 c. 93, 317; 1983 a. 27 ss. 1046 to 1062m, 2200 (42); 1983 a. 245, 447, 527; 1985 a. 29 ss. 1026m to 1031d, 3200 (23), (56), 3202 (27); 1985 a. 120, 176, 269; 1985 a. 332 ss. 91, 251 (5), 253; 1985 a. 340; 1987 a. 27 ss. 989r to 1000s, 2247, 3202 (24); 1987 a. 186, 307, 339, 399; 1987 a. 403 s. 256; 1987 a. 413; 1989 a. 6; 1989 a. 31 ss. 1402 to 1452g, 2909g, 2909i; 1989 a. 107, 173, 310, 336, 351, 359; 1991 a. 22, 39, 80, 250, 269, 315, 316; 1993 a. 16 ss. 1362g to 1403, 3883; 1993 a. 27, 107, 112, 183, 212, 246, 269, 335, 356, 437, 446, 469; 1995 a. 20; 1995 a. 27 ss. 2947 to 3002r, 7299, 9126 (19), 9130 (4), 9145 (1); 1995 a. 191, 216, 225, 289, 303, 398, 417, 457; 1997 a. 3, 13, 27, 114, 175, 191, 237, 252, 293; 1999 a. 9, 63, 103, 180, 185; 2001 a. 13, 16, 35, 38, 57, 67, 104, 109; 2003 a. 33.

- 3 **SECTION 2.** 49.45 (3) (e) 1. of the statutes is amended to read:

- 4 49.45 (3) (e) 1. The department ~~may~~ shall develop, implement and periodically  
5 update methods for reimbursing or paying hospitals for allowable services or  
6 commodities provided a recipient. ~~The methods may include standards and criteria~~  
7 ~~for limiting any given hospital's total reimbursement or payment to that which~~  
8 ~~would be provided to an economically and efficiently operated facility~~ shall provide  
9 a reimbursement or payment rate for each hospital that is reasonable and adequate  
10 to meet the costs that must be incurred by efficiently and economically operated  
11 facilities in order to provide care and services in conformity with applicable state  
12 statutes and rules and federal statutes and regulations, and quality and safety  
13 standards, except that these methods do not apply to hospitals, including critical  
14 access hospitals, that are reimbursed based on costs. In addition to the  
15 reimbursement rate specified under this subdivision, hospitals may receive  
16 supplemental payments as provided by state statutes or rules or federal statutes or  
17 regulations.

**History:** 1971 c. 40 s. 93; 1971 c. 42, 125; 1971 c. 213 s. 5; 1971 c. 215, 217, 307; 1973 c. 62, 90, 147; 1973 c. 333 ss. 106g, 106h, 106j, 201w; 1975 c. 39; 1975 c. 223 s. 28; 1975 c. 224 ss. 54h, 56 to 59m; 1975 c. 383 s. 4; 1975 c. 411; 1977 c. 29, 418; 1979 c. 34 ss. 837f to 838, 2102 (20) (a); 1979 c. 102, 177, 221, 355; 1981 c. 20 ss. 839 to 854, 2202 (20) (r); 1981 c. 93, 317; 1983 a. 27 ss. 1046 to 1062m, 2200 (42); 1983 a. 245, 447, 527; 1985 a. 29 ss. 1026m to 1031d, 3200 (23), (56), 3202 (27); 1985 a. 120, 176, 269; 1985 a. 332 ss. 91, 251 (5), 253; 1985 a. 340; 1987 a. 27 ss. 989r to 1000s, 2247, 3202 (24); 1987 a. 186, 307, 339, 399; 1987 a. 403 s. 256; 1987 a. 413; 1989 a. 6; 1989 a. 31 ss. 1402 to 1452g, 2909g, 2909i; 1989 a. 107, 173, 310, 336, 351, 359; 1991 a. 22, 39, 80, 250, 269, 315, 316; 1993 a. 16 ss. 1362g to 1403, 3883; 1993 a. 27, 107, 112, 183, 212, 246, 269, 335, 356, 437, 446, 469; 1995 a. 20; 1995 a. 27 ss. 2947 to 3002r, 7299, 9126 (19), 9130 (4), 9145 (1); 1995 a. 191, 216, 225, 289, 303, 398, 417, 457; 1997 a. 3, 13, 27, 114, 175, 191, 237, 252, 293; 1999 a. 9, 63, 103, 180, 185; 2001 a. 13, 16, 35, 38, 57, 67, 104, 109; 2003 a. 33.

- 18 **SECTION 3.** 49.45 (3) (e) 4. of the statutes is amended to read:

- 19 49.45 (3) (e) 4. If the department maintains a retrospective reimbursement  
20 system under subd. 1. for specific provided services or commodities, total  
21 reimbursement determined under subd. 1. for allowable services, care, or



1 commodities provided recipients during the hospital's fiscal year may not exceed the  
 2 ~~lower of the hospital's charges for the services or the actual and reasonable allowable~~  
 3 ~~costs to the hospital of providing the services~~, plus any disproportionate share  
 4 funding that the hospital is qualified to receive under 42 USC 1396r-4.

**History:** 1971 c. 40 s. 93; 1971 c. 42, 125; 1971 c. 213 s. 5; 1971 c. 215, 217, 307; 1973 c. 62, 90, 147; 1973 c. 333 ss. 106g, 106h, 106j, 201w; 1975 c. 39; 1975 c. 223 s. 28; 1975 c. 224 ss. 54h, 56 to 59m; 1975 c. 383 s. 4; 1975 c. 411; 1977 c. 29, 418; 1979 c. 34 ss. 837f to 838, 2102 (20) (a); 1979 c. 102, 177, 221, 355; 1981 c. 20 ss. 839 to 854, 2202 (20) (r); 1981 c. 93, 317; 1983 a. 27 ss. 1046 to 1062m, 2200 (42); 1983 a. 245, 447, 527; 1985 a. 29 ss. 1026m to 1031d, 3200 (23), (56), 3202 (27); 1985 a. 120, 176, 269; 1985 a. 332 ss. 91, 251 (5), 253; 1985 a. 340; 1987 a. 27 ss. 989r to 1000s, 2247, 3202 (24); 1987 a. 186, 307, 339, 399; 1987 a. 403 s. 256; 1987 a. 413; 1989 a. 6; 1989 a. 31 ss. 1402 to 1452g, 2909g, 2909i; 1989 a. 107, 173, 310, 336, 351, 359; 1991 a. 22, 39, 80, 250, 269, 315, 316; 1993 a. 16 ss. 1362g to 1403, 3883; 1993 a. 27, 107, 112, 183, 212, 246, 269, 335, 356, 437, 446, 469; 1995 a. 20; 1995 a. 27 ss. 2947 to 3002r, 7299, 9126 (19), 9130 (4), 9145 (1); 1995 a. 191, 216, 225, 289, 303, 398, 417, 457; 1997 a. 3, 13, 27, 114, 175, 191, 237, 252, 293; 1999 a. 9, 63, 103, 180, 185; 2001 a. 13, 16, 35, 38, 57, 67, 104, 109; 2003 a. 33.

5 **SECTION 4. Nonstatutory provisions.**

6 (1) MEDICAL ASSISTANCE ~~PROGRAM~~ INCREASE. The amount by which the  
 7 appropriation account under section 20.435 (4) (b) of the statutes is increased for  
 8 state fiscal year 2004-05 under SECTION 5 (I) of this act may not be expended to  
 9 expand eligibility or program benefits of ~~the~~ Medical Assistance ~~Program~~, as defined

10 *Create auto ref A*  
 11 **SECTION 5. Appropriation changes.**

12 (I) MEDICAL ASSISTANCE ~~PROGRAM~~ INCREASE. In the schedule under section  
 13 20.005 (3) of the statutes for the appropriation to the department of health and family  
 14 services under section 20.435 (4) (b) of the statutes, as affected by the acts of 2003,  
 15 the dollar amount is increased by \$205,000,000 for fiscal year 2004-05 to <sup>one</sup> provide  
 16 the state share of Medical Assistance ~~Program~~ benefits administered under section  
 17 49.45 of the statutes.

(END)

D-NOTE

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-4167/dn  
DAK: *[Signature]*

*Date*

To Eileen O'Neill:

*contacted*

I ~~was unable to reach~~ Kelly Rosati with respect to a question I had about the amendment to s. 49.45 (2)(b) 2., stats. The amendment requires that a contract that includes provision of prepaid health care benefits require that prepaid payments to the contracting organization be made on an actuarially sound basis that is consistent with specified federal law. The particular federal law specified has several exceptions: my question has to do with whether the exception under 42 USC 1396b (m) (2) (B) applies.

Please let me know if you have questions about or would like changes made to the draft.

Debora A. Kennedy  
Managing Attorney  
Phone: (608) 266-0137  
E-mail: debora.kennedy@legis.state.wi.us

*; according to Ms. Rosatti, the exception is <sup>in</sup> inapplicable*

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-4167/1dn  
DAK:kjf:pg

February 9, 2004

To Eileen O'Neill:

I contacted Kelly Rosati with respect to a question I had about the amendment to s. 49.45 (2) (b) 2., stats. The amendment requires that a contract that includes provision of prepaid health care benefits require that prepaid payments to the contracting organization be made on an actuarially sound basis that is consistent with specified federal law. The particular federal law specified has several exceptions: my question has to do with whether the exception under 42 USC 1396b (m) (2) (B) applies; according to Ms. Rosati, the exception is unapplicable.

Please let me know if you have questions about or would like changes made to the draft.

Debora A. Kennedy  
Managing Attorney  
Phone: (608) 266-0137  
E-mail: [debora.kennedy@legis.state.wi.us](mailto:debora.kennedy@legis.state.wi.us)

## TELEPHONE DRAFTING INSTRUCTIONS

Drafting instructions received by Debora Kennedy.

DATE:

2/11/04

CONVERSATION  
WITH:

Eileen O'Neill

OF:

Schultz' office

TELEPHONE NO:

6-0703

REGARDING LRB #  
OR DRAFT TOPIC:

03-4167/1

INSTRUCTIONS:

Redraft:  
Remove SECTIONS 2 to 5

THURSDAY

2003 - 2004 LEGISLATURE

LRB-4167/42

DAK:kjf

↑ + jld

# 2003 BILL

To LPS's -  
Could you  
please change  
the request  
sheet?  
Thanks! DAK

REGENERATE

- 1 AN ACT to amend 49.45 (2) (b) 2., 49.45 (3) (e) 1. and 49.45 (3) (e) 4. of the statutes;
- ② relating to: ~~hospital payment of reimbursement and~~ contracts for services
- ③ under Medical Assistance ~~and making an appropriation.~~

### Analysis by the Legislative Reference Bureau

Under current law, the Department of Health and Family Services (DHFS) is authorized to develop, implement, and periodically update methods for reimbursing or paying hospitals for allowable services or commodities that are provided to Medical Assistance (MA) recipients. The methods may include standards and criteria that limit reimbursement or payment to that which would be provided to an economically and efficiently operated facility. If DHFS reimburses hospitals retrospectively under these methods, total reimbursement for allowable services, care, or commodities may not exceed the lower of the hospital's charges or the actual and reasonable allowable costs to the hospital of providing the services, plus any federal disproportionate share funding that the hospital is qualified to receive.

This bill requires, rather than authorizes, DHFS to develop, implement, and update the methods for reimbursing or paying hospitals for MA services or commodities. The bill changes the methods standard that is related to an economically and efficiently operated facility to one under which the reimbursement or payment rate for each hospital must be reasonable and adequate to meet costs that must be incurred by efficiently and economically operated facilities in order to provide care and services in conformity with state and federal law. The bill also specifies that hospitals may receive federally or state authorized supplemental

**BILL**

*the Department of Health and Family Services*

*Medical Assistance*

payments in addition to the reimbursement or payment under the methods. The methods do not apply to hospitals that are reimbursed based on costs. If DHFS reimburses hospitals retrospectively under the methods, total reimbursement may not exceed the hospital's charges for the services, plus any federal disproportionate share funding.

Currently, ~~DHFS~~ may contract with any organization to administer (MA) benefits, including prepaid health care. This bill requires that any contract that includes provision of prepaid health care benefits require that prepaid payments be made on an actuarially sound basis that is consistent with federal law.

This bill increases the general purpose revenues appropriation account within DHFS for the state share of MA benefits by \$205,000,000 for fiscal year 2004-05 and specifies that this money may not be expended to expand MA eligibility or program benefits.

*MA*

For further information see the *state and local* 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.** 49.45 (2) (b) 2. of the statutes is amended to read:
- 2           49.45 (2) (b) 2. Contract with any organization whether or not organized for
- 3 profit to administer, in full or in part, the benefits under ~~the medical assistance~~
- 4 ~~program~~ Medical Assistance including prepaid health care. Any contract that
- 5 includes provision of prepaid health care benefits shall require that prepaid
- 6 payments to the organization be made on an actuarially sound basis that is
- 7 consistent with 42 USC 1396b (m) (2) (A) (iii). The department shall accept bids on
- 8 contracts for administrative services and services evaluating ~~the medical assistance~~
- 9 ~~program~~ Medical Assistance as provided in ch. 16, but may accept the contract
- 10 deemed most advantageous for claims processing services; or contract with any
- 11 insurer authorized under the insurance code of this state to insure the program in
- 12 full or in part and on behalf of the department. The department shall submit a report
- 13 each December 31 to the governor, the joint committee on finance and the chief clerk
- 14 of each house of the legislature, for distribution to the appropriate standing

**BILL**

1 committees under s. 13.172 (3), regarding the effectiveness of the management  
2 information system for monitoring and analyzing medical assistance expenditures.

3 **SECTION 2.** 49.45 (3) (e) 1. of the statutes is amended to read:

4 49.45 (3) (e) 1. The department ~~may~~ shall develop, implement and periodically  
5 update methods for reimbursing or paying hospitals for allowable services or  
6 commodities provided a recipient. The methods ~~may include standards and criteria~~  
7 ~~for limiting any given hospital's total reimbursement or payment to that which~~  
8 ~~would be provided to an economically and efficiently operated facility~~ shall provide  
9 a reimbursement or payment rate for each hospital that is reasonable and adequate  
10 to meet the costs that must be incurred by efficiently and economically operated  
11 facilities in order to provide care and services in conformity with applicable state  
12 statutes and rules and federal statutes and regulations, and quality and safety  
13 standards, except that these methods do not apply to hospitals, including critical  
14 access hospitals, that are reimbursed based on costs. In addition to the  
15 reimbursement rate specified under this subdivision, hospitals may receive  
16 supplemental payments as provided by state statutes or rules or federal statutes or  
17 regulations.

18 **SECTION 3.** 49.45 (3) (e) 4. of the statutes is amended to read:

19 49.45 (3) (e) 4. If the department maintains a retrospective reimbursement  
20 system under subd. 1. for specific provided services or commodities, total  
21 reimbursement determined under subd. 1. for allowable services, care, or  
22 commodities provided recipients during the hospital's fiscal year may not exceed the  
23 ~~lower of the hospital's charges for the services or the actual and reasonable allowable~~  
24 ~~costs to the hospital of providing the services, plus any disproportionate share~~  
25 funding that the hospital is qualified to receive under 42 USC 1396r-4.

**BILL****1 SECTION 4. Nonstatutory provisions.**

2 (1) MEDICAL ASSISTANCE INCREASE. The amount by which the appropriation  
3 account under section 20.435 (4) (b) of the statutes is increased for state fiscal year  
4 2004-05 under SECTION 5 (1) of this act may not be expended to expand eligibility or  
5 program benefits of Medical Assistance, as defined in section 49.43 (8) of the statutes.

**6 SECTION 5. Appropriation changes.**

7 (1) MEDICAL ASSISTANCE INCREASE. In the schedule under section 20.005 (3) of  
8 the statutes for the appropriation to the department of health and family services  
9 under section 20.435 (4) (b) of the statutes, as affected by the acts of 2003, the dollar  
10 amount is increased by \$205,000,000 for fiscal year 2004-05 to provide the state  
11 share of Medical Assistance benefits administered under section 49.45 of the  
12 statutes.

13

(END)



**Basford, Sarah**

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**From:** O'Neill, Eileen  
**Sent:** Thursday, February 19, 2004 4:51 PM  
**To:** LRB.Legal  
**Subject:** Draft review: LRB 03-4167/2 Topic: Medical Assistance contract reimbursement on "actuarially sound" basis

It has been requested by <O'Neill, Eileen> that the following draft be jacketed for the SENATE:

Draft review: LRB 03-4167/2 Topic: Medical Assistance contract reimbursement on "actuarially sound" basis