



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #472

Rates for Noninstitutional Services (DHFS -- Medical Assistance)

[LFB 2001-03 Budget Summary: Page 359, #8]

CURRENT LAW

Under the state's medical assistance (MA) program, noninstitutional service providers are reimbursed at rates equal to the providers' usual and customary charges or the maximum providers rates established by the Department of Health and Family Services (DHFS) for each procedure or service, whichever is less.

GOVERNOR

Provide \$20,518,600 (\$12,054,700 FED and \$8,463,900 SEG) in 2001-02 and \$44,038,900 (\$25,830,500 FED and \$18,208,400 SEG) in 2002-03 to increase MA rates for most noninstitutional services. The administration indicates that half of these funds would be used to provide an across-the-board increase in each year for most noninstitutional services. The remaining funds would be used to support rate increases for selected noninstitutional services for which MA payments represent no more than 50% of the amount providers bill for these services. The segregated funding provided for these increases would be available from the MA trust fund that would be created in the bill.

Rates for the following noninstitutional services would be increased by up to 2.5% in 2001-02 and an additional 2.5% in 2002-03: (a) ambulance transportation; (b) certified nurse anesthetist; (c) chiropractic; (d) dental; (e) durable medical equipment and disposable medical supplies; (f) end-stage renal disease; (g) family planning; (h) HealthCheck; (i) home health; (j) hospice; (k) laboratory and x-ray; (l) mental health; (m) personal care; (n) physicians and clinics; (o) podiatry; (p) prenatal care coordination; (q) transportation by specialized medical vehicle; (r) therapies; and (s) vision. The 2.5% increases would be calculated on base funding for services

and would not reflect any of the targeted rate increases for providers. DHFS would determine which service categories and providers would be eligible for the additional rate increase.

DISCUSSION POINTS

1. The amounts provided in the Governor's budget bill do not reflect the effect of MA rates increases on BadgerCare costs. Because fee-for-service BadgerCare reimbursement rates are identical to MA fee-for-service reimbursement rates, increasing MA reimbursements rates will increase costs for BadgerCare. If the Committee adopts the Governor's recommendations, the funds should be distributed between BadgerCare and MA and the amounts in the bill should be increased by \$404,200 FED in 2001-02 and \$716,400 FED in 2002-03 to reflect the higher federal financial participation available under BadgerCare than MA. As a result, of the segregated funds provided in the bill, \$7,806,900 in 2001-02 and \$16,795,100 in 2002-03 would be budgeted to support MA costs and \$657,000 in 2001-02 and \$1,413,300 in 2002-03 would be budgeted to support BadgerCare costs.

2. In 2000-01, most rates for noninstitutional services were increased 1% across-the-board. No rate increase was provided for noninstitutional services in 1999-00.

3. DHFS indicates it intends to distribute the funds for targeted rate increases proportionately among the services with paid-to-billed ratios of no more than 50%. However, a portion of funds may be targeted to specific billable procedures. For example, DHFS may not increase rates for all types of physician services, but instead, make rate adjustments to address the reimbursement rates for certain types of office visits. An analysis completed by DHFS indicates that MA rates paid for new patient office visits are approximately 28% of physicians' billings, while MA pays approximately 64% of charges for office visits that focus on prevention for existing child clients. Under the Governor's bill, DHFS would use a portion of these funds for targeted increases, such as increasing reimbursements for new patient office visits to reduce disparities between rates.

4. Other categories of services that would likely be eligible for the targeted rate increases include some mental health services, some speech therapy services, ambulance services, anesthesia services, chiropractic, podiatry and laboratory services. If the funds for targeted rate increases were distributed proportionately among all provider groups eligible, it is likely that physician's services would receive over 75% of the funds targeted for such increases. However, it is not known specifically how much would be targeted for physician's services, since DHFS would use these funds to increase rates for specific types of physician services, rather than all physician services.

5. The Committee could consider allocating a portion of the funds provided in the bill to target those services that MA recipients have difficulty accessing because the reimbursement rates are not sufficient to attract enough providers to serve MA recipients. Dental services are often cited as an MA service area with significant access problems.

Dental Care Access

6. Federal law requires states to cover dental services for children enrolled in MA. States are not required to provide dental services to adults. Wisconsin's MA program covers dental services for both adults and children.

7. Total fee-for-service expenditures for MA dental services are estimated to be approximately \$19.8 million in 2001-02 and \$21.3 million in 2002-03. It is estimated that approximately 22% of MA-eligible individuals receive at least one dental service during the course of a year. This compares with approximately 60 to 70% of individuals in the general population that receive at least one dental service in a year.

8. In 2000, the Legislative Council established the Special Committee on Dental Care Access to examine ways to increase access to dental care by underserved populations in Wisconsin, particularly those enrolled in MA and BadgerCare. This Committee recommended increasing MA reimbursement rates for dental services to address the difficulty MA recipients have in accessing dental services. Additionally, this Committee recommended requiring MA to cover two dental cleanings per year for adults (currently only one per year is allowed) and to provide coverage of fluoride varnish under the early and periodic screening, diagnosis and treatment (EPSDT) benefit.

9. The recommendations of the Special Committee were incorporated into 2001 Senate Bill 166. SB 166 would provide \$9,155,400 GPR and \$13,039,600 FED in 2001-02 and \$12,333,285 GPR and \$17,387,100 FED in 2002-03 to fund these recommendations. This funding would increase funding for MA dental services by approximately 112% in 2001-02 and 139% in 2002-03, compared with current estimates of MA dental expenditures.

10. As an alternative to the Governor's recommendations, the Committee could require that DHFS allocate funding in the bill as follows: (a) 50% of the funds for an across-the-board rate increase; (b) 25% for targeted rate increases to providers with MA reimbursements representing no more than 50% of the providers' charges; and (c) 25% for dental rate increases.

11. The following table identifies how funds would be allocated if the Committee adopted the funding recommended by the Governor or half the funding level recommended by the Governor under the different scenarios.

Summary of Alternatives

	2001-02			2002-03		
	FED	SEG	Total	FED	SEG	Total
Governor's Funding Level*						
<i>Alternative 1</i> (Governor's Bill)						
Across-the-Board Increases (50%)	\$6,229,500	\$4,232,000	\$10,461,500	\$13,273,500	\$9,104,200	\$22,377,700
Targeted Providers (50%)	6,229,500	4,231,900	10,461,400	13,273,400	9,104,200	22,377,600
Total	\$12,459,000	\$8,463,900	\$20,922,900	\$26,546,900	\$18,208,400	\$44,755,300
<i>Alternative 2</i>						
Across-the-Board (50%)	\$6,229,500	\$4,232,000	\$10,461,500	\$13,273,500	\$9,104,200	\$22,377,700
Targeted Providers (25%)	3,114,700	2,116,000	5,230,700	6,636,700	4,552,100	11,188,800
Dental Services (25%)	3,114,800	2,115,900	5,230,700	6,636,700	4,552,100	11,188,800
Total	\$12,459,000	\$8,463,900	\$20,922,900	\$26,546,900	\$18,208,400	\$44,755,300
50% of Governor's Funding Level						
<i>Alternative 3</i>						
Across-the-Board Increases (50%)	\$3,114,800	\$2,116,000	\$5,230,800	\$6,457,700	\$4,552,100	\$11,009,800
Targeted Providers (50%)	3,114,800	2,115,900	5,230,700	6,457,600	4,552,100	11,009,700
Total	\$6,229,600	\$4,231,900	\$10,461,500	\$12,915,300	\$9,104,200	\$22,019,500
<i>Alternative 4</i>						
Across-the-Board (50%)	\$3,114,800	\$2,116,000	\$5,230,800	\$6,457,700	\$4,552,100	\$11,009,800
Targeted Providers (25%)	1,557,400	1,058,000	2,615,400	3,228,800	2,276,100	5,504,900
Dental Services (25%)	1,557,400	1,057,900	2,615,300	3,228,800	2,276,000	5,504,800
Total	\$6,229,600	\$4,231,900	\$10,461,500	\$12,915,300	\$9,104,200	\$22,019,500

*As adjusted to reflect enhanced federal matching funds available under BadgerCare.

12. Under the Governor's recommendations, with the allocation between MA and BadgerCare, it is estimated that the across-the-board rate increase would total approximately 2.3%. If the Committee provided half of the funding recommended by the Governor, it is estimated that the across-the-board rate increase would total approximately 1.1%. If the Committee adopted Alternative 2, it is estimated that rates for dental services would increase by approximately 26% in 2001-02 and 22% in 2002-03. If the Committee adopts Alternative 4, it is estimated that the rates for dental services would increase by approximately a 14.2% in 2001-02 and 12% in 2002-03.

ALTERNATIVES TO BASE

1. Adopt the Governor's recommendations, but specify that of the funding provided, \$11,118,900 FED and \$7,806,900 SEG in 2001-02 and \$23,677,500 FED and \$16,795,100 SEG in 2002-03 would be budgeted in the MA benefits appropriation and the remainder would be budgeted in the BadgerCare benefits appropriations. In addition, increase the amount of federal funding budgeted in the bill by \$404,200 FED in 2001-02 and \$716,400 FED in 2002-03 to reflect that enhanced federal financial participation under BadgerCare. Of the funding provided, 50% would support the costs of an across-the-board increases in reimbursement rates for noninstitutional

services and 50% would be provided for rate increase targeted to services with reimbursements that represent no more than 50% of charges.

Alternative 1	FED	SEG	TOTAL
2001-03 FUNDING (Change to Base)	\$39,005,800	\$26,672,300	\$65,678,100
<i>[Change to Bill]</i>	\$1,120,600	\$0	\$1,120,600]

2. Adopt the funding amounts included in Alternative 1, but specify that, of the funding provided, 50% would support the costs of an across-the-board increase for noninstitutional services, 25% would be provided for rate increases targeted to services with reimbursements represent no more than 50% of charges and 25% would be targeted for rate increases for dental services.

Alternative 2	FED	SEG	TOTAL
2001-03 FUNDING (Change to Base)	\$39,005,800	\$26,672,300	\$65,678,100
<i>[Change to Bill]</i>	\$1,120,600	\$0	\$1,120,600]

3. Reduce funding in the bill by \$10,057,100 (\$5,825,200 FED and \$4,231,900 SEG) in 2001-02 and \$22,019,400 (\$12,915,200 FED and \$9,104,200 SEG) in 2002-03 and specify that 50% would be provided for across-the-board increases in reimbursement rates for noninstitutional services and 50% would be provided for rate increases targeted to services with reimbursements that represent no more than 50% of charges. Of the funding provided, \$5,559,500 FED and \$3,903,500 SEG in 2001-02 and \$11,838,700 FED and \$8,397,500 SEG in 2002-03 would be budgeted in the MA benefits appropriation. The remainder would be budgeted in the BadgerCare benefits appropriation.

Alternative 3	FED	SEG	TOTAL
2001-03 FUNDING (Change to Base)	\$19,144,800	\$13,336,100	\$32,481,000
<i>[Change to Bill]</i>	-\$18,740,400	-\$13,336,100	-\$32,076,500]

4. Adopt the funding amounts included in Alternative 3, but specify that of the funding provided, 50% would be provided for an across-the-board increase for noninstitutional services, 25% would be provided for rate increases targeted to services with reimbursements represent no more than 50% of charges and 25% would be targeted for rate increases for dental services.

Alternative 4	FED	SEG	TOTAL
2001-03 FUNDING (Change to Base)	\$19,144,800	\$13,336,100	\$32,481,000
<i>[Change to Bill]</i>	-\$18,740,400	-\$13,336,100	-\$32,076,500]

5. Delete provision.

Alternative 5	FED	SEG	TOTAL
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2001-03 FUNDING (Change to Base)	\$0	\$0	\$0
<i>[Change to Bill</i>	<i>- \$37,885,200</i>	<i>- \$26,672,3000</i>	<i>- \$64,557,500]</i>

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