



## Legislative Fiscal Bureau

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May 21, 2003

Joint Committee on Finance

Paper #385

### **Supplemental MA Payments to School Districts and Local Units of Government (DHFS -- Health Care Financing -- Payments, Services, and Eligibility)**

[LFB 2003-05 Budget Summary: Page 210, #1, Page 380, #1, and Page 351, #6]

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#### **CURRENT LAW**

*Shared Revenue.* Shared revenue and the related programs provide unrestricted state aid payments to counties and municipalities. Funding for shared revenue, county mandate relief, and small municipalities shared revenue totals \$981,564,200 in 2003 (2003-04). For 2004 (2004-05), these programs, except the utility component of shared revenue, will be replaced by the county and municipal aid program, with estimated funding of \$911,336,600.

*Special Education Aids.* Both state and federal law require that local school districts provide special education and related services for children with disabilities ages 3 through 21 who reside in the district. Special education is provided by school districts, either on their own or through cooperative arrangements with other districts, cooperative educational service agencies (CESAs) and county children with disabilities education boards. The state reimburses a portion of the costs for educating and transporting pupils enrolled in special education, including school age parent programs. In 2002-03, \$315,681,400 GPR is provided for this purpose.

*Medical Assistance Funding for Emergency Transportation Services.* Currently, medical assistance (MA) reimburses providers for emergency transportation services provided to MA beneficiaries that are not enrolled in managed care organizations. There are currently approximately 250 local units of government that are certified providers of MA emergency transportation services. Municipalities can only receive MA reimbursement for transportation services if they bill other third-party payers for services, meaning volunteer emergency medical services systems that do not bill Medicare or private insurance cannot receive payment under MA.

*MA Funding for School-Based Medical Services.* School districts and CESAs are reimbursed for 60% of the federal share of costs for MA-covered school medical services provided to children enrolled in MA. No GPR is budgeted for school-based medical services. Instead, school districts must provide the state's match in order to claim the federal funds. The remaining federal funds claimed for school-based medical services are deposited to the general fund.

## **GOVERNOR**

*Shared Revenue Payments.* Establish a formula to reduce 2003 payments determined under the current law distribution formulas for the shared revenue, county mandate relief, and small municipalities shared revenue programs by a total of \$10,000,000. Apply the reductions to the total amounts otherwise payable to each county and municipality for 2003, as determined by the Department of Revenue (DOR). [Although the bill would apply the entire funding reduction to the shared revenue program, DOR could reduce payments under any of the three programs.] Exclude the reductions to 2003 payments in calculating the starting point for making reductions to 2004 payments. Increase the per capita reductions to 2004 payments to each county and municipality under the county and municipal aid program from \$40,000,000 in total, as authorized under 2001 Wisconsin Act 109, to \$50,000,000 in total.

*Special Education Aids.* Require the Department of Public Instruction (DPI), on dates determined by the Department of Administration (DOA) Secretary, to lapse from its aids for special education and school age parents appropriation an amount equal to the amount of supplemental MA payments for school-based medical services that would be paid under this provision, an estimated \$20.5 million GPR annually under the bill. Specify that payments for special education and school age parent programs would be reduced by the amount of the supplemental MA payments for school medical providers, in order to generate the \$20.5 million annual GPR lapse amount.

*Supplemental MA Payments.* Provide \$48,316,600 (\$12,683,400 GPR, \$17,816,600 FED, and \$17,816,600 SEG) in 2003-04 and \$48,303,600 (\$30,500,000 GPR and \$17,803,600 FED) in 2004-05 to fund supplemental payments to school districts and local units of government for MA services provided by these entities.

Modify current law regarding MA school-based medical services to authorize DHFS to make supplemental payments to school districts or CESAs for school medical services that would be in addition to the current payments made for these services. Specify that these supplemental payments cannot exceed the applicable limits under federal law that provider payments are consistent with efficiency, economy, and quality and are sufficient to enlist enough providers to participate in MA. Finally, make corresponding reference changes to MA provisions regarding school medical services to reflect this provision.

The administration indicates that, of the amounts budgeted under this provision, supplemental payments to municipalities and counties would total \$10 million (approximately \$4.1 million GPR and approximately \$5.9 million FED) annually. These increased payments would be based on increased maximum reimbursement rates available to local government providers of emergency transportation services. Private providers of such services would not be eligible for the increased reimbursement rates. The bill does not include any statutory provisions regarding these payments.

## **DISCUSSION POINTS**

1. The bill would reduce funding for special education aids and shared revenue by \$30.5 million GPR annually. However, these reductions would be offset by supplemental MA payments that would be made to schools districts or CESAs and local government providers of emergency transportation services. These supplemental MA payments would total approximately \$30.5 million (approximately \$12.7 million GPR and approximately \$17.8 million FED) annually.

2. The administration indicates that this provision would not affect payments for special education because the DPI appropriation would not be reduced to reflect the availability of MA payments for school medical services. Rather, DPI would be required to lapse an amount equal to the MA payments. However, under the bill, the amount of increased payment to a municipality or county under MA for emergency transportation services might not equal the decrease in that municipality's or county's shared revenue allocation, thereby creating a distributional effect. This is because the increased MA payment would be based on claims submitted by municipalities and counties for emergency transportation services. The decreased shared revenue payment would be determined through a reduction formula based on population. All municipalities and counties would experience shared revenue reductions, but not all provide emergency transportation services, so they would receive no MA payments.

3. In a March 17, 2003, letter to the Co-chairs of the Joint Committee on Finance, the DOA Secretary requested that the Committee modify the bill to ensure that the provision would not have a distributional effect on municipalities, to meet the Governor's intent. Under the administration's proposed revision, by November 1 annually, DHFS would provide information to the Department of Revenue (DOR) concerning the estimated amount of supplements payable from the MA GPR benefits appropriation to specific local governmental units for the provision of transportation for medical care during the fiscal year. Annually, on the third Monday in November, DHFS would pay to specific local governmental units the estimated net amounts included in the notification to DOR. Further, the modification would specify that, for shared revenue distributions in 2003 and county and municipal aid distributions in 2004 and subsequent years, the November payment to each county and municipality must be reduced by an amount equal to the estimated supplemental MA payments for the fiscal year in which the shared revenue payment is made.

4. In addition to the statutory change requested by the DOA Secretary, three funding changes are necessary to correctly reflect the funding that would be available under this item.

First, the bill assumes that the additional federal revenue that would be available under this provision would be deposited to the MA trust fund. However, this federal revenue is not inter-governmental transfer (IGT) revenue and would be paid to the provider claiming the service. Therefore, this revenue is budgeted in the federal MA benefits appropriation and should, therefore, not also be treated as a revenue to the MA trust fund. Estimated SEG revenue should be decreased by \$17,816,600 in 2003-04 and \$17,803,600 in 2004-05.

Second, the bill should be modified to delete \$17,816,600 SEG in 2003-04 from the MA trust fund to reflect that the federal MA matching funds would be deposited in the federal MA benefits appropriation, not the MA trust fund.

Third, the budget bill inappropriately provides \$30.5 million GPR in 2004-05 in the MA benefits appropriation. The GPR funding in the MA benefits appropriation should be reduced by \$17,803,600 GPR in 2004-05 to reflect that only the state's share of payments to municipalities, school districts, and CESAs needs to be provided as GPR, rather than the total amount of payments to these providers.

All of these funding changes are addressed in a separate issue paper on the MA trust fund. As a result of these changes, the total amount budgeted for supplemental payments to municipalities for emergency transportation services and to school districts and CESAs for school-based medical services would total \$12,683,400 GPR and \$17,816,600 FED in 2003-04 and \$12,696,400 GPR and \$17,803,600 FED in 2004-05.

5. The following table identifies the total fiscal effect of the Governor's recommendations, as modified.

**Shared Revenue, Special Education Aids,  
And Supplemental MA Payments**

**Governor's Recommendations, with Modifications**

	2003-04		2004-05	
	<u>GPR</u>	<u>FED</u>	<u>GPR</u>	<u>FED</u>
Shared Revenue	-\$10,000,000	\$0	-\$10,000,000	\$0
Special Education Aids*	-20,500,000	0	-20,500,000	0
Supplemental MA Payments	<u>12,683,400</u>	<u>17,816,600</u>	<u>12,696,400</u>	<u>17,803,600</u>
Net Fiscal Effect (Change to Base)	-\$17,816,600	\$17,816,600	-\$17,803,600	\$17,803,600

\* This GPR reduction would be in the form of a required lapse to the general fund on a date to be determined by the DOA Secretary.

6. The modified proposal would base shared revenue and county and municipal aid reductions on estimates of MA supplemental payments. However, if the actual MA supplements paid, after adjustments required by federal law, differ from the estimates, there could still be a net gain or loss of revenue to some local governments. If the Committee decides that this is an undesirable outcome, a corrections procedure could be established to adjust the subsequent year's aid payment to reflect any overpayment or underpayment in the initial year, relative to the actual MA supplemental payment.

**ALTERNATIVES**

1. Adopt the Governor's recommendations, as modified to incorporate the statutory change requested by DOA and identified in the Discussion Point #3.
2. Include a shared revenue corrections procedure as described in Discussion Point #6.
3. Delete provision.

<u>Alternative 3</u>	<u>GPR-Lapse</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2003-05 REVENUE</b> (Change to Bill)	- \$41,000,000			- \$41,000,000
<b>2003-05 FUNDING</b> (Change to Bill)		- \$5,379,800	- \$35,620,200	- \$41,000,000

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