



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

---

May 17, 2005

Joint Committee on Finance

Paper #363

### **Continue MA Payment Adjustments Under the Wisconsin MA Cost Reporting Program (WIMCR) (DHFS -- MA, BadgerCare, and SeniorCare -- Base Reestimates and Funding)**

[LFB 2005-07 Budget Summary: Page 238, #7]

---

#### **CURRENT LAW**

*2003 Act 318 - Creation of WIMCR.* 2003 Wisconsin Act 318 made one-time changes to the medical assistance (MA) and community aids programs and: (a) authorized DHFS to make MA payment adjustments to counties and local health departments for certain MA-covered services that would be funded with GPR and federal MA matching funds; (b) reduced community aids funding in calendar years 2004 and 2005 to support the GPR share of the MA payment adjustments to counties and local health departments; (c) increased GPR funding for MA benefits; and (d) repealed several provisions included in 2003 Wisconsin Act 33 (the 2003-05 biennial budget act) that created a new intergovernmental transfer (IGT) program for certain MA-covered services previously provided by local governments as a method for increasing federal support for the state's MA program. Act 318 authorized DHFS to decrease a county's community aids allocation by the amount a county receives as MA payment adjustments. In addition, Act 318 specifies that a county's community aids reduction cannot exceed the GPR share of that county's basic county allocation.

*Community Aids.* Community aids are state and federal funds that are distributed by DHFS to counties for two broad, statutorily-defined functional areas: (1) social services for individuals and children in need of protection or services; and (2) services for persons with needs relating to mental illness, substance abuse, or developmental disabilities. Although these two broad functional areas are authorized by separate statutory provisions and are frequently administered at the county level by separate agencies, these functions are considered to be related components of a coordinated state/local human services system.

DHFS allocates community aids to counties on a calendar year basis under a basic county allocation (BCA) and five, separate categorical allocations. The BCA represents approximately 93% of the funds DHFS allocates to counties under the community aids program and these funds may be spent on any eligible community aids service. Funding provided under any of the categorical allocations may only be used to support costs associated with that program or type of service.

*Community Services Deficit Reduction Benefit (CSDRB) Program.* Under the CSDRB program, counties and local health departments can claim federal MA matching funds to support their costs of providing certain MA-covered services that are not fully reimbursed under the rates established in the MA maximum fee schedule. Under WIMCR, counties and local health departments are unable to claim federal MA matching funds under the CSDRB provision. Counties are held harmless from elimination of CSDRB because the funding for MA payment adjustments includes sufficient funding to hold counties harmless from both the reduction in community aids and the elimination of the CSDRB program. The estimated amount of funding that counties would have received under CSDRB is represented in the CSDRB offset amount ("CSDRB adjustment").

## **GOVERNOR**

Provide \$2,250,100 (-\$11,684,600 GPR and \$13,934,700 FED) in 2005-06 and \$19,321,100 (-\$8,336,200 GPR and \$27,657,300 FED) in 2006-07 to reflect the net effect of: (a) eliminating the sunset date of January 1, 2006, on making MA payment adjustments to counties and local health departments for certain MA-covered services; and (b) eliminating the CSDRB program and the requirement that DHFS make CSDRB payments in 2006 from the MA trust fund.

## **DISCUSSION POINTS**

1. The funding in this item reflects: (a) the GPR reduction in community aids funding for calendar years 2006 and the first half of 2007 (-\$21,841,700 in 2005-06 and -\$28,862,400 in 2006-07) after crediting the \$2,250,000 increase in the CSDRB adjustment in 2005-06 and the full CSDRB adjustment of \$19,321,100 in 2006-07; (b) funding for the MA payment adjustments (\$16,425,100 GPR and \$13,934,700 FED in 2005-06 and \$20,526,200 GPR and \$27,657,300 FED in 2006-07); and (c) a decrease in GPR funding for MA benefits (-\$6,268,000 in 2005-06). Funding for the MA payment adjustments to counties and local health departments for the last six months of calendar year 2005 and the CSDRB adjustment for calendar year 2005 are included in the MA base reestimate item. Combined with the funding in that item, the annual MA payment adjustment is estimated to be \$48,183,500 (all funds).

2. Since the introduction of AB 100, DHFS has re-estimated the level of WIMCR revenue, based on actual claims for costs counties incurred in calendar year 2003. Under Act 318, it was assumed that counties would claim \$48.2 million annually. However, county claims for

services provided in calendar year 2003 totaled \$39.1 million, or \$9.1 million less than the administration projected in Act 318. If future annual claims did not increase above the calendar year 2003 level, the benefit of the WIMCR program to the MA program would be less than projected in Act 318 and to the general fund under AB 100 budget assumptions. However, the administration now estimates that WIMCR claims will increase by 10% annually for costs incurred in calendar years 2004 and 2005 and by 4% annually in each subsequent year. The estimated increase is based on historical increases in CSDRB claims. The attachment to this paper shows the reestimates to WIMCR and the changes to the bill that should be made to reflect these reestimates.

3. Under current law, if counties claim more costs under WIMCR than the administration currently projects, DHFS may support MA benefit costs from the community aids appropriation. Therefore, additional WIMCR revenue would reduce the amount of GPR in the MA benefit appropriation used to support benefit costs. A corresponding amount of GPR would then be lapsed from the MA benefit appropriation at the end of the fiscal year.

4. If counties claim fewer costs under WIMCR than the administration currently projects, DHFS intends to make a portion of the MA payment adjustments from the MA GPR benefit appropriation in order to hold the counties harmless from the lower claiming levels. However, it is not clear, under current law, that DHFS has the authority to make MA payment adjustments to counties from the MA GPR benefits appropriation. The Committee could ensure that counties are held harmless from the community aids reduction and the elimination of CSDRB if claims do not meet the administration's revised projections by clarifying the Department's authority in the statutes to make these payments from the MA GPR benefits appropriation. However, this change would create the potential for unfunded costs that would be paid from the MA benefits appropriation, since no funding would be budgeted in the MA benefits appropriation to make these payments if claims do not meet the administration's current projections.

### **Effect On Community Aids**

5. Under the bill as reestimated, funding for the community aids BCA would be reduced by \$22,288,400 GPR in 2005-06 and \$30,737,200 GPR in 2006-07. The bill would increase funding for MA payment adjustments by \$17,976,200 GPR in 2005-06 and by \$21,273,300 GPR in 2006-07. The GPR funding for both types of payments to counties would be budgeted in one appropriation. Therefore, base funding for this appropriation would be reduced by \$4,312,200 GPR in 2005-06 and by \$9,463,900 GPR in 2006-07.

6. Under current law, a county's community aids BCA is decreased by an amount equal to the county's WIMCR claim. Community aids is allocated on a calendar year basis. Before adjusting for the estimated WIMCR payment or the foster care rate increase included in the bill, the amount that would be provided to counties through the community aids BCA would be \$242.1 million annually in calendar years 2006 and 2007. Table 1 shows the BCA before and after the WIMCR adjustment for calendar years 2006 and 2007. Since the bill would make WIMCR permanent, the reduction in community aids would also be permanent.

**TABLE 1**

**Community Aids BCA  
Calendar Years 2006 and 2007**

	<u>2006</u>	<u>2007</u>
BCA	\$242,078,700	\$242,078,700
WIMCR Payment	<u>-22,288,400</u>	<u>-30,737,200</u>
New BCA	\$219,790,300	\$211,341,500

7. Counties may only use community aids to support human services. Even though GPR for MA payment adjustments would be budgeted in the same appropriation as GPR budgeted for community aids, the MA payments would not be subject to statutory requirements regarding the use of community aids funds. Rather, as specified under federal law, these payments are reimbursement for services rendered and states are prohibited from placing restrictions on how providers, including local government providers, use MA payments. Therefore, while counties may use these funds to provide human services, they are not required to do so. Total funding to counties does not change under the bill, but the source of these payments to counties would change and the amount that is earmarked for human services would decrease.

**CSDRB Adjustment**

8. Currently, DHFS pays counties \$17.0 million and two local health departments \$71,100 to enable these local governments to continue to receive revenues these entities previously claimed under the CSDRB program, which was suspended with the enactment of Act 318. Table 2 shows the federal MA revenue amounts that counties received under CSDRB from 1996 to 2002. Based on the history of annual increases in revenue, the bill would increase these payments for counties by \$2,250,000 annually, from \$17,071,100 annually to \$19,321,100 annually, beginning in 2005-06. The administration proposes to increase funding for these payments because if the program had not been suspended (under current law), or repealed (under AB 100), counties would have been able to continue to claim increasing amounts of federal MA matching funds for certain MA-eligible services they provide. Instead, the state, under WIMCR, is claiming MA reimbursement for the cost of services that counties previously claimed under CSDRB. Therefore, to hold counties harmless from the enactment of WIMCR, the amount of funding DHFS allocated to counties under community aids and MA payment adjustments would equal the estimated amount of funding counties would have received from community aids and CSDRB, if the program still existed.

**TABLE 2**

**CSDRB Claims**

<u>Year</u>	<u>CSDRB Payment</u>	<u>% Change</u>
1996	\$9,200,000	
1997	10,300,000	12.0%
1998	10,400,000	1.0
1999	11,799,800	13.5
2000	12,102,500	2.6
2001	13,737,400	13.5
2002	16,073,900	17.0

9. The Committee could approve the increase in the CSDRB adjustment, recognizing that, if WIMCR were not made permanent, counties could claim an increasing amount of federal matching funds for these services, and retain these federal matching funds to offset their costs of providing these services. However, the bill would eliminate this opportunity for future revenue increases for counties, since the bill would repeal the CSDRB program and these costs would instead be claimed under WIMCR.

10. However, in light of the additional state funding that will be needed to maintain funding for the current MA program in the 2005-07 biennium, the Committee could decide that providing additional funding for counties to reflect the elimination of a future revenue opportunity is not a priority for the MA program. Consequently, the Committee could maintain base funding for this payment (\$17,071,100 annually), which would increase the amount of GPR savings of this item by \$2,250,000 annually.

**Technical Correction**

11. The bill would budget the additional federal MA funding associated with this item in the appropriation that supports MA contracts administration costs. To reflect the Governor's intent and to correctly budget these federal funds, the bill should be amended to transfer \$13,934,700 FED in 2005-06 and \$27,657,300 FED in 2006-07 from the federal MA contracts administration appropriation to the federal MA benefits appropriation.

**ALTERNATIVES**

1. Approve the Governor's recommendation, but reestimate the fiscal effect of this item, as shown in the attachment to this paper. In addition, approve the technical modification indicated in Discussion Point 11.

<u>Alternative 1</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$1,329,800	\$1,329,600	- \$200

2. Approve Governor's recommendation, as reestimated and with the technical modification indicated in Discussion Point 11. In addition, reduce funding in the bill by \$2,250,000 GPR annually to eliminate the increase in the CSDRB adjustment recommended by the Governor.

<u>Alternative 2</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$5,829,800	\$1,329,600	- \$4,500,200

3. In addition to either Alternative 1 or 2, allow DHFS to make MA payment adjustments from the appropriation that supports MA benefits [20.435(4)(b)], in addition to the community aids and MA supplemental payment appropriation [20.435(7)(b)], as allowed under current law.

4. Delete provision.

<u>Alternative 4</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2005-07 FUNDING</b> (Change to Bill)	\$20,020,800	- \$41,592,000	- \$21,571,200

Prepared by: Yvonne M. Onsager  
Attachment

**ATTACHMENT**

**WIMCR Payments Under AB 100 and as Reestimated**

	Bill			Re-estimate			Change to Bill		
	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>Total</u>
Community Aids BCA	-\$21,841,700	\$0	-\$21,841,700	-\$22,288,400	\$0	-\$22,288,400	-\$446,700	\$0	-\$446,700
WIMCR payments	16,425,100	13,934,700	30,359,800	17,976,200	14,136,600	32,112,800	1,551,100	201,900	1,753,000
MA Benefits	<u>-6,268,000</u>	<u>0</u>	<u>-6,268,000</u>	<u>-7,574,400</u>	<u>0</u>	<u>-7,574,400</u>	<u>-1,306,400</u>	<u>0</u>	<u>-1,306,400</u>
Total	-\$11,684,600	\$13,934,700	\$2,250,100	-\$11,886,600	\$14,136,600	\$2,250,000	-\$202,000	\$201,900	-\$100
<b>2006-07</b>									
	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>Total</u>
Community Aids BCA	-\$28,862,400	\$0	-\$28,862,400	-\$30,737,200	\$0	-\$30,737,200	-\$1,874,800	\$0	-\$1,874,800
WIMCR payments	<u>20,526,200</u>	<u>27,657,300</u>	<u>48,183,500</u>	<u>21,273,300</u>	<u>28,785,000</u>	<u>50,058,300</u>	<u>747,100</u>	<u>1,127,700</u>	<u>1,874,800</u>
Total	-\$8,336,200	\$27,657,300	\$19,321,100	-\$9,463,900	\$28,785,000	\$19,321,100	-\$1,127,700	\$1,127,700	\$0