



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #364

### **Overview of the Health Care Quality Improvement Fund (Administration, Building Commission, DHFS, and Insurance)**

[LFB 2005-07 Budget Summary: Page 24, #10, Page 88, #3, Page, 237, #5, Page 238, #6, Page 246, #7, Page 267, #8 and Page 311, #2]

Assembly Bill 100 contains several items related to the creation of a segregated trust fund, the health care quality improvement fund (HCQIF).

The bill would create several revenue sources to the fund, including: (a) the transfer of revenue from the injured patients and families compensation fund (\$169,703,400 in 2005-06 and \$9,714,000 in 2006-07); (b) proceeds from the sale of revenue obligation bonds issued by the Building Commission, backed by the state's alcoholic beverage, cigarette, and tobacco products excise taxes (up to \$130,000,000); (c) revenue DHFS collects from health care providers to support health information activities (\$250,000 annually). In addition, the HCQIF would receive revenue from the repayment of loans provided by the proposed Health Care Quality and Patient Safety Board and unanticipated general fund revenues received in the 2005-07 biennium, in an amount determined by the DOA Secretary, that would otherwise be transferred to the budget stabilization fund.

The HCQIF would support several items, including: (a) base medical assistance (MA) benefits costs that are currently supported by GPR, including general MA benefits (\$150,000,000 in 2005-06 and \$130,000,000 in 2006-07) and MA supplemental payments to hospitals (\$9,703,400 in 2005-06 and \$9,714,000 in 2006-07); (b) the state's share of the cost of increasing the current MA supplemental payment to Aurora-Sinai Medical Center in the City of Milwaukee, which qualifies for the supplemental payment as an essential access city hospital (\$635,400 in 2005-06 and \$646,000 in 2006-07); (c) grants and loans provided by the proposed Health Care Quality and Patient Safety Board (\$10,000,000 in 2005-06); and (d) operations of the Board (\$250,000 in 2005-06 and \$250,000 in 2006-07).

The following table summarizes the Governor's proposed revenue and expenditures from the fund in each year of the 2005-07 biennium.

**Health Care Quality Improvement Fund  
Revenues, Expenditures, and Balances, by Year  
Assembly Bill 100**

	<u>2005-06</u>	<u>2006-07</u>
Opening Balance as of July 1	\$0	\$0
<b>Revenues</b>		
Transfer from Injured Patients and Families Compensation Fund	\$169,703,400	\$9,714,000
Fee Revenue from the Health Care Information Activities	250,000	250,000
Revenue Bond Proceeds and/or Excess Sales Tax Revenue	<u>0</u>	<u>130,000,000</u>
Total Available	\$169,953,400	\$139,964,000
<b>Expenditures</b>		
Medical Assistance		
Replace GPR General Benefits Funding	\$150,000,000	\$130,000,000
Replace GPR Base Funding for Supplemental Payments to Hospitals	9,068,000	9,068,000
Increase EACH MA Supplemental Hospital Payment	<u>635,400</u>	<u>646,000</u>
Subtotal	\$159,703,400	\$139,714,000
Health Care Quality and Patient Safety Board		
Grants and Loans	\$10,000,000	\$0
Operations	<u>250,000</u>	<u>250,000</u>
Subtotal	\$10,250,000	\$250,000
Total Expenditures	\$169,953,400	\$139,964,000
Estimated Closing Balance as of June 30	\$0	\$0

As shown in the table, of the total amount that would be budgeted from the fund in the 2005-07 biennium, \$298,136,000, or approximately 96% of the total, would be provided to replace GPR base funding for the MA program.

This office has prepared several papers relating to these items. Although each of those papers represents alternatives for the consideration, the choices available for the Committee are inter-related. The papers are as follows:

<u>Paper #</u>	<u>Title</u>
106	Health Care Quality and Patient Safety Board
450	Injured Patients and Family Compensation Fund
332	Cigarette Tax

On April 20, 2005, the Committee deleted the Governor's proposal regarding obligation bonds from the bill. LFB Paper #180 ("Medical Assistance Revenue Obligation Bonds"), dated April 19, 2005, addresses this issue.

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