



## Legislative Fiscal Bureau

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June 8, 2007

Joint Committee on Finance

Paper #370

### Overview of the Health Care Quality Fund

#### *Bill Section*

[LFB 2007-09 Budget Summary: Page 191, #1; Page 237, #1; Page 238, #2; Page 240, #3; Page 240, #4; Page 242, #5; Page 242, #6; Page 345, #1; and Page 357, #2]

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Senate Bill 40 would create a health care quality fund (HCQF) as a separate, nonlapsible trust fund, which would support several health-related items in SB 40.

The fund would consist of:

- a. All revenue the state collects from the cigarette tax that exceeds \$304,000,000 in 2007-08 and \$305,000,000 in 2008-09 and in each subsequent year;
- b. All revenue the state receives from the tobacco products tax that exceeds \$18,400,000 in 2007-08 and \$19,300,000 in 2008-09 and in each subsequent year;
- c. All moneys received from a tax on hospital gross revenues, which would be created in the bill;
- d. \$50,000,000 in each fiscal year that would be transferred from the permanent endowment fund (the fund consists of all of the proceeds from the sale of the state's right to receive payments under a tobacco settlement agreement, and investment earnings on the proceeds); and
- e. \$175,000,000 that would be transferred from the injured patients and families compensation fund in 2007-08.

The fund would support several programs administered by the Department of Health and

Family Services, and the Healthy Wisconsin Authority, including: (a) a number of new health programs; and (b) increases in funding for current programs. In addition, the bill would replace GPR base funding for several current programs with segregated revenue from the new fund.

The following table summarizes the Governor's estimates of revenue to the fund, funding that would be provided in the Governor's bill for health programs, and projected fund balances.

**Health Care Quality Fund Overview -- Revenues, Expenditures and Balances  
Governor's Recommendations**

	<u>2007-08</u>	<u>2008-09</u>
<b>Opening Balance</b>	\$0	\$97,300,000
<b>Revenue</b>		
Cigarette Tax	\$257,500,000	\$249,000,000
Tobacco Products Tax	18,200,000	21,500,000
Hospital Assessment	205,532,800	212,726,500
Injured Patients and Families Compensation Fund Transfer	175,000,000	0
Permanent Endowment Fund Transfer	<u>50,000,000</u>	<u>50,000,000</u>
<b>Total Revenue</b>	<b>\$706,232,800</b>	<b>\$533,226,500</b>
<b>Total Available</b>	<b>\$706,232,800</b>	<b>\$630,526,500</b>
<b>Expenditures</b>		
Substitute GPR Base Funds		
Medical Assistance Funding	\$420,809,600	\$432,653,000
Tobacco Control Grants	<u>10,000,000</u>	<u>10,000,000</u>
<b>Subtotal</b>	<b>\$430,809,600</b>	<b>\$442,653,000</b>
Fund New Programs or Increase Funding for Existing Programs		
MA Hospital Rate Increases	\$147,623,200	\$150,976,300
Increase Funding for Tobacco Grants	20,000,000	20,000,000
Grants Distributed by the Health Care Quality and Patient Safety Board	10,000,000	10,000,000
Medical Assistance Eligibility -- Childless Adults	0	6,153,700
Healthy Wisconsin Authority Operations	<u>500,000</u>	<u>500,000</u>
<b>Subtotal</b>	<b>\$178,123,200</b>	<b>\$187,630,000</b>
<b>Total Expenditures</b>	<b>\$608,932,800</b>	<b>\$630,283,000</b>
<b>Closing Balance</b>	<b>\$97,300,000</b>	<b>\$243,500</b>

This office has prepared several papers relating to the revenue sources and expenditures that would be made from the proposed fund. The papers in this group are as follows:

<u>Paper #</u>	<u>Title</u>
371	Hospital Assessment and MA Rate Increase
372	Health Care Quality and Patient Safety Council and Grant Program
373	Tobacco Use Control Grants
374	Demonstration Project to Provide MA Coverage to Low-Income, Childless Adults
375	Wisconsin Medicaid Cost Reporting (WIMCR) Program
376	Cigarette and Tobacco Products Tax and Refund Increases
377	Injured Patients and Families Compensation Fund Transfer
378	Permanent Endowment Fund Transfer to Health Care Quality Fund
455	Healthy Wisconsin Authority

Although each of the papers includes alternatives for the Committee's consideration, the papers are presented as a group because the choices available to the Committee are inter-related. The Committee could choose to modify both the revenue sources for the fund, the amount of revenue from each source, and the budgeted expenditures from the fund.

Similarly, if the Committee chooses to delete all of the provisions relating to the creation of the fund, additional changes would need to be made to the bill to reflect this decision. For example, the Committee could choose to adopt the Governor's proposal to increase the cigarette tax and tobacco products tax, but to deposit the additional revenue to the general fund, it could reduce budgeted SEG funding in the bill and increase GPR funding by corresponding amounts.

Finally, no paper has been prepared on the Governor's proposal to substitute SEG funding from the HCQF for base GPR MA benefits funding, since the Committee's decisions regarding the creation of the fund, revenue sources, and other expenditures from the fund would determine the amount that would be available from the segregated fund to replace base GPR funding for MA benefits.

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