



Legislative Fiscal Bureau

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

June 8, 2007

Joint Committee on Finance

Paper #375

Wisconsin Medicaid Cost Reporting (WIMCR) Program (DHFS -- Health Care Quality Fund)

Bill Section

[LFB 2007-09 Budget Summary: Page 242, #6 (part)]

CURRENT LAW

2003 Wisconsin Act 318 made one-time changes to the medical assistance (MA) and community aids programs by: (a) authorizing the Department of Health and Family Services (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) reducing community aids funding to support the GPR share of the MA payment adjustments to counties and local health departments; and (c) increasing GPR funding for MA benefits. Act 318 authorized DHFS to decrease each county's community aids allocation by the amount each county receives as MA payment adjustments. In addition, Act 318 specified that a county's community aids reduction cannot exceed the GPR share of that county's basic county allocation. The program that was created as a result of these changes is referred to as the Wisconsin Medicaid cost reporting (WIMCR) program.

Act 318 included a provision to sunset the WIMCR program on January 1, 2006. However, because 2005 Wisconsin Act 25 eliminated the sunset provision, DHFS continues to administer the program. In addition, Act 25 eliminated the community services deficit reduction benefit (CSDRB) program. Under the CSDRB program, counties and local health departments could claim federal MA matching funds to support their costs of providing certain MA-covered services that were 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 have been held harmless from the elimination of CSDRB program 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.

GOVERNOR

Reduce funding for MA benefits by \$3,150,000 GPR in 2007-08 and increase funding for MA benefits by \$2,944,000 GPR in 2008-09 to reflect the net effect of: (a) amending the MA state plan to change the WIMCR program to a certified public expenditure program (CPE); (b) no longer reducing counties' community aids basic county allocation (BCA) to reflect MA payment adjustments; and (c) specifying that the federal share of the difference between a county's reported cost and the reimbursement they receive be retained by the state. Counties would still be required to comply with current cost reporting requirements and would be able to claim the federal match on the difference between their costs and the MA rate they receive for certain services.

The bill contains no statutory provisions relating to these changes. The funding changes are incorporated into the changes relating to the Governor's proposal to provide MA coverage to childless adults.

DISCUSSION POINTS

1. In a March 19, 2007, letter to the Co-Chairs, the Secretary of the Department of Administration requested that the Committee amend the Governor's bill to reflect reestimates of the costs that counties are projected to report under WIMCR. In addition, the DOA Secretary indicated that the Governor also recommends modifying funding in the bill to delete his initial recommendation that the federal share of the difference between a county's reported costs and the reimbursement they receive be returned to the state. The Governor recommended providing \$2,500,000 GPR in 2007-08 and \$2,587,500 GPR in 2008-09 to hold counties harmless from the impact of returning this excess reimbursement to the state. The letter references net savings to the MA program that have been realized under the WIMCR program, which have been incorporated into the MA base reestimate. However, to implement the Governor's revised proposal, funding in the bill under this item would need to be increased by \$2,500,000 GPR in 2007-08 and \$6,748,000 GPR and \$3,013,200 FED in 2008-09.

2. Under current law, if counties claim more costs under WIMCR than the amounts assumed in the biennial budget, MA payment adjustments to counties (which are funded from a combination of state and federal MA matching funds) increase, while total (GPR-funded) community aids payments to counties decrease by a corresponding amount. This results in a net benefit to the state, while the total state payments counties receive (the combination of community aids BCA and MA payment adjustments) remain the same. In this way, increases in county MA claims under the WIMCR program reduces the amount of GPR that is needed to support MA benefits costs.

3. As previously indicated, a county's community aids BCA is decreased by an amount equal to the MA payment adjustment. Community aids is allocated on a calendar year basis. Under the bill, beginning in calendar year 2009, counties would no longer receive MA payment adjustments, nor would DHFS reduce each county's community aids BCA by the amount of the MA payment adjustment. Instead, the state would claim federal matching funds for the MA services they provide, but counties would retain these federal matching funds to offset their costs of providing these services. DHFS would submit an amendment to the MA state plan to recreate the WIMCR program as a CPE program. The state would pass through all the federal matching funds to the counties. This change would increase GPR costs of the MA program in future years, since counties, rather than the state, would benefit from the additional federal matching funds the state would receive, beginning in January, 2009.

4. Eliminating the WIMCR MA payment adjustments would eliminate an administratively complex program, both for counties and the state. In addition, counties would benefit from the proposed change, since the state would no longer retain the federal MA matching funds it now receives under the program.

5. While this change would simplify the program, it would also increase GPR costs by an estimated \$13.1 million in 2009-10 and \$14.2 million in 2010-2011, since all the federal funds generated from claiming the county services would be made available to counties. In addition, counties, rather than the state, would benefit from increased future claiming. However, there is a lag in the maintenance of effort payments made to counties as initial payments were backdated when the program began, so if the program was modified as the administration proposes, a decision would need to be made as part of the 2009-11 budget regarding how to treat the last payment, which is estimated to be \$19,250,000 GPR. At that time, the Legislature could decide not to provide these funds available to counties, since counties would already be benefiting by receiving all the federal matching funds through the proposed CPE program.

6. If the Committee chooses to maintain the current WIMCR program, but approves the Governor's proposal to expand MA eligibility to childless adults, DHFS may not be able to reduce some counties' BCAs by the amount of their MA payment adjustments, because their MA-eligible costs may exceed their BCA amounts. With the expansion of community long-term care services, it is anticipated that more funding will be removed from counties' BCA allocations to support long-term care services. Additional services would be provided by counties if the Committee approves the Governor's proposal to provide MA coverage to childless adults, and thus WIMCR MA payment adjustments are expected to increase.

7. If the current WIMCR program is maintained, some counties' claimable MA costs may exceed their BCA allocations, so that there would no longer be offsetting GPR savings to the MA program. DHFS may need to modify the WIMCR program to maintain the GPR savings the program currently provides to the state's MA program.

8. However, if the Committee does not approve the Governor's proposal to provide MA coverage to childless adults, it is less likely those counties' claimable MA costs would exceed

their BCA allocations. Consequently, the WIMCR program could continue to operate and provide GPR savings to the state's MA program.

9. The Committee could modify funding in the bill to reflect the effect of requiring counties to return to the state the difference between their reported costs and the reimbursement they receive. Under this alternative, counties would only be reimbursed for their costs of providing MA-eligible services. Currently, a few counties receive more reimbursement from the program than the costs they incur from providing the eligible services (Alternative 2).

10. The Committee could approve the Governor's proposal, including the revision to the bill the administration requested in its March 19 letter, which would include: (a) reestimating MA-eligible costs that counties report, resulting in increased MA claiming for these costs; and (b) permitting counties to retain the federal share of the difference between a county's reported costs and the reimbursement they receive. This decision would increase GPR costs to the MA program in future years, increase funding to counties, and eliminate an administratively complex program. In addition, these changes would alleviate problems that the program would incur if the Governor's proposed demonstration project to provide MA services to childless adults were implemented (Alternative 3).

11. Finally, the Committee could delete the Governor's proposed changes to the program, so that the program would continue to reduce the amount of GPR funding that would otherwise be needed to fund MA program benefits costs (Alternative 4).

ALTERNATIVES TO BILL

1. Approve the Governor's original recommendation, as included in SB 40, to reduce MA benefits funding by \$3,150,000 GPR in 2007-08 and increase MA benefits funding by \$2,944,000 GPR in 2008-09.

ALT 1	Change to Bill Funding	Change to Base Funding
GPR	\$0	-\$206,000

2. Delete the Governor's recommendations. Instead, require counties to return to the state the difference between their reported costs and the reimbursement they receive, as provided in the Governor's original bill. Reduce MA benefits funding by \$2,500,000 GPR in 2007-08 and \$2,587,500 GPR in 2008-09 to reflect this change.

ALT 2	Change to Bill Funding	Change to Base Funding
GPR	-\$4,881,500	-\$5,087,500
FED	0	0
Total	-\$4,881,500	-\$5,087,500

3. Approve Governor's recommendation to make funding changes in the bill to reflect the administration's proposed changes to the WIMCR program, including changes identified in the Department of Administration's March 19 letter to the Co-Chairs, which includes a reestimate of the costs that counties are projected to report, and permit counties to retain the federal share of the difference between a county's reported costs and the reimbursement they receive be returned to the state. Increase funding in the bill by \$2,500,000 GPR in 2007-08 and \$6,748,800 GPR and \$3,013,200 FED in 2008-09 to reflect these changes.

ALT 3	Change to Bill Funding	Change to Base Funding
GPR	\$9,248,800	\$9,042,800
FED	<u>3,013,200</u>	<u>3,013,200</u>
Total	\$12,262,000	\$12,056,000

4. Delete provision, and continue the WIMCR program under current law. Increase MA benefits funding in the bill by \$3,150,000 GPR in 2007-08 and reduce MA benefits funding in the bill by \$2,944,000 GPR in 2008-09.

ALT 4	Change to Bill Funding	Change to Base Funding
GPR	\$206,000	\$0

Prepared by: Marlia Moore