



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #347

### **Third Party Administrator (DHS -- Medical Assistance -- Services)**

[LFB 2011-13 Budget Summary: Page 223, #13]

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#### **CURRENT LAW**

The medical assistance (MA) children's long-term support (CLTS) and Birth-to-3 waiver programs currently use two electronic reporting systems, one to reimburse counties for payments made to providers and the other to track enrollment and service use. In previous applications for home- and community-based waivers, the Centers for Medicare and Medicaid Services (CMS) has indicated that these two systems do not meet the CMS requirement that states administer Medicaid enrollment, services, and payments, using an integrated Medicaid Management Information System (MMIS). CMS has also indicated that future home- and community-based waiver applications will have to demonstrate that Wisconsin has implemented an MMIS system that meets this requirement.

The CLTS non-autism program provides services to children with physical, socio-emotional, or developmental disabilities up to age 22. Individuals with physical or developmental disabilities living in a county where FamilyCare is available can begin receiving services under Family Care at age 18, while individuals with socio-emotional disabilities can continue to receive services through the CLTS waivers until age 22, after which they can begin to receive county mental health services. The state provides funding for the CLTS non-autism program, while counties can serve additional individuals using funding provided under the community options program, the Family Support program, community aids, or county tax levy for the non-federal match ("locally-funded CLTS slots"). Currently, counties pay providers directly for services provided to individuals in locally-funded slots and complete reporting in order to claim the federal MA matching funds.

The Birth-to-3 program is authorized under Part C of the federal Individuals with Disabilities Education Act. Under the program, state, federal and local funds support a statewide, comprehensive program of services for infants and toddlers with disabilities, and their families. A child is eligible if he or she is under three years of age and has a significant developmental delay or has a physical or mental condition likely to result in a developmental delay. The most frequently used services by Birth-to-3 program participants include mandatory service

coordination, communication services, special instruction, occupational therapy, physical therapy, and family education. Children in the program may also receive audiology services, certain medical services, nursing services, nutrition services, psychological services, social work services, transportation, and vision services.

**GOVERNOR**

Provide \$11,237,000 PR in 2011-12 and \$12,773,300 PR in 2012-13 to permit DHS to pay a third party administrator (TPA) to administer and pay claims for services children receive under the CLTS waiver program and the Birth-to-3 waiver program.

Authorize DHS to collect the following revenues from counties, which DHS would provide to the TPA to administer and pay for services under these programs: (a) funding for payments that counties formerly made to providers for locally-funded CLTS waiver services and services provided under the Birth-to-3 waiver program; and (b) the non-federal share of the TPA administrative costs for any locally funded CLTS waiver services created after January 1, 2011, and for the Birth-to-3 waiver.

Establish a new PR appropriation to receive monies from counties for the nonfederal share of costs for administration and MA services provided under the Birth-to-3 and CLTS waiver programs. Permit, rather than require, DHS to distribute to counties that provide Birth-to-3 services, the amount of federal monies received by the state as the federal share of MA for Birth-to-3 services, minus the amount used by DHS to administer the Birth-to-3 program.

The following table shows the amounts that the administration projects would be transferred from counties to the state in each year of the biennium.

	<u>2011-12</u>	<u>2012-13</u>
CLTS Waiver Benefits (Locally-Funded Services)	\$8,809,900	\$10,311,800
CLTS Waiver TPA Administrative Costs (Locally-Funded Services)	31,100	65,500
Birth-to-3 Waiver Benefits	2,080,800	2,080,800
Birth-to-3 Waiver TPA Administrative Costs	<u>315,200</u>	<u>315,200</u>
Total	\$11,237,000	\$12,773,300

**DISCUSSION POINTS**

1. The CLTS waivers provide many services similar to other MA home- and community-based waiver programs, although some services usually used by adults are not offered to children in the CLTS programs. However, the CLTS waivers provide services that are not available under the other waiver programs, including specialized medical and therapeutic supplies and intensive in-home treatment services for children diagnosed with a congenital developmental disorder, such as autism, Asperger Syndrome or Pervasive Development Disorder. In addition to receiving waiver services, CLTS enrollees have access to all MA-covered card services.

2. The Department issued a Request for Proposal (RFP) for a TPA in order to meet CMS' MMIS requirement when they submit the waiver renewal for the CLTS non-autism program in November, 2011. As a result of the RFP, DHS awarded a five-year contract to Wisconsin Physician's Service (WPS). The contract will be in effect through April 5, 2015, with the option to renew for two additional two-year periods. The administrative fee paid to WPS will be \$21.89 per member per month. The TPA is expected to be fully operational statewide by July 2011.

3. The Department indicates that it will no longer seek a waiver to administer the Birth-to-3 program, but will instead submit a state plan amendment (SPA) to achieve the same effect. The SPA will allow the state to provide a bundle of services, including speech therapy, occupational therapy, physical therapy, and special educator services, to children at a fixed rate. Under the SPA, these services would be eligible for federal MA matching funds. The level of services that will be provided under the SPA will be equivalent to those that would have been provided under a waiver.

4. Counties will remain responsible for all costs of locally-funded waiver slots, including TPA fees, created after January 1, 2011. For slots created before January 1, 2011, counties will remain responsible for provider costs, but the state will fund the TPA fees, since counties did not budget for this cost when they initially created these locally funded slots.

5. Under the contract, WPS will pay all provider claims for the CLTS and Birth-to-3 programs and charge the amount to the Department. Rather than paying providers directly, counties will pay the Department, and DHS will use these county payments and the GPR for the state funded slots to reimburse WPS' check writes to providers.

6. Once the TPA is implemented, counties will continue to submit CLTS waiver applications to DHS, track participant enrollment, create individual service plans, authorize services, and verify and contract with providers. However, rather than issuing payments to providers, counties will instead send service authorizations to WPS, and WPS will receive and pay all provider bills that match the service authorizations it has received from the counties. WPS will also take over responsibility from the counties for reporting service claims to DHS.

7. DHS worked with five counties to pilot the TPA and found that these counties experienced some one-time cost increases associated with transitioning to a new system. Since the TPA will reduce the tasks counties are required to perform, DHS anticipates that counties will experience some cost savings in the future, but the pilot counties have not had the new system long enough for a savings estimate to be developed.

8. The Governor's proposal is based on the Department's agency request submitted on September 15, 2010. The Department's funding request was based on actual program data through December, 2009, after which it applied annual growth rates to estimate enrollment in each fiscal year. For state funded non-autism slots, DHS assumed that net enrollment would increase by 48 children per month until enrollment reached 1,613 enrollees per month. The funding for the TPA should be reestimated by updating enrollment to reflect actual enrollment in the first six months of 2010-11, while maintaining the Department's projected growth rates.

The table below shows the Department's projected annual growth rates for local non-autism and state autism slots, the Department's estimate of the total number of slots available in June of each fiscal year, and the total number of slots available in June of each fiscal year under the

reestimate.

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
<b>Projected Annual Growth Rates in the Bill</b>			
Local Non-Autism Slots	16.2%	15.7%	15.7%
State Autism Slots	4.5	4.7	5.9
<b>Department's Projected Enrollment as of June of Each Fiscal Year</b>			
Local Non-Autism Slots	1,393	1,633	1,914
State Non-Autism Slots	1,613	1,613	1,613
State Autism Slots	2,298	2,414	2,570
<b>Reestimate of Projected Enrollment as of June of Each Fiscal Year</b>			
Local Non-Autism Slots	1,316	1,543	1,808
State Non-Autism Slots	1,613	1,613	1,613
State Autism Slots	2,404	2,524	2,681

9. The current (reduced) estimates of enrollment would affect the estimates of funding DHS will collect and pay to the TPA. Using the administration's estimates regarding program costs per enrollee, the Committee could reduce funding to DHS for payments to WPS by \$532,600 PR in 2011-12 and by \$607,800 PR in 2012-13. In addition, PR revenue to DHS can be reduced by \$532,600 PR in 2011-12 and by \$607,800 PR in 2012-13.

**MODIFICATION**

Reduce funding by \$532,600 PR in 2011-12 and by \$607,800 PR in 2012-13 to reflect revised estimates of projected payments to Wisconsin Physician's Services, based on a reestimate of the number of children that will be enrolled in the CLTS and Birth-to-3 programs in the 2011-13 biennium. In addition, reduce estimated program revenue by corresponding amounts to reflect that lower projected enrollment in these programs will reduce the amount of funding counties pass through the Department to pay TPA fees and provider payments.

<b>Change to Bill</b>		
	Revenue	Funding
PR	- \$1,140,400	- \$1,140,400

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