



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #348

### Supplemental Payments to Municipal Nursing Homes (DHS -- Medical Assistance -- Services)

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#### **CURRENT LAW**

As part of the state's medical assistance (MA) program, the Department of Health Services (DHS) may provide up to \$39.1 million (all funds) annually to municipally owned and operated nursing homes and care management organizations to reduce operating deficits at these facilities. DHS provides these supplemental payments in addition to the daily rates each of these facilities receive. There are currently approximately 50 nursing homes, most of them owned and operated by counties, that qualify for these supplemental payments.

#### **GOVERNOR**

The Governor's MA budget includes \$37,920,600 annually (\$15,002,300 GPR and \$22,918,300 FED in 2011-12 and \$15,046,800 GPR and \$22,873,800 FED in 2012-13) to fund supplemental payments to municipally owned and operated nursing homes and care management organizations.

#### **DISCUSSION POINTS**

1. Municipally owned and operated facilities incur significant deficits by serving MA recipients. In 2009-10, DHS estimates that the costs these nursing homes incurred for MA recipients who were not enrolled in managed care exceeded MA reimbursement provided under the daily rates by approximately \$107.7 million for all costs. In that year, these facilities incurred additional deficits totaling \$6.0 million in all costs for care these nursing homes provided to MA recipients enrolled in Family Care. The supplemental payments DHS made in that year reduced these deficits by \$38.1 million.

2. As passed by the Legislature, 2009 Assembly Bill 75 (the 2009-11 biennial budget bill) would have increased, from \$37.1 million (all funds) to \$39.1 million (all funds), the amount budgeted for supplemental payments to these nursing homes. In addition, the enrolled bill would have modified a statutory provision relating to the payment so as to require DHS to distribute the amounts budgeted for these supplemental payments.

However, the Governor's partial veto of this item did the following: (a) reduced the amount of the funding increase, so that \$38.1 million annually, rather than \$39.1 million, would be budgeted for the program in each year of the 2009-11 biennium; and (b) deleted the requirement that DHS distribute the amounts budgeted for these supplemental payments, thereby restoring the Department's discretion to provide "no more than" the amount budgeted. However, the Governor was not able to revise the statutory funding amount to reflect this partial veto.

3. As a result of the Act 28 partial veto, the current statutes do not reflect the amount of funding that would be budgeted in the 2011-13 biennium for DHS to make these supplemental payments. The bill could be modified to clarify the Legislature's intent with respect to these supplemental payments.

First, the Committee could modify the statutory amount of funding to reflect the amount of funding that would be budgeted for these payments in the bill (\$37,926,600 annually). This change would require no funding adjustment to the bill (Alternative 1).

Second, the Committee could increase the amount of funding in the bill to provide a total of \$38.1 million annually (Alternative 2) or \$39.1 million annually (Alternative 3) to make these supplemental payments, to reflect the amounts established in Act 28, with the Governor's partial veto, or the amounts that would have been provided in Enrolled Assembly Bill 75.

4. In addition to establishing a funding level for these supplemental payments, the Committee may wish to revise the statutory provision that permits DHS to distribute "no more than" the amount budgeted so that DHS would be required to distribute the amount budgeted for these payments. Arguably, DHS could comply with the current requirement by providing no funding for these supplemental payments, although the administration's intention is to provide \$38.1 million per year.

## **ALTERNATIVES**

### **A. Funding Change**

1. Modify the statutory provision to reflect the amount of funding budgeted for supplemental payments in the bill (\$37,926,000 annually).

2. Modify the provision to reflect the amount of funding budgeted for supplemental payments in Act 28 (\$38,100,000 annually). Increase funding in the bill by \$70,100 GPR and \$109,300 FED in 2011-12 and by \$71,300 GPR and \$108,100 FED in 2012-13.

<b>ALT A2</b>	<b>Change to Bill Funding</b>
GPR	\$141,400
FED	<u>217,400</u>
Total	\$358,800

3. Modify the provision to reflect the amount of funding budgeted for supplemental payments in Enrolled AB 75 (\$39,100,000 annually). Increase funding in the bill by \$465,700 GPR and \$713,700 FED in 2011-12 and by \$468,100 GPR and \$711,300 FED in 2012-13.

<b>ALT A3</b>	<b>Change to Bill Funding</b>
GPR	\$933,800
FED	<u>1,425,000</u>
Total	\$2,385,800

**B. Statutory Change**

1. Modify the statutory provision regarding the disbursement of supplemental payments to require DHS to distribute the amount budgeted for supplemental payments.

2. Retain current law, so that DHS would continue to disburse "no more than" the amount budgeted for supplemental payments.

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