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MA and FoodShare Administration
(DHS -- Medical Assistance and FoodShare -- Administration)

[LFB 2013-15 Budget Summary: Page 240, #3]

CURRENT LAW

The administrative costs of programs managed by the Division of Health Care Access and Accountability (DHCAA) in the Department of Health Services (DHS), including the medical assistance (MA) and FoodShare programs, are supported by several general purpose revenue (GPR), program revenue (PR), and federal (FED) appropriations. The GPR funding is provided on a sum-certain basis -- DHS cannot expend more than the amounts budgeted in these appropriations. The FED funding reflects estimates of federal grants and federal matching funds the state will claim for administrative activities relating to these programs. These estimates may differ significantly from the federal funds that DHS actually receives as grants, or claims and expends for federally-reimbursable costs.

Most staff costs relating to the MA and FoodShare programs, including the costs of income maintenance activities (eligibility determinations and managing cases), are eligible for 50% federal reimbursement. Consequently, positions that support these types of functions are generally funded 50% with state funds and 50% with federal funds. Some types of administrative costs qualify for enhanced federal matching funds -- in some cases, up to 90% of the costs of eligible costs.

General Program Operations -- State Staff. The GPR and FED general program operations appropriations support DHS staff in Madison and DHS staff that perform income maintenance activities in Milwaukee Enrollment Services (MilES). Base funding for these appropriations (excluding funding for disability determinations performed by the DHS Disability Bureau), is $68,312,500 and 647.98 positions ($30,910,100 GPR and 303.74 GPR positions and $37,402,400 FED and 344.24 FED positions).

Administrative Contracts. Two appropriations, one GPR and one FED, support the costs of contracted services DHS purchases to administer DHCAA programs, including funding to support the MA program's fiscal agent (currently Hewlett-Packard, or HP), other private firms, and services provided by other units within DHS and by other state agencies. No state positions are supported directly by these appropriations. Base funding for these administrative contracts is $108,288,200 ($38,421,900 GPR and $69,866,300 FED).

Income Maintenance -- Allocations to IM Consortia. Two appropriations support funding allocations to the state's income maintenance consortia, which provide eligibility determinations and manage MA and FoodShare cases in all counties other than Milwaukee County. Base funding for these allocations is $53,898,200 ($16,856,400 GPR and $37,041,800 FED). Income maintenance activities are eligible for 50% federal funding, which the state claims both for GPR-supported IM expenses and county-funded IM expenses. Consequently, the FED base appropriation is significantly greater than the GPR base appropriation. In addition, funding the state provides for services under the FoodShare employment training program (FSET) is budgeted in these appropriations.

Offsetting Revenue Sources. Several types of fee revenue offset administrative costs that would otherwise be funded from GPR. These include revenue from the $30 annual enrollment fee paid by SeniorCare enrollees and the $60 annual enrollment fee paid by adults without dependent children who are enrolled in the Core Plan. Premiums paid by families enrolled in BadgerCare Plus offset benefits costs, rather than administrative costs of the program.

GOVERNOR

Provide $12,069,900 ($8,279,400 GPR and $3,790,500 FED) in 2013-14 and $13,113,400 ($9,125,300 GPR and $3,988,100 FED) in 2014-15 and 28.0 positions (14.0 GPR positions and 14.0 FED positions), beginning in 2013-14, to increase funding for contracted services and general program operations costs, and to maintain state staff in MilES at current staffing levels.

DISCUSSION POINTS

Reestimate of Administration's Funding Recommendations

1. The funding increase in the bill is intended to equal the difference between the total amount of funding administration's indicates will be necessary to fund costs of administering DHCAA's programs in the 2013-15 biennium and the amount that would be available to support these costs (after accounting for several other budget items that would affect these appropriations).

2. In order to meet the administration's intent, several adjustments should be made to this item. First, the administration's estimate assumed that revenue from enrollment fees paid by individuals in the Core Plan would continue to be available to offset costs of administrative contracts. The administration assumed that $949,500 in 2013-14 and $744,900 in 2014-15 from these fees be available for this purpose. However, the Core Plan waiver agreement will expire on January 1, 2014. The revised estimate assumes that DHS will continue to collect enrollment fee

revenue from Core Plan members through November, 2013, after which members would be notified that they will either: (a) no longer meet the income standards for MA eligibility; or (b) if they qualify for continued MA coverage, they will no longer be required to pay an annual enrollment fee for that coverage.

Second, as part of this item, the administration had intended to budget funding it currently uses to support quality assurance functions for the IRIS (Include, Respect, I Self-Direct) program in its administrative appropriation, rather than in the MA benefits appropriation that supports IRIS services. While funding for this purpose was deleted from the MA benefits appropriation, the GPR and FED MA administration appropriations were not increased by a corresponding amount ($192,200 GPR and $192,000 FED annually). Consequently, funding in the bill should be increased by these amounts to reflect the administration's intent.

Third, although the administration did not intend to exempt the Division of Health Care Access and Accountability from a standard budget adjustment that reduces funding in certain appropriations to reflect staff turnover, the administration's calculations had the effect of exempting the DHCAA general program operations appropriations from this adjustment. Consequently, this reestimate would reduce funding in the bill by $472,200 GPR and $540,800 FED annually.

Fourth, the funding in the bill does not reflect several funding transfers included in other budget items that affect these administrative appropriations. Due to these transfers, an additional $800,800 ($737,900 GPR and $62,900 FED) is available in each year to support projected administrative costs.

Finally, several corrections to the Governor's estimates were incorporated into the reestimate, resulting in a net funding increase of $923,100 (-$73,900 GPR and $997,000 FED) in 2013-14 and a net funding decrease of $1,489,500 ($52,200 GPR and -$1,541,700 FED) in 2014-15.

3. Based on these revisions, funding in the bill could be increased by $443,200 (-$142,300 GPR and $585,500 FED) in 2013-14 and reduced by $2,174,000 (-$220,800 GPR and -$1,953,200 FED) in 2014-15 if the Committee wished to fund all of the items the administration intended to support, at the funding level recommended by the administration (Alternative A2). This alternative would reduce GPR support for these activities by $363,100 in the biennium, compared to the amounts that would be provided in the Governor's bill.

4. Under the bill, certain costs of contracted base services would be budgeted in the DHS general program operations appropriations, rather than in the appropriations that support contract costs. In order to improve budgeting for these costs, funding budgeted for centralized IM data processing services ($2,716,500 GPR and $2,716,500 FED in 2013-14 and $2,796,900 GPR and $2,796,900 FED) annually should be transferred from the general program operations appropriation to the contracts appropriations, and $132,700 GPR that supports part of the fiscal agent contract should be transferred from the general program operations appropriation to the contracts appropriation (Alternative A3).

Factors Contributing to the Funding Increase and Options to Reduce Funding

5. The bill would increase GPR funding to support MA and FoodShare administrative costs by approximately $8.3 million in 2013-14 and approximately $9.1 million in 2014-15. However, the increase does not reflect projected increases in DHS spending for program administration in each year of the 2013-15 biennium, compared to estimated spending in the base year (2012-13). Instead, in 2012-13, DHS is funding some administrative costs at levels that exceed the amounts budgeted for these costs in 2011 Act 32 (the 2011-13 budget act), from sources that may not be available in the 2013-15 biennium.

For example, supplementary budget documents provided by DHS indicate that the projected cost of contracted services will be approximately $48.0 million GPR in 2012-13, although only $39.6 million GPR of base funding was budgeted in 2012-13 to support these costs from the contracts appropriation. DHS indicates that it intends to use one-time enhanced federal funds the state claimed for MA eligible services provided in May, 2011, through June, 2012, to fund this projected shortfall. In addition, DHS used a FoodShare performance bonus award of approximately $2.1 million to increase support for IM consortia, the tribes, and MiLEs. The MilES allocation was approximately $0.8 million.

Similarly, In 2011-12, DHS used one-time Foodshare performance bonus funds totaling $1.5 million to support general program operations costs that exceeded budgeted amounts ($1.3 million) and to increase funding to support for fraud prevention activities ($0.2 million). Further, DHS used salary savings from retirements and other staff turnover, often filling positions with employees with lower salaries than the salaries of the positions they replaced. Finally, in 2011-12, DHS expended approximately $3.5 million in funding budgeted to support its general administration appropriations to support shortfalls in funding for the Division of Health Care Access and Accountability.

In summary, much of the funding that would be provided under this item is intended to maintain a level of spending in the 2013-15 biennium that the agency has maintained in the current biennium through the use of one-time funds and transfers.

MilES

6. As part of 2011 Act 32, DHS was provided funding to support 385 full-time equivalent (FTE) positions to staff MilES, as income maintenance work that was formerly performed by Milwaukee County employees was transferred from a combination of county and DHS staff, to DHS staff, exclusively. However, Act 32 authorized DHS an additional 357 positions for the MilES unit, a difference of 28 positions (14.0 GPR positions and 14.0 FED positions) from the number of positions that the funding provided in Act 32 could support. Rather than staffing the unit in the current biennium to reflect the number of additional positions the Legislature authorized for MilES, DHS has used 28 "pool code" positions to staff the unit (for a total of 385 positions) in the current biennium in order to retain staffing for the unit at the pre-Act 32 staffing levels and to fully use the funding that was provided to the agency to support these services in Act 32.

7. Assembly Bill 40 would convert the current 28 pool code positions to permanent positions to maintain the current staffing level for MilES, and provide $1,793,100 ($851,300 GPR and $941,800 FED) annually for this purpose. As part of a standard budget adjustment, agencies are provided funding for salaries and fringe benefit costs to reflect current costs of their authorized positions, but not for pool code positions. This standard budget adjustment, "full funding of continuing positions," reduced funding for the agency's general program operations that support these services by $5,889,700 (-$2,998,400 GPR and -$2,891,300 FED) annually. For this reason, the funding that was provided in Act 32 to support these positions is removed from the agency's base, and is included as part of this item.

8. As a means of reducing the cost of this item, the Committee could delete some of the additional positions and funding that would be provided to support MiLES. For example, the Committee could delete half of the additional positions recommended by the Governor (-7.0 GPR positions and -7.0 FED positions and -$425,700 GPR and -$470,900 FED annually), which would result in reducing staffing at MiLES by approximately 3.6% (Alternative B2a).

However, deleting current staff to this unit would likely reduce services available to public assistance recipients and applicants, delay processing of applications, and adversely affect the workforce. However, DHS could continue to rely on pool code positions, funded from savings realized due to vacancies and other means, to perform work that would be performed by fully funded, non-pool positions that the Governor recommends be provided.

Inflationary Costs

9. The Governor's budget would provide modest inflationary funding increases to several supplies and services cost categories for the Division, including postage, printing, funding for intra-departmental operations and outside public agencies, such as the DHS Disability Determination Bureau, Milwaukee County shared services, and services provided for the CMS Medicare data exchange. The inflationary increases range from 1% to 10%, including 5% per year for general supplies and services and 10% for postage. Most other inflationary increases are 3% or less. In some cases, DHS is required to provide inflationary increases as part of its current contracts with vendors. Consequently, DHS would be required to modify its contracts or reallocate funding or reprioritize services funded from the contracts appropriation if funding for this purpose were deleted. If funding for all of these inflationary increases were deleted, funding could be reduced by an additional $366,700 ($193,800 GPR and -$172,900 FED) in 2013-14 and by $768,200 (-$448,300 GPR and -$319,900 FED) in 2014-15 (Alternative B2b).

Statewide Information Technology System for IRIS

10. Currently, DHS contracts with two entities to administer the IRIS program. The Management Group (TMG) provides IRIS consultant service and support, and the Milwaukee Center for Independence (MCFI) provides fiscal agency services. Each contracted entity maintains its own information technology (IT) systems. As the systems are not currently integrated, information regarding service plans, authorizations, and budget information needs to be manually updated.

In addition, DHS would like to increase the number of agencies that provide consulting services for IRIS participants. DHS has identified several of the potential benefits of contracting with multiple consulting agencies, including: (a) fostering competition within the market to increase service quality; and (b) permitting the state to claim federal reimbursement for most of the consultants' contract costs at a 40% GPR/60% FED rate (the rate that applies for MA services), rather than at the current 50% GPR/50% FED rate (the rate that applies for most MA administrative costs).

Through a competitive procurement, DHS would purchase a comprehensive, consumer accessible, integrated information platform, and indicates that the new system could; (a) support individual budget allocations; (b) incorporate guidelines and estimation tools into budget development; (c) link consultant agencies to create cost-effective, community-based supports and services; (d) allow participants direct access to support plans and personal budgets; (e) permit IRIS participants to assess their respective consulting agencies and health care providers; and (f) perform monthly and annual reconciliations of individual budget allocations. The cost estimate assumes the purchase of an "off-the-shelf" system, configured to meet the needs of the state, rather than the development of completely new system.

If the Committee chooses not to fund this item, funding in the bill could be reduced by $1,137,600 (-$568,800 GPR and -$568,800 FED) in 2013-14 and by $1,154,600 (-$577,300 GPR and -$577,300 FED) in 2014-15 (Alternative B2c).

Fiscal Agent Contract -- Health Care Efficiencies

11. The bill would provide $6,412,400 ($2,299,100 GPR and $4,113,300 FED) in 2013-14 and $6,563,100 ($2,336,600 GPR and $4,226,500 FED) in 2014-15 to the state's fiscal agent to implement "health care efficiencies." This funding is not a new item -- slightly less funding was budgeted in the current biennium for the fiscal agent to support "rate reform" projects, which DHS has relabeled to its current title.

12. DHS indicates that most costs for these projects end once a project is implemented, but some projects have ongoing costs, such as costs to process file transfers, license and software costs, and for costs of the fiscal agent's staff that support ongoing projects. Examples of projects that have ongoing costs include the MA program's hospital "pay for performance" program and activities relating to the contracted transportation manager. In addition, funding is used to support staff to manage and track these projects on an ongoing basis.

13. DHS has not estimated how much of this funding would be needed for new projects, what new projects might be supported with these funds, and how much would be needed for ongoing projects. Instead, the administration's budget documents show that funding for these projects would increase in each year. However, DHS has provided little information to document the need for these funding increases, and base funding available for new projects.

In order to ensure that only the highest priority projects are funded under this category, the Committee could reduce funding to support these activities. For example, funding could be reduced by $500,000 GPR and $500,000 FED annually for services provided under this budget category

(Alternative B2d).

Fiscal Agent Contract -- MMIS Changes to Improve MA Expenditure Reporting

14. The bill would provide $500,000 GPR and $500,000 FED annually for the fiscal agent to implement changes to the state's Medicaid management information system (MMIS) to enable DHS to routinely report MA expenditures on a "subprogram" basis. Examples of MA subprograms include BadgerCare Plus, SSI-related MA, institutional long-term care, the MA purchase program (MAPP). DHS has begun the project, but indicates that additional funding is needed to reprogram MA expenditures by subprogram. This project was the Department's response to an audit conducted by the 2011 Legislative Audit Bureau that recommended that DHS develop a more detailed biennial budget request and financial reporting structure for the MA program. However, the potential costs of making these systems changes were not addressed in the audit.

15. MA expenditures exceed $7 billion per year (all funds) and systems changes that improve budgeting and financial reporting would likely provide great benefit to DHS staff and others, particularly if the information were publicly available (for example, on the agency's website). However, the estimated costs of implementing these changes are not known at this time. Further, a description of the project, cost estimate, and explanation of the benefits of the project were not included in the state fiscal year 2013-14 IT plan the Department submitted to the Department of Administration on May 7, 2013.

16. Several options relating to this item are presented for the Committee's consideration, including: (a) making no change to the Governor's recommendation (Alternative B2e1); (b) reducing funding for this purpose by $250,000 GPR and $250,000 FED annually (Alternative B2e2); (c) providing funding for this item it as one-time funding, rather than on an ongoing basis (Alternative B2e3); and (d) deleting all funding for this purpose (Alternative B2e4).

ALTERNATIVES

A. Funding Adjustments

1. Adopt the Governor's recommendations.

2. Modify funding in the bill to reflect revised estimates, as described in Discussion Point 2, of the amount of funding that would be needed to support all of the items the administration intended to fund, at the funding level recommended by the Governor. Increase funding by $443,200 (-$142,300 GPR and $585,500 FED) in 2013-14 and reduce funding by $2,174,000 (-$220,800 GPR and -$1,953,200 FED) in 2014-15.

ALT A2	**Change to Bill** Funding
GPR	- $363,100
FED	- 1,367,700
Total	- $1,730,800

3. In addition to either Alternative A1 or A2, transfer funding budgeted for contracted services from the general program operations appropriations to the appropriations that funds contracted services, as described in Discussion Point 4.

B. Funding Reductions

1. Make no additional changes to funding for this item in the bill.

2. Modify the bill to select one or more of the following.

a. *MilES Staff*. Reduce funding by $425,700 GPR and $470,900 FED annually and delete 7.0 positions (-3.50 GPR positions and -3.50 FED positions), beginning in 2013-14, to reduce funding and staff for MilES.

ALT B2a	**Change to Bill** Funding	Positions
GPR	- $851,400	- 3.50
FED	- 941,800	- 3.50
Total	- $1,793,200	- 7.00

b. *Inflationary Increases*. Reduce funding by $366,700 (-$193,800 GPR and -$172,900 FED) in 2013-14 and by $768,200 (-$448,300 GPR and -$319,900 FED) in 2014-15 to delete all inflationary funding increases in the bill for administrative supplies and services.

ALT B2b	**Change to Bill** Funding
GPR	- $642,100
FED	-492,800
Total	-$1,134,900

c. *IRIS Information System*. Reduce funding by $1,137,600 (-$568,800 GPR and -$568,800 FED) in 2013-14 and by $1,154,600 (-$577,300 GPR and -$577,300 FED) in 2014-15 to delete funding for the statewide information technology system for IRIS.

ALT B2c	**Change to Bill** Funding
GPR	- $1,146,100
FED	- 1,146,100
Total	- $2,292,200

d. *Fiscal Agent -- Health Care Efficiencies*. Reduce funding by $1,000,000 (-$500,000 GPR and -$500,000 FED) annually to reduce the amount of funding that would be budgeted for the fiscal agency to implement health care efficiencies projects.

ALT B2d	**Change to Bill** Funding
GPR	- $1,000,000
FED	-1,000,000
Total	-$2,000,000

e. *Fiscal Agent -- MMIS Changes for Improved Expenditure Reporting*.

1. Maintain funding in the bill for MMIS changes to improve MA expenditure reporting.

2. Reduce funding by $500,000 (-$250,000 GPR and -$250,000 FED) annually for this purpose.

ALT B2e2	**Change to Bill** Funding
GPR	- $500,000
FED	- 500,000
Total	- $1,000,000

3. In addition to either B2e1 or B2e2, allocate funding for this purpose as one-time funding, rather than ongoing funding.

4. Delete all funding for this purpose.

ALT B2e4	**Change to Bill** Funding
GPR	- $1,000,000
FED	- 1,000,000
Total	- $2,000,000

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