



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #365

Creation of the Division of Medicaid Services (DHS -- Medical Assistance -- Administration)

[LFB 2015-17 Budget Summary: Page 224, #1]

CURRENT LAW

The Department of Health Services (DHS) has two divisions that administer programs that are primarily funded under the state's medical assistance (MA) program -- the Division of Health Care Access and Accountability (DHCAA) and the Division of Long-Term Care (DLTC). DHCAA administers most MA-funded subprograms, including primary and acute care services, BadgerCare Plus and other major public assistance programs, such as FoodShare, SeniorCare, and state-funded supplemental security income (SSI) program benefits. DLTC administers the state's MA-supported long-term care programs, including Family Care, IRIS (Include, Respect, I Self-Direct), children's long-term care services, MA reimbursement to nursing homes, and the operation of the three state centers for persons with developmental disabilities.

GOVERNOR

Reduce funding by \$588,400 (-\$297,200 GPR and -\$291,200 FED) in 2015-16 and increase funding by \$297,200 GPR and decrease funding by \$297,200 FED in 2016-17 to reflect the net effect of consolidating DHCAA with MA-funded long-term care programs administered by DLTC to create a new Division of Medicaid Services (DMS). Beginning in 2015-16, convert 6.89 FED positions, which are currently supported by the social services block grant, to GPR positions for the general program operations of DMS. The attachment identifies all of the funding and position transfers relating to this item.

Rename and renumber appropriations formerly under DHCAA and DLTC to reflect the inclusion of Medicaid-funded long-term care services in DMS appropriations. Modify statutory references to reflect appropriations that would be created, repealed, and modified under the bill.

Require DHS to submit to the State Budget Office in the Department of Administration a

report on the final organization of DMS before March 31, 2016. Transfer the unencumbered balances of all appropriations that would be repealed to corresponding appropriations in DMS on the effective date of the bill. All balances encumbered by DLTC would be settled out of the appropriations under DLTC.

DISCUSSION POINTS

Program Consolidation

1. This provision would consolidate all Medicaid-funded programs under one division, the Division of Medicaid Services (DMS). If approved, all Medicaid-related programs would be transferred to, funded, and administered by DMS.

2. This proposal would simplify program budgeting in DHS. For example, both DHCAA and DLTC are currently budgeted funding to support contracted services. Under the bill, funding that would be provided to DLTC to support these contracts (approximately \$14.4 million in 2015-16 and \$14.7 million in 2016-17) would be transferred to a current appropriation that DHCAA uses for this purpose. In addition, DLTC currently uses several appropriations to expend moneys received from gifts and grants, fees, collections, and recoveries, which are similar or identical to appropriations currently used by DHCAA. This provision would combine these types of appropriations within DMS.

3. MA-funded long-term care services, including benefits offered under Family Care, IRIS, the legacy-waiver programs, the Program for All-Inclusive Care for the Elderly (PACE), the Wisconsin Partnership Program, and the children's long-term care support waivers, are a significant part of the MA budget. The following table shows the amount of funding for MA-supported long-term care programs that are currently administered by the DLTC under the Governor's MA cost-to-continue budget in each year of the 2015-17 biennium.

**Estimated MA Benefits Funding for Selected Long-Term
Care Services, Based on Current Law
Governor's Recommendations**

	All Funds		
	<u>2015-16</u>	<u>2016-17</u>	<u>2015-17</u>
Institutional Services			
Nursing Home Reimbursement	\$765,147,300	\$759,096,400	\$1,524,243,700
State Centers for the Developmentally Disabled	<u>125,353,800</u>	<u>127,410,600</u>	<u>252,764,400</u>
Subtotal -- Institutional Services	\$890,501,100	\$886,507,000	\$1,777,008,100
Community-Based Long-Term Care Services			
Family Care	\$1,450,520,300	\$1,544,264,100	\$2,994,784,400
IRIS	419,276,800	467,259,900	886,536,700
Legacy Waiver Programs	84,606,600	82,463,400	167,070,000
Children's Waiver Programs	72,979,800	75,146,800	148,126,600
PACE and Partnership Programs	<u>156,083,000</u>	<u>167,631,500</u>	<u>323,714,500</u>
Subtotal -- Community-Based Long-Term Care Services	\$2,183,466,500	\$2,336,765,700	\$4,520,232,200
Total	\$3,073,967,600	\$3,223,272,700	\$6,297,240,300

4. The table shows that the approximately \$3.1 billion in MA-supported expenditure authority would be transferred annually from DLTC to the new DMS as a part of this proposal.

5. Due to the size of these long-term care programs, policy decisions relating to these programs directly affect the MA budget. Further, there is frequently interaction between the provision of long-term care services and other parts of the MA budget. For example, policies relating to the provision of home care services, including personal care and home health services, affect the state's long-term care programs, as both home care and long-term care services are frequently provided to the same MA enrollees.

6. Historically, the Legislature has generally deferred to the administration with respect to the internal organization of state agencies. As this proposal reflects a transfer of funding and positions and is not accompanied with programmatic changes, the Committee may wish to approve the Governor's recommendations [Alternative A1].

7. Arguments could also be offered to maintain the two current divisions. First, the size and complexity of the state's long-term care programs, as measured by the number of individuals and families they serve as well as the amount of funding the state has committed to these programs, may suggest that a single division that administers programs exclusively for elderly and disabled individuals best serves the specific needs of these populations. The only state agency with an annual budget that exceeds \$3.1 billion is the Department of Public Instruction (\$6.4 billion). Of that \$6.4 billion, \$5.2 billion is distributed as elementary and secondary school aids.

8. Second, some would argue that the types of issues relating to the state's long-term care programs are substantially different from those that relate to programs that primarily serve non-elderly, non-disabled, low-income families, such as BadgerCare Plus and FoodShare, and that

combining these program responsibilities in a single division based on a shared funding source may diminish the focus on both types of programs.

In addition, some programs that are not primarily supported by MA funding that are currently administered by the Bureau of Aging and Disability Resources in DLTC, such as programs funded by the federal Older Americans Act and services administered by the Office of the Blind and Visually Impaired and the Office for the Deaf and Hard of Hearing Services, would be transferred to DMS.

9. Finally, the administration has not assumed that any staff savings would be realized in the 2015-17 biennium by consolidating the two divisions. While it is possible that certain positions that perform primarily administrative functions could be reduced or reallocated to other activities in the future, this provision would not reduce DHS position authority or funding. For these reasons, the Committee could choose to delete the Governor's recommendation [Alternative A2].

Division of Long-Term Care Unclassified Position

10. By statute, DHS is currently authorized 13.0 unclassified positions, which include the following: (1) Secretary; (2) Deputy Secretary; (3) Assistant Deputy Secretary; (4) Chief Legal Counsel; (5) Communications Director; (6) Legislative Advisor; (7) Administrator for the Division of Enterprise Services; (8) Administrator for the Division of Health Care Access and Accountability (the state's Medicaid Director); (9), Administrator for the Division of Long-Term Care; (10) Administrator for the Division of Mental Health and Substance Abuse Services; (11) Administrator for the Division of Public Health; (12) Director of the Office of Children's Mental Health; and (13) one unclassified position that has remained vacant since January 3, 2011.

11. Under the bill, the Department would retain the unclassified position that currently serves as the Administrator for the Division of Long-Term Care. DHS indicates that this position would assist in facilitating the merger of the two divisions in the beginning of fiscal year 2016-17. The position would then serve as a senior policy advisor to the Administrator of DMS (the state's Medicaid Director), which the Department believes is necessary due to the size and complexity of the new, merged division [Alternative B1].

12. It could be argued that unclassified position authority should be reserved for individuals who have policymaking authority, such as individuals in the Secretary's Office and division administrators, rather than policy advisors. If the Committee chooses to adopt the Governor's recommendations to merge the two Divisions, it could delete the current unclassified Administrator position for the Division of Long-Term Care as a part of this consolidation of functions [Alternative B2].

13. DHS indicates that the unclassified division administrator position that has remained vacant since 2011 resulted from an oversight during the creation of the separate Department of Children and Families and Department of Health Services from the former Department of Health and Family Services. In subsequent discussions, the position was not removed to allow DHS flexibility if another reorganization occurred and the position was needed. Given that the position has remained vacant since 2011 and could be reinstated by the Legislature during any subsequent reorganization if it is needed, the Committee could choose to eliminate this unclassified position [Alternative B3].

14. The Committee could also choose to eliminate both the Division of Long-Term Care Administrator unclassified position and the vacant unclassified position [Alternative B4].

The Committee should vote for one alternative from each of the sets of options presented.

ALTERNATIVES

A. Division Reorganization

A1. Adopt the Governor's recommendation to merge the Division of Health Care Access and Accountability and Division of Long-Term Care to create a new Division of Medicaid Services, including all statutory and funding changes in the bill.

A2. Delete provision.

ALT A2	Change to Bill	
	Funding	Positions
GPR	\$0	- 6.89
FED	<u>588,400</u>	<u>6.89</u>
Total	\$588,400	0.00

B. Unclassified Positions

B1. Adopt the Governor's recommendation to maintain the Department's current unclassified position authority.

B2. Modify the bill by deleting 1.0 GPR unclassified position, beginning in 2015-16, to reflect the elimination of the Administrator for the Division of Long-Term Care. Reduce funding by \$165,200 GPR annually, and reduce by one the statutory number of unclassified positions for DHS.

ALT B2	Change to Bill	
	Funding	Positions
GPR	- \$330,400	- 1.00

B3. Modify the bill by deleting 1.0 FED unclassified position, beginning in 2015-16, to reflect the elimination of a long-term vacant unclassified division administrator position. Reduce funding by \$116,500 FED annually, and reduce by one the statutory number of unclassified positions for DHS.

ALT B3	Change to Bill	
	Funding	Positions
FED	- \$233,000	- 1.00

B4. Modify the bill by deleting 2.0 unclassified positions (-1.0 GPR position and -1.0 FED

position), beginning in 2015-16, to reflect the elimination of the Administrator for the Division of Long-Term Care and a long-term vacant unclassified position. Reduce funding by \$281,700 (-\$165,200 GPR and -\$116,500 FED) annually, and reduce by two the statutory number of unclassified positions for DHS.

ALT B4	Change to Bill	
	Funding	Positions
GPR	- \$330,400	- 1.00
FED	<u>- 233,000</u>	<u>-1.00</u>
Total	- 563,400	- 2.00

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Attachment

ATTACHMENT

Transfer of Funding and Positions to Create the Division of Medicaid Services

	Funding						Positions		
	2015-16			2016-17			Beginning in 2015-16		
	GPR	FED	PR	GPR	FED	PR	GPR	FED	PR
Division of Medicaid Services (Formerly DHCAA)									
Contracted Services for MA, FoodShare, Resource Centers, and Other Entities Performing Resource Center Functions	\$5,895,300	\$8,513,700		\$6,441,300	\$8,243,200				
Administration -- Federal Program Operations		5,666,900			5,666,900			55.99	
Federal Program Operations -- Aging Programs		1,942,600			1,942,600			15.74	
Federal Projects Operations		4,214,400			4,214,400			9.39	
Interagency and Intra-Agency Aids			\$1,783,300			\$1,783,300			15.24
Administrative Services Supported by Fees			30,000			30,000			
Recovery of Costs -- Birth-to-3 Program			84,300			84,300			
Audits and Investigations Supported by Provider Assessments			19,200			19,200			0.20
Gifts and Grants; Health Care Financing			276,100			270,100			
Interpreter Services for the Hearing Impaired Supported by Fees			39,900			39,900			
Disabled Children's Support Waiver Supported by Fees, Collections and Recoveries			1,567,100			1,567,300			
County Contributions for Family Care, Birth-to-3 and the Children's Long-Term Support Program			42,904,200			42,749,000			
Third Party Administrator for Children's Long-Term Care Programs			12,165,500			12,165,500			
Community Options Programs and Long-Term Care Support Pilot Programs	24,982,000			20,443,300					
Community Options Programs and Family Care Management Organizations	59,083,400			59,877,900					
General Program Operations	9,281,200			9,281,100			62.39		
Programs for Disability and Elder Services (Formerly DLTC)									
Social Services Block Grant -- Local Assistance		1,326,600			1,258,600				
MA -- State Administration		-14,180,600			-13,910,100			-55.99	
Federal Program Operations -- Aging Programs		-1,942,600			-1,942,600			-15.74	
Social Services Block Grant -- Aids to Individuals and Organizations		-873,700			-811,700				
Social Services Block Grant -- Operations		-744,100			-744,100			-6.89	
Federal Project Operations		-4,214,400			-4,214,400			-9.39	
Interagency and Intra-Agency Programs			-1,783,300			-1,783,300			-15.24
Fees for Administrative Services			-30,000			-30,000			
Recovery of Costs for Long-Term Care Programs			-84,300			-84,300			
Gifts and Grants -- Long-Term Care			-276,100			-270,100			
Interpreter Services for the Hearing Impaired Supported by Fees			-39,900			-39,900			
Third Party Administrator for Children's Long-Term Care Programs			-12,165,500			-12,165,500			
Disabled Children's Support Waiver Supported by Fees, Collections and Recoveries			-1,567,100			-1,567,300			
Regulation of Health Services Supported by Application Fees under Chapter 150			-19,200			-19,200			-0.20
County Contributions for Family Care, Birth-to-3 and the Children's Long-Term Support Program			-42,904,200			-42,749,000			
Community Options Programs and Long-Term Care Support Pilot Programs	-24,982,000			-20,443,300					
Community Options Programs and Family Care Management Organizations	-59,083,400			-59,877,900					
Community Aids	-1,326,600			-1,258,600					
Community Aids -- Family Care Resource Centers		235,300			761,700				
General Program Operations	<u>-14,382,400</u>			<u>-14,928,300</u>			<u>-55.50</u>		
Net Fiscal Effect	-\$297,200	-\$291,200	\$0	\$297,200	-\$297,200	\$0	6.89	-6.89	0.00