



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 25, 2017

Joint Committee on Finance

Paper #328

Medical Assistance -- Budgeting MA Trust Fund Revenues (Health Services -- Medicaid Services)

CURRENT LAW

The medical assistance (MA) program is funded with a combination of GPR, FED, PR, and SEG funds. The segregated funds for the program include the MA trust fund (MATF), the hospital assessment fund, and the critical access hospital assessment fund.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Medical assistance benefits are partially funded with appropriations from three segregated funds. The largest of these is the medical assistance trust fund, which receives revenues from various sources, including transfers from the other two segregated funds, the hospital assessment fund, and the critical access hospital assessment fund.

2. Both the hospital assessment fund and the critical access hospital assessment fund receive revenues from assessments levied on hospitals. For the hospital assessment, the Department is required to collect a total equal to the amount shown in the Chapter 20 appropriation schedule for a SEG appropriation from the hospital assessment fund, currently \$414,507,300 annually. Each hospital's assessment is based on a uniform percentage of its gross patient revenues, which is set in order to generate the required total assessment. For the critical access hospital assessment, the Department uses the same percentage as is used for the hospital assessment, but applies this percentage to each critical access hospital's gross inpatient revenues. Revenue collections from the critical access hospital assessment, after deductions to fund two programs in the University of

Wisconsin System, is estimated at \$5.6 million in 2017-18 and \$5.2 million in 2018-19.

3. All revenues collected from the hospital assessment are credited to the hospital assessment appropriation. For the critical access hospital assessment fund, all funds collected, minus amounts appropriated for the two UW System programs, are credited to the SEG appropriation for the critical access hospital assessment. A portion of the amounts in these appropriations is used for access payments and other supplemental payments for hospitals. The amounts not used for these payments are transferred to the MATF to support general MA benefit expenditures, or to an appropriation for the administrative costs associated with levying the hospital assessment. The amounts to be transferred to the MATF (and for administration) are estimated at \$161,919,300 in 2017-18 and \$163,614,600 in 2018-19 from the hospital assessment SEG appropriation and \$1,605,600 in 2017-18 and \$1,463,500 in 2018-19 from the critical access hospital SEG appropriation.

4. The following table shows the amounts in each SEG appropriation, as adjusted under the cost-to-continue reestimate presented in LFB Issue Paper #320. For each of the SEG appropriations for the two hospital assessment funds, the estimated amounts required for hospital payments and the estimated amounts to be transferred to the MA trust fund are shown separately. For the MATF, the total amount of the transfers from the other funds is shown separately from other sources of revenue to the fund.

<u>SEG Appropriation</u>	<u>2017-18</u>	<u>2018-19</u>
Hospital Assessment Fund	\$414,507,300	\$414,507,300
Estimated Funding for Hospital Payments	252,588,000	250,892,700
Estimated Transfer to MATF and Administration	161,919,300	163,614,600
Critical Access Hospital Assessment Fund	\$5,628,700	\$5,203,000
Estimated Funding for Hospital Payments	4,023,100	3,739,500
Estimated Transfer to MATF	1,605,600	1,463,500
Medical Assistance Trust Fund	\$331,515,300	\$330,486,300
Transfers from Hospital Segregated Funds	163,524,900	165,078,100
Minus Deduction for Assessment Administration	-809,600	-818,100
All Other Revenue	168,800,000	166,226,300

5. Because the transferred amounts are reflected in the SEG appropriations for these two transferring funds, as well as in the SEG appropriation for the MA trust fund, they are counted twice in the overall MA budget. The total amount of double-counted SEG funds (shown as "Transfers from Hospital Segregated Funds" in the table above) is \$163,524,900 in 2017-18 and \$165,078,100 in 2018-19.

6. Because the SEG double-count in the MA budget occurs within the MA program, rather than between different programs, it would be possible to eliminate the SEG double-count without affecting the actual amount of funding available for MA or without affecting how the Department of Health Services manages funding for the program, and would result in a more

accurate portrayal of the MA budget. Making this change (Alternative 1) requires several modifications:

- Specify that the SEG appropriations from the hospital assessment fund and the critical access hospital assessment fund shall be continuing appropriations, reflecting the amount of the assessment collected, minus the amounts transferred to the MA trust fund.
- Specify that the transfers from the hospital assessment fund and the critical access hospital assessment fund shall be made as a fund-to-fund transfer, rather than through the SEG appropriations for those funds.
- Specify that the amount of the annual hospital assessment shall equal \$414,507,300, rather than the amount that appears in the chapter 20 schedule for the hospital assessment SEG appropriation. [This change is necessary to maintain the assessment at the current level, since the hospital assessment SEG appropriation would no longer reflect the full amount of the assessment.]
- Reduce SEG funding by \$161,919,300 in 2017-18 and \$163,614,600 in 2018-19 in the hospital assessment SEG appropriation and by \$1,605,600 in 2017-18 and \$1,463,500 in 2018-19 in the critical access hospital SEG appropriation to reflect the elimination of the double-counted funds.

7. The funding adjustments made under the alternative described in the previous point would not change the overall level of funding actually available for paying MA benefits. Rather, it would ensure that amounts transferred from the hospital assessment fund and critical access hospital assessment fund are not reflected both in the SEG appropriations for those funds and in the SEG appropriation for the MA trust fund.

8. The Committee could also opt to make these changes effective with the 2019-21 biennium (Alternative 2). In this case, the effective date of the statutory changes could be set at July 1, 2019, and DOA could be instructed to establish the appropriation base for the hospital assessment fund appropriation and the critical access hospital assessment fund for the purposes of the 2019-21 budget reflecting the changes. In this case, no fiscal changes would be made to the appropriations in the 2017-19 biennium.

ALTERNATIVES

1. Modify provisions relating to the treatment of transfers from the hospital assessment fund and the critical access hospital assessment fund, as described in Discussion Point 6, to eliminate the double-counting of those funds in SEG appropriations for the MA benefits. Reduce funding by \$161,919,300 in 2017-18 and \$163,614,600 in 2018-19 in the hospital assessment SEG appropriation and by \$1,605,600 in 2017-18 and \$1,463,500 in 2018-19 in the critical access hospital SEG appropriation to reflect this change.

ALT 1	Change to	
	Base	Bill
SEG	- \$328,603,000	- \$328,603,000

2. Adopt the statutory changes included in Alternative 1, but specify that they take effect on July 1, 2019. Direct the Department of Administration to establish the base for the 2019-21 biennial budget for the SEG appropriations for the hospital assessment fund and the critical access hospital assessment fund to reflect the changes taking effect on July 1, 2019.

3. Maintain current law

Prepared by: Jon Dyck