



Legislative Fiscal Bureau

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May 16, 2017

Joint Committee on Finance

Paper #360

Transfer Funding from MA Benefits to Mental Health Institutes (Health Services -- Care and Treatment Services)

[LFB 2017-19 Budget Summary: Page 238, #15]

CURRENT LAW

The state has two mental health institutes that provide care and treatment to individuals who are committed as a part of a civil court process or a criminal process. The Mendota Mental Health Institute, located in Madison, serves primarily forensic patients, while the Winnebago Mental Health Institute, located near Oshkosh, serves civil patients and female forensic patients. The mental health institutes operations are primarily funded from one GPR appropriation and one PR appropriation. Base funding for the general program operations of the mental health institutes is \$77,573,300 GPR and \$42,093,600 PR.

GOVERNOR

Provide \$320,300 GPR annually for the operations of the state mental health institutes. The funding is intended to reverse an error that was made with a gubernatorial veto contained in the 2015-17 budget act (Act 55).

The bill would reduce funding for medical assistance benefits by \$320,300 GPR annually in order to make the increase to the mental health institutes budget neutral. This paper addresses only the increase to the mental health institutes. The proposed reduction to MA benefits funding is incorporated into a subsequent LFB issue paper concerning a reestimate of the MA benefits funding.

DISCUSSION POINTS

1. As passed by the Legislature, the 2015-17 budget bill included a provision that would have exempted certain nursing homes from the nursing home bed assessment. Because this change would have reduced SEG revenue to the MA trust fund by an estimated \$320,300 annually, the enrolled bill would have increased GPR MA benefits funding to offset the SEG decrease. The Governor vetoed the nursing home bed assessment exemption, but instead of reducing the MA GPR benefits appropriation to reflect the deletion of the provision, the partial veto reduced the GPR funding for the state mental health institutes by \$320,300 annually. The funding transfer from the MA benefits appropriation to the mental health institutes is intended to correct the Act 55 veto error.

2. In a separate item, the budget for MA program benefits is adjusted to reflect an estimate of the cost of that program under a cost-to-continue scenario (no program changes). The cost-to-continue item represents the administration's estimate of the cost of fully-funding MA benefits in the 2017-19 biennium. The transfer of funding to the mental health institutes appropriation, however, would have the effect of underfunding the estimated GPR portion of the MA budget, without any corresponding program changes to generate savings in the program. In comparison with the size of the GPR budget for the MA program (roughly \$3 billion annually), the transfer is very small, and not likely to be consequential. Nevertheless, since the transfer is contrary to the intent of the cost-to-continue item (to develop a point estimate of fully funding MA benefit costs), this paper treats the funding increase to the mental health institutes as a distinct item. That is, adopting the Governor's recommendation (Alternative 1) would result in an above-base increase to the GPR appropriation for the mental health institutes of \$320,300 annually, without a corresponding decrease in MA benefits funding. A subsequent LFB issue paper will provide a discussion of the administration's MA cost-to-continue adjustments and provide a reestimate of these amounts. That reestimate will incorporate the effect of reversing the bill's funding transfer from MA benefits to the mental health institutes.

3. Under the biennial budget process, the Governor and Legislature use the appropriation base from the second year of the prior biennium as a starting point. Although the Act 55 veto error had the effect of providing less funding for the mental health institutes than the Legislature had intended in passing the budget bill, the agency has operated under the revised budget for both years of the 2015-17 biennium. The administration could have requested a correction of the error under s. 13.10 of the statutes, but no such request was made. Consequently, a case could be made that the current appropriation base, while less than what the Legislature intended, is now the appropriate starting point for the 2017-19 budget deliberations. In this sense, the transfer item could be viewed as an increase to the resources that the Department had to operate the mental health institutes in the 2015-17 biennium, rather than simply a correction of a veto error.

4. Although the funding transfer item would increase funding for the mental health institutes, relative to the 2016-17 base, DHS argues that the additional funding is needed. The Department indicates that the institutes' budget for the IT network, insurance, office supplies, training, and telecommunications has not been adjusted in many years and is often insufficient. During the 2015-17 budget, the Department relied on one-time savings in salary and fringe benefit costs in the general administrative appropriation for the Division of Care and Treatment Services to

cover cost overruns in the mental health institutes appropriation. The approval of the funding increase would help to mitigate these funding shortfalls (Alternative 1).

5. The Department has a statutory responsibility to provide care and treatment to individuals committed by courts. If, however, the Committee determines that the mental health institutes should attempt to fulfill those obligations with the same level of resources as were provided in the 2015-17 biennium (while allowing for adjustments in other decision items, such as food and non-food supplies and services), it could delete the proposed increase under this item (Alternative 2).

ALTERNATIVES

1. Approve the Governor's recommendation to provide a funding increase of \$320,300 GPR annually for the mental health institutes. [The corresponding reduction in MA benefits funding will be addressed in the MA cost-to-continue reestimate.]

ALT 1	Change to	
	Base	Bill
GPR	\$640,000	\$0

2. Delete provision.

ALT 2	Change to	
	Base	Bill
GPR	\$0	- \$640,600

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