



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #350

Medical Assistance and FoodShare Contracts (Health Services – Medical Assistance and FoodShare Administration)

[LFB 2021-23 Budget Summary: Page 272, #1]

CURRENT LAW

The Department of Health Services (DHS) has numerous administrative responsibilities relating to the medical assistance (MA) program, Wisconsin's supplemental nutrition assistance program (FoodShare), and other public assistance programs. Under the MA program, these duties include fiscal management, rate setting, eligibility determinations, fraud investigations, recovery of improper payments, claims processing, provider enrollment, rule development, the production of various reports, as well as policy development and implementation. With respect to FoodShare, DHS contracts with Fidelity Information Services, LLC (FIS) to provide electronic benefit transfer (EBT) services to participating FoodShare families, while state staff are responsible for general program management functions, including monitoring performance of its contracted entities and ensuring that the state complies with state and federal law and policies.

Some administrative activities relating to the state's public assistance programs are conducted by state staff in the Division of Medicaid Services (DMS) and the Office of the Inspector General (OIG), while others are performed by private firms under contract. DXC Technology (DXC) is the Medicaid program's fiscal agent, which conducts several business functions such as processing claims submitted by providers and reviewing prior authorization requests. DXC is the contract vendor for the state's Medicaid Management Information System (MMIS). In addition, some services are performed by other state agencies. For example, DHS purchases hardware hosting, network, and mainframe services for the Client Assistance for Reemployment and Economic Support (CARES) system from the Department of Administration's Division of Enterprise Technology.

Most eligibility management functions for these programs are performed by county staff on a regional basis through income maintenance (IM) consortia and by tribes. In Milwaukee County, state employees in Milwaukee Enrollment Services (MilES) perform IM services. The costs of IM service contracts are budgeted separately from costs of other DMS contracts.

Funding for most DMS contracted services (excluding IM contracts) is budgeted in two appropriations -- a biennial sum-certain GPR appropriation, and a federal appropriation that reflects an estimate of funding the state will receive for DMS contracted services, primarily through MA and FoodShare administrative matching funds. Base funding for these appropriations totals \$251,370,300 (\$75,396,100 GPR and \$175,974,200 FED).

DISCUSSION POINTS

1. Every two years, as part of the Department's biennial budget request, DMS reviews the costs of its service contracts, and projects costs for these contracts in the next biennium. This exercise includes: (a) updating costs of current contracts, often to reflect inflationary increases specified in several of the larger contracts; (b) developing cost estimates and work plans for priority projects that may be necessary for the agency to comply with state and federal requirements; (c) establishing schedules and cost estimates for completing multi-year projects; and (d) developing proposals for new projects that could result in program improvements.

2. Following this review, the Department creates a spending plan that itemizes the projected cost of each contract, by fund source. With limited exceptions, DHS claims federal matching funds to partially support the costs of these contracts. The federal share of these costs range from 50% for most administrative costs, to 90% for costs of projects that improve the functionality of the Medicaid Management Information System (MMIS).

3. The Department's proposed 2021-23 budget for these contracts is summarized by major category and fund source in Table 1. This spending plan would be fully funded under the Governor's 2021-2023 budget recommendations.

TABLE 1

**Summary of Medicaid and FoodShare Administrative Contracts GPR and FED Funding
Governor's Recommendations**

	2021-22			2022-23		
	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>Total</u>
FoodShare Electronic Benefit Contract	\$1,221,600	\$1,221,600	\$2,443,200	\$1,221,600	\$1,221,600	\$2,443,200
FoodShare Employment and Training Program Evaluation	225,000	225,000	450,000	225,000	225,000	450,000
Fiscal Agent -- Main Contract	32,280,100	90,695,000	122,975,100	33,223,900	76,165,000	109,388,900
MMIS Modules and Related Contracts	3,721,400	23,602,600	27,324,000	2,573,600	9,877,500	12,451,100
CARES Maintenance and Programming	29,802,400	55,025,900	84,828,300	30,933,000	57,610,300	88,543,300
Other Major and Minor Contracts	14,450,100	26,766,600	41,216,700	14,450,100	26,766,600	41,216,700
General Services	<u>2,075,000</u>	<u>2,052,500</u>	<u>4,127,500</u>	<u>2,106,100</u>	<u>2,087,100</u>	<u>4,193,200</u>
Subtotal -- Expenditures	\$83,775,600	\$199,589,200	\$283,364,800	\$84,733,300	\$173,953,100	\$258,686,400
Adjustments						
Costs Allocated to Other Appropriations	-\$3,500,000	\$0	-\$3,500,000	-\$3,500,000	\$0	-\$3,500,000
Other Items in DHS Request	<u>145,800</u>	<u>1,187,300</u>	<u>1,333,100</u>	<u>145,800</u>	<u>0</u>	<u>145,800</u>
Net Expenditures	\$80,421,400	\$200,776,500	\$281,197,900	\$81,379,100	\$173,953,100	\$255,332,200
2020-21 Base Funding	\$75,396,100	\$175,974,200	\$251,370,300	\$75,396,100	\$175,974,200	\$251,370,300
Difference (Change to Base)	\$5,025,300	\$24,802,300	\$29,827,600	\$5,983,000	-\$2,021,100	\$3,961,900

4. Several factors contribute to the projected cost increases from base funding in the administration's 2021-23 spending plan.

Inflation Adjustments -- MMIS. Most costs relating to the MMIS, other than enhancements and postage costs, are increased by 3% in 2021-22 and an additional 3% in 2022-23 from the 2020-21 cost projection. The inflationary adjustments increase projected MMIS costs by \$2,694,500 (\$816,000 GPR and \$1,878,500 FED) in 2021-22 and by \$5,469,000 (\$1,656,500 GPR and \$3,813,400 FED) in 2022-23.

CARES Programming Rate Increase. DHS contracts with Deloitte to provide programming services for the CARES system. The cost of programming will increase from \$128 to \$145 per hour, effective January 1, 2023. Under the DHS plan, DHS would continue to purchase the same number of programming hours from Deloitte in 2021-22 and 2022-23 as it plans to purchase in 2020-21 (approximately 421,500 hours). However, the estimated additional cost of funding this rate increase for the six-month period in 2022-23 is \$3,583,100 (\$1,085,700 GPR and \$2,497,400 FED).

Continue MMIS Modulation Process. The DHS workplan increases funding for MMIS modules and related contracts by \$9,539,100 (\$1,942,900 GPR and \$7,596,200 FED) in 2021-22 and reduces funding by \$5,333,700 (\$795,100 GPR and -\$6,128,800 FED), compared to the 2020-21 cost projections. The funding increase is primarily due to the estimated costs of a contract to

create an enterprise data warehouse and data analytics reporting module, as required by the MMIS plan approved by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS).

2020-21 Projected Spending Exceeds GPR Base Funding. DHS anticipates spending \$77,126,100 GPR in 2020-21 from its contracts appropriation, which is \$1,730,000 GPR more than the 2020-21 adjusted base funding for the appropriation (\$75,396,100). Since GPR funding for contracts is supported from a biennial appropriation, the unexpended balance in 2019-20 is carried over to 2020-21 and is available to support contract costs in that year. Consequently, to maintain GPR-funded costs in the 2021-23 biennium at the projected 2020-21 level, an additional \$1,730,000 GPR is needed in each year of the 2021-23 biennium.

Together, these four factors account for GPR increases totaling \$4,488,900 in 2021-22 and \$5,267,300 in 2022-23, or approximately 89% of the biennial GPR funding increase recommended by the Governor (\$11,008,300) to support contracts.

DHS has some ability to manage contract costs to stay within the budget established by the Legislature. However, if the Committee chooses not to fund the cost increases of current contracts, DHS would be required to reduce funding for, or eliminate current contracts, which would adversely affect the agency's ability to serve providers and recipients, meet federal program quality standard and reimbursement and reporting requirements, and prevent overuse of services and fraud.

New Contract -- FSET Evaluation

5. The Governor's bill would provide \$450,000 (\$225,000 GPR and \$225,000 FED) annually for DHS to contract for an evaluation of the FoodShare employment and training (FSET) program. During each of the past four years, DHS has used information provided by the University of Wisconsin Institute for Research on Poverty, internal data, and information maintained in CARES to create a federally-required annual report that contains several data elements FNS uses to compare the performance of states' SNAP education and training programs. The information FNS requires states to report include:

- The number and percent of current and former participants in unsubsidized employment during the second quarter and fourth after completion of participation in the state's SNAP education and training (E&T) program;
- The median quarterly earnings of current and former participants during the second quarter after completion of participation in the state's E&T program;
- The number and percent of current and former participants who completed a training, educational or work experience, or an on-the-job training component;
- Certain characteristics of current and former participants, such as voluntary and mandatory participants, participants who received a high school degree prior to participating in the E&T program, participants who were able-bodied adults without dependents, participants who

speak English as a second language, and the ages and gender of program participants.

In addition to these national reporting measures, states are required to report components that are unique to their E&T programs.

The most recent report DHS submitted to FNS, indicating FSET measures for federal fiscal year 2019-20, is provided as an attachment to this paper.

6. There are limitations on what the current federally-required reporting reveals about the effectiveness of the programs administered by FSET vendors. For example, currently, it is difficult to demonstrate the extent to which participation in the FSET program, or certain activities offered by the vendors, is responsible for improving outcomes for program participants, as measured by subsequent employment, future earnings, or educational attainment.

7. The administration proposes to contract with a neutral third-party to conduct ongoing comprehensive evaluations of the program that would include policy and performance reviews, and provide recommendations to DHS and the contracted vendors to improve program performance. DHS anticipates that the evaluators would have full access to information maintained by the FSET vendors, assuming that appropriate contract and memoranda of understanding are in effect.

8. In state fiscal year 2019-20, DHS paid vendors \$30.3 million (all funds) to provide FSET services. Based on the funding commitment the state has made to provide education and training services to FoodShare recipients, funding an ongoing evaluation that could be used to determine program effectiveness and make program improvements, the Committee could approve funding the evaluation [Alternative 1]. Alternatively, the Committee could choose to not include funding for this ongoing evaluation from the budget [Alternative 2a].

New Contract -- OIG Prepayment Review

9. The Governor's bill would provide \$619,800 (\$309,900 GPR and \$309,900 FED) in 2021-22 and \$826,400 (\$413,200 GPR and \$413,200 FED) in 2022-23 to create a new five-person unit in DXC to conduct prepayment reviews of claims submitted by MA providers that are at high risk of submitting fraudulent claims.

Currently, 34 auditors and nursing consultants in the DHS Office of the Inspector General (OIG), conduct audits of Medicaid claims submitted by providers for which payment has already been made (post-payment audits). In calendar year 2020, these staff initiated 1,340 post-audit reviews. These audits have resulted in significant payment recoveries for the Medicaid program. In fiscal years 2015-16 through 2019-20, DHS established "accounts receivable" from these audits totaling \$32.6 million, of which \$26.8 million had been collected.

10. Under the administration's proposal, OIG would create a unit of 5.0 DXC contracted staff managed by one (current) DHS employee to assist participating MA providers in correctly submitting claims, reducing the need to investigate and recover improper claims after the claims have been paid.

11. CMS has created risk level classifications for Medicaid providers, which Wisconsin's Medicaid program has adopted. Among those providers that CMS categorizes as at a high risk of submitting improper claims are home health and personal care agencies, medical equipment vendors, prenatal and child care coordination providers, and specialized medical vehicle providers. The new unit would focus on claims submitted by these high-risk providers.

12. Providing additional auditing staff for OIG could reduce future MA benefits costs by preventing improper claims payments that may otherwise not be recovered through post-claims reviews.

13. The estimated cost of contracted positions for this unit is \$826,400 (all funds) annually or \$165,200 per position. It is estimated that the cost of providing 5.0 state positions in OIG to conduct this work would be \$587,500 (all funds) annually, or \$117,500 per position. If the Committee wished to fund additional prepayment audits with state staff, rather than DXC contract staff, it could instead provide \$440,600 (\$220,300 GPR and \$220,300 FED) in 2021-22 and \$587,500 (\$293,800 GPR and \$293,700 FED) in 2022-23 and 2.50 positions (2.50 GPR positions and 2.50 FED positions), beginning in 2021-22, for this purpose.

ALTERNATIVES

1. Increase funding for DMS contracted services by \$29,827,600 (\$5,025,300 GPR and \$24,802,300 FED) in 2021-22 and by \$3,961,900 (\$5,983,000 GPR and -\$2,021,100 FED) in 2022-23.

ALT 1	Change to Base
GPR	\$11,008,300
FED	<u>22,781,200</u>
Total	\$33,789,500

2. Adopt one or more of the components of the spending plan under Alternative 1.

a. *Cost to Continue Current Contracts.* Increase funding by \$28,757,800 (\$4,490,400 GPR and \$24,267,400 FED) in 2021-22 and by \$2,685,500 (\$5,344,800 GPR and -\$2,659,300 FED) to fund estimated costs of current DMS contracts in the 2021-23 biennium.

ALT 2a	Change to Base
GPR	\$9,835,200
FED	<u>21,608,100</u>
Total	\$31,443,300

b. *FSET Evaluation.* Increase funding by \$450,000 (\$225,000 GPR and \$225,500 FED) annually to fund an ongoing evaluation of the FSET program.

ALT 2b	Change to Base
GPR	\$450,000
FED	<u>450,000</u>
Total	\$900,000

c. *OIG Prepayment Reviews -- Contracted Staff.* Provide \$619,800 (\$309,900 GPR and \$309,900 FED) in 2021-22 and \$826,400 (\$413,200 GPR and \$413,200 FED) in 2022-23 to fund 5.0 contracted positions in OIG to conduct prepayment reviews of Medicaid claims.

ALT 2c	Change to Base
GPR	\$723,100
FED	<u>723,100</u>
Total	\$1,446,200

d. *OIG Prepayment Reviews -- State Staff.* Provide \$440,600 (\$220,300 GPR and \$220,300 FED) in 2021-22 and \$587,500 (\$293,800 GPR and \$293,700 FED) in 2022-23 to fund 5.0 positions (2.50 GPR positions and 2.50 FED positions), beginning in 2021-22, for OIG to conduct prepayment reviews of Medicaid claims.

ALT 2d	Change to Base	
	Funding	Positions
GPR	\$514,100	2.50
FED	<u>514,000</u>	<u>2.50</u>
Total	\$1,028,100	5.00

3. Take no action.

Prepared by: Charles Morgan
Attachment

ATTACHMENT 1

SNAP E&T Annual Report – Federal Fiscal Year 2019-2020

National Reporting Measures

Reporting Measure	Data Source and Time Period	Value	Numerator	Denominator
1. Unsubsidized employment in 2 nd quarter after completion of participation in E&T	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	60.81%	10,734	17,651
2. Median Quarterly Wages in 2 nd quarter after completion of participation in E&T	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	\$3,774	N/A	N/A
3. Unsubsidized employment in 4 th quarter after completion of participation in E&T	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	60.80%	10,671	17,552
4. Completion of an educational, training, work experience, or an on-the-job training component	FNS-583 Q4	40.00%	5,288	13,220

National reporting measures disaggregated characteristics

Submit summary data that disaggregate the national reporting measures by the following characteristics:

Reporting Measure	Characteristic	Data Source and Time Period	Value	Numerator	Denominator
5. Unsubsidized employment in 2 nd quarter after completion of participation in E&T	a. Voluntary Participant	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	100.00%	10,734	10,734
	b. Mandatory Participant	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	0.00%	0	10,734
	c. Received high school diploma or equivalency prior to participation in E&T	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	68.32%	7,333	10,734
	d. Received high school diploma or equivalency prior to participation in E&T – education level unknown	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	0.00%	0	10,734

Reporting Measure	Characteristic	Data Source and Time Period	Value	Numerator	Denominator
	e. ABAWD	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	41.63%	4,469	10,734
6. Median Quarterly Wages in 2 nd quarter after completion of participation in E&T	a. Voluntary	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	\$3,774	N/A	N/A
	b. Mandatory	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	N/A	N/A	N/A
	c. Received high school diploma or equivalency prior to participation in E&T	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	\$3,945	N/A	N/A
	d. Received high school diploma or equivalency prior to participation in E&T – education level unknown	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	N/A	N/A	N/A
	e. ABAWD	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	\$3,905	N/A	N/A
7. Unsubsidized employment in 4 th quarter after completion of participation in E&T	a. Voluntary	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	100.00%	10,671.00	10,671
	b. Mandatory	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	0.00%	0.00	10,671
	c. Received high school diploma or equivalency prior to participation in E&T	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	67.84%	7,239.00	10,671
	d. Received high school diploma or equivalency prior to participation in E&T – education level unknown	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	0.00%	0.00	10,671
	e. ABAWD	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	40.52%	4,324.00	10,671
8. Completion of an educational,	a. Voluntary	FNS-583 Q4	100.00%	5,288	5,288
	b. Mandatory	FNS-583 Q4	0.00%	0	5,288

Reporting Measure	Characteristic	Data Source and Time Period	Value	Numerator	Denominator
training, work experience, or an on-the-job training component	c. Received high school diploma or equivalency prior to participation in E&T	FNS-583 Q4	47.69%	2,522	5,288
	d. Received high school diploma or equivalency prior to participation in E&T – education level unknown	FNS-583 Q4	52.31%	2,766	5,288
	e. ABAWD	FNS-583 Q4	33.74%	1,784	5,288

Participant characteristics

Provide percentage and number for the following six characteristics of all E&T participants served in the reporting fiscal year:

Characteristic	Characteristic Detail	Percentage	Total Number
9. Voluntary vs. Mandatory	Voluntary Participants	100.00%	13,220
	Mandatory Participants	0.00%	0
10. Education	Received high school diploma or equivalency (HSE) prior to participation in E&T	49.82%	6,586
	Did not receive HSE prior to participation	21.72%	2,872
	Unknown	28.46%	3,762
11. ABAWD	Has ABAWD status at the start of participation in E&T	26.13%	3,454
12. Speak English as a second language	English language learners	1.41%	187
	Unknown	98.59%	13,033
13. Gender	Male	44.34%	5,862
	Female	55.66%	7,358
	Unknown	0.00%	0
14. Age	Between 16-17	0.45%	60
	Between 18-35	51.00%	6,742
	Between 36-49	33.78%	4,466
	Between 50-59	11.88%	1,570
	60 or older	2.89%	382

ABAWD Pledge State Reporting

States that commit to offering all at-risk ABAWDs a slot in a qualifying activity and have received an additional allocation of funds must include the following information.

Reporting Requirement	Detail
15. The monthly average number of individuals in the State who meet the conditions of an at-risk ABAWD	6,469

Reporting Requirement	Detail
16. The monthly average number of individuals to whom the State offered a position in a qualifying E&T activity or workfare program	6,469
17. The monthly average number of individuals who participated in such programs	395
18. A description of the types of employment and training programs the State agency offered to at-risk ABAWDs and the availability of those programs throughout the State	All FSET activities are available to at-risk ABAWDs, including assessment, education and training, work experience, job search, and workfare. Additionally, supportive services are available to at-risk ABAWDs.

State Component Detail Measures

The State will include the components and reporting measures as indicated in its approved E&T State Plan.

Component	Measure	Value
Job Search	Total Job Search participants	8,964
	Number and percent of total job search participants who obtained unsubsidized employment within the reporting period	4,071 (45.41%)
	The top barrier facing job search participants, and the number and percent of total job search participants facing this barrier	<u>No Vehicle</u> 2,844 <u>No Driver's License</u> 2,804 <u>Staying w/ Family/Friends</u> 2,761
Job Retention	Total Job Retention participants	4,550
	Number and percent of total job retention participants who obtained unsubsidized employment within the reporting period	3,772 (82.90%)
	The top barrier facing job retention participants, and the number and percent of total workfare participants facing this barrier	<u>No Vehicle</u> 1,406 <u>No Driver's License</u> 1,374 <u>Staying w/ Family/Friends</u> 1,343
Workfare	Total Workfare participants	76
	Number and percent of total workfare participants who obtained unsubsidized employment within the reporting period	23
	The top barrier facing workfare participants, and the number and percent of total workfare participants facing this barrier	<u>No Vehicle</u> 36 <u>Staying w/ Family/Friends</u> 33 <u>No Driver's License</u> 30
Work Experience	Total Work Experience participants	100
	Number and percent of total work experience participants who obtained	37

	unsubsidized employment within the reporting period	
	The top barrier facing work experience participants, and the number and percent of total work experience participants facing this barrier	<u>Work History Gap</u> 49 <u>Usually Have Access to Reliable Car</u> 39 <u>Mental Health/PTSD/Depression</u> 37
Self-Employment	Total Self-Employment participants	109
	Number and percent of total self-employment participants who obtained unsubsidized employment within the reporting period	36
	The top barrier facing self-employment participants, and the number and percent of total self-employment participants facing this barrier	<u>General or Physical Health</u> 37 <u>Usually Have Access to Reliable Car</u> 37 <u>Staying w/ Family/Friends</u> 30
Education	Total Education participants	542
	Number and percent of total education participants who obtained unsubsidized employment within the reporting period	221
	The top barrier facing education participants, and the number and percent of total education participants facing this barrier	<u>No Driver's License</u> 308 <u>No Vehicle</u> 236 <u>Staying w/ Family/Friends</u> 174
All components	Total Enrollees	25,649
	Number and percent of FSET enrollees that were assigned each of the following numbers of components during FFY 2020 **Includes Enrollment	1: 442 2: 3,303 3: 8,041 4: 5,376 5: 6,225 6: 2,051 7: 210 ** 1 case was found to have 0 components
Top combinations of co-component participation	Number and percent of total FSET enrollees that were assigned these combinations of components at some point during the reporting period	
	Education and Job Search	7,461 (29.1%)
	Education, Job Search, Employment, and Job Retention	3,144 (12.3%)
	Employment, Job Search, and Job Retention	5,690 (22.2%)