



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #466

MA and FoodShare Administration -- Contracts (Health Services -- FoodShare and Public Assistance Administration)

[LFB 2023-25 Budget Summary: Page 304, #7]

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. Gainwell Technologies (Gainwell) is the Medicaid program's fiscal agent, and conducts several business functions such as processing fee-for-service claims submitted by providers, and reviewing prior authorization requests. Gainwell 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 (2022-23) funding for these contracted services totals \$253,608,800 (\$80,843,000 GPR and \$172,765,800 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 estimates 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 to improve program management.

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 support a share of the costs of each contract. The federal share of these costs varies. For example, for projects for the design, development, and implementation of a new system that will automate work that would otherwise be performed manually and that are identified in an advance planning document approved by CMS, the federal rate is 90%. Costs of Medicaid enrollment and eligibility determinations are eligible for a 75% FED match, and other types of projects, including those relating to FoodShare, are eligible for a 50% FED match.

3. Assembly Bill 43/Senate Bill 70 would increase funding for administrative contracts by \$65,486,800 (\$23,069,500 GPR and \$42,417,300 FED) in 2023-24 and by \$72,930,300 (\$26,169,600 GPR and \$46,760,700 FED) in 2024-25 to reflect estimates of the costs of contracts for the administration of the MA and FoodShare program in the 2023-25 biennium. The table on the following page summarizes the estimated total cost of these contracts, by category and fund source. (AB 43/SB 70 also includes funding for several other contracted services, which are part of other budget proposals not addressed in this paper.)

**Summary of MA and FoodShare Administrative Contracts Funding -- GPR and FED
AB 43/SB70**

	2023-24			2024-25		
	GPR	FED	Total	GPR	FED	Total
FoodShare Electronic Benefit Contract	\$1,221,600	\$1,221,600	\$2,443,200	\$1,221,600	\$1,221,600	\$2,443,200
MMIS	37,230,900	82,913,400	120,144,300	40,091,200	91,316,800	131,408,000
MMIS Modules and Related Contracts	5,669,800	25,742,700	31,412,600	4,930,400	19,057,500	23,988,000
CARES Maintenance and Programming	39,962,100	73,917,900	113,191,300	40,957,700	77,495,700	118,453,400
Other	19,129,400	25,901,000	45,030,400	18,386,000	24,901,600	43,287,600
Telecommunications	2,781,300	3,399,400	6,180,800	2,819,600	3,446,200	6,265,800
Hearings and Appeals and Disability Determinations Charges	<u>2,106,100</u>	<u>2,087,100</u>	<u>4,193,200</u>	<u>2,106,100</u>	<u>2,087,100</u>	<u>4,193,200</u>
Subtotal	\$107,412,500	\$215,183,100	\$322,595,800	\$110,512,600	\$219,526,500	\$330,039,200
Adjustments						
Costs Funded from Other Appropriations	-\$3,500,000	\$0	-\$3,500,000	-\$3,500,000	\$0	-\$3,500,000
Net Expenditures	\$103,912,500	\$215,183,100	\$319,095,600	\$107,012,600	\$219,526,500	\$326,539,100
2022-23 Base Funding	\$80,843,000	\$172,765,800	\$253,608,800	\$80,843,000	\$172,765,800	\$253,608,800
Difference (Change to Base)	\$23,069,500	\$42,417,300	\$65,486,800	\$26,169,600	\$46,760,700	\$72,930,300

4. AB 43/SB 70 would fund the difference between the estimated costs of the Department's proposed budget plan for contracts and base funding available for these costs. The dollar amounts, by year and fund sources, appear in the bolded last line of the table.

5. During the course of each biennium, DHS reallocates funding within its budget plan, as necessary, to fund unanticipated expenses, such as increases in contract costs and new contracts, many of which are required as a matter of state and federal law and policy. DHS purchases other contracted services to improve program operations and efficiency, both for the benefit of state and county staff and public assistance recipients.

6. The total GPR that would be provided under the bill represents an increase of 28.5% in 2023-24 and 32.4% in 2024-25, compared with the base (\$80.8 million GPR). The primary factor that contributes to the projected GPR cost increase of contracted services under the Department's spending plan relates to CARES programming services.

7. DHS contracts with Deloitte to provide programming services for the CARES system. In SFY 2022-23, DHS plans to expend \$71,875,000 (\$11,500,000 GPR and \$60,375,000 FED) to purchase an estimated 536,381 hours of programming services from Deloitte, the equivalent of approximately 268 FTE positions, based on 2,000 hours worked by each FTE position in a year.

8. Prior to the passage of the American Rescue Plan Act of 2021, the average blended federal matching rate CARES programming projects was 68%. In 2022-23, DHS is using one-time administrative grant funding the state received from the U.S. Department of Agriculture, Food and Nutrition Services to support CARES programming costs for FoodShare purposes, which has

temporarily increased the percentage of CARES programming costs funded from FED sources, and reduced the percentage of CARES programming costs funded from GPR. In 2022-23, DHS estimates that federal funds will support approximately 84% of total estimated programming costs. The GPR increase in the bill reflects DHS estimates that in the 2023-25 biennium, federal funds will again support approximately 68% of CARES programming costs.

9. Under AB 43/SB 70, DHS would be budgeted \$82,689,300 (\$26,460,600 GPR and \$56,228,700 FED) in 2023-24 and \$87,821,800 (\$28,103,000 GPR and \$59,718,800 FED) in 2024-25 to fund CARES programming services. The (all funds) cost increase is due to two factors. First, under the current contract, the cost of purchasing these services increased from \$128 to \$140 per hour in calendar year (CY) 2023, and, under the current contract, the rates will increase to \$150 per hour in CY 2024 and \$158 per hour in CY 2025. Second, DHS would purchase approximately 33,900 more programming hours in SFY 2023-24 and 2024-25 than the number of programming hours DHS expects to purchase in 2022-23.

10. In total, the GPR funding that would be budgeted for CARES programming services in the 2023-25 biennium, as part of AB 43/SB 70, (\$54,563,600) is \$31,563,600 more than the GPR budgeted for these costs in 2022-23 doubled (\$23,000,000). These factors account for 64% of the total GPR funding increase that would be provided in the bill under this item (\$49,239,100 GPR).

11. As part of 2021 Wisconsin Act 59 (the 2021-23 biennial budget), \$57,540,200 (\$17,434,700 GPR and \$40,105,500 FED) was budgeted in 2022-23 to support CARES programming services. However, the availability of the FNS administrative grant, together with several unbudgeted contract costs, resulted in DHS reallocating approximately \$5.9 million GPR that was initially budgeted for CARES programming services in 2022-23 to support other high priority contracted services, which have been incorporated into the agency's administrative contracts cost-to-continue estimates.

12. The amounts in the bill are intended to fund the Department's 2023-25 spending plan for ongoing contracts, and to fund inflationary increases, as required in several multi-year contracts.

13. If the Committee wishes to reduce the GPR cost of this item, compared to the amounts that would be provided in AB 43/SB 70, several options are presented for consideration that would reduce GPR funding that would be budgeted for CARES programming services.

Reduce 2023-24 and 2024-25 Budgeted Hours to 2022-23 Budgeted Hours. Budget for 536,381 hours of programming in each year of the 2023-25 biennium, rather than 570,271, as under SB 43/SB 70. Reduce funding by \$4,914,100 (-\$1,572,500 GPR and -\$3,341,600 FED) in 2023-24 and by \$5,219,100 (-\$1,670,100 GPR and -\$3,549,000 FED) in 2024-25 [Alternative 2].

Reduce 2023-24 and 2024-25 Budgeted Hours to 90% of 2022-23 Budgeted Hours. Budget for 482,743 hours of programming in each year of the 2023-25 biennium, rather than 570,271, as under SB 43/SB 70. Reduce funding by \$12,691,600 (-\$4,061,300 GPR and -\$8,630,800 FED) in 2023-24 and by \$13,479,400 (-\$4,313,400 GPR and -\$9,166,000 FED) in 2024-25 [Alternative 3].

14. There are several other reasons, in addition to CARES programming costs that explain

why the Department's 2023-25 spending plan is significantly greater than the base funding for contracts.

First, the GPR costs of some contracts were greater than the amount budgeted in Act 59, including the base contract with Gainwell (\$0.5 million) the costs of an enterprise data warehouse and data analytics reporting module, as part of the multi-year Medicaid Management Information System (MMIS) redesign (\$2.6 million), and contracted staff services provided by Spherion (\$2.1 million).

Second, the DHS plan would fund several inflationary increases to current contracts, in addition to the rate increases for CARES programming hours. For example, the Department's current MMIS base contract with Gainwell includes increases to hourly rates, as well as prospective inflationary adjustments. These features of the base contract will increase GPR costs for the current contract by \$1.0 million in 2023-24 and an additional \$2.3 million above projected 2022-23 costs (\$24.5 million GPR).

Third, additional funding is budgeted to pay Gainwell for some services that are not part of the flat fee fiscal agent contract ("prisms"). Among these ongoing services include implementation of the electronic visit verification project that uses technology to verify that authorized personal care and certain supportive home care services are provided, the administration of preadmission screen and resident review (PASRR) for MA recipients with long-term care needs, and nursing home resident acuity services. GPR cost increases for these contracts are estimated to be \$0.5 million in 2023-24 and \$1.8 million in 2024-25.

15. DHS has some ability to manage contract costs to stay within the budget established by the Legislature. Any reduction to the amount of funding that would be budgeted in AB 43/SB 70 for contracted services would require DHS to reprioritize current planned spending, and may lead to the deferral or reduction of the scope of some planned projects and the termination of some projects.

ALTERNATIVES

1. Provide \$65,486,800 (\$23,069,500 GPR and \$42,417,300) in 2023-24 and by \$72,930,300 (\$26,169,600 GPR and \$46,760,700 FED) in 2024-25 to fund the Department's spending plan for contracted services for the administration of the MA and FoodShare program in the 2023-25 biennium.

ALT 1	Change to Base
GPR	\$49,239,100
FED	<u>89,178,000</u>
Total	\$138,417,100

2. Provide \$60,572,700 (\$21,497,000 GPR and \$39,075,700 FED) in 2023-24 and \$67,711,200 (\$24,499,500 GPR and \$43,211,700 FED) in 2024-25 to fund the DHS spending plan, but fund CARES programming costs to reflect 2022-23 estimated hours (536,381).

ALT 2	Change to Base
GPR	\$45,996,500
FED	<u>82,287,400</u>
Total	\$128,283,900

3. Provide \$52,795,200 (\$19,008,200 GPR and \$33,787,000 FED) in 2023-24 and \$59,450,900 (\$21,856,200 GPR and \$37,594,700 FED) in 2024-25 to fund the DHS spending plan, but reduce funding for CARES programming hours to reflect a 10% reduction in hours from 2022-23 estimated hours, so that 482,743 hours would be budgeted in each year of the 2023-25 biennium.

ALT 3	Change to Base
GPR	\$40,864,400
FED	<u>71,381,700</u>
Total	\$112,246,100

4. Take no action.

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