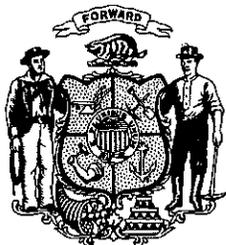


State of Wisconsin

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Joint Committee on Finance

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: April 6, 2018

Re: 14-Day Passive Review Approval – DHS

Pursuant to Section 9120(4j) of 2017 Wisconsin Act 59, attached is a 14-day passive review request from the Department of Health Services, received on April 6, 2018.

Please review the material and notify **Senator Darling** or **Representative Nygren** no later than **Thursday, April 19, 2018**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

AD:JN:jm



State of Wisconsin
Department of Health Services

Scott Walker, Governor
Linda Seemeyer, Secretary

April 5, 2018

APR 06 2018

J. Finance

The Honorable Alberta Darling, Senate Co-Chair
Joint Committee on Finance
Room 317 East, State Capitol
Madison, WI 53707

The Honorable John Nygren, Assembly Co-Chair
Joint Committee on Finance
Room 309 East, State Capitol
Madison, WI 53708

Dear Senator Darling and Representative Nygren:

Pursuant to s. 9120 (4j) of 2017 Wisconsin Act 59 (Act 59), I am submitting to you a plan outlining the Department's implementation of rate increases for ambulatory surgical centers (ASCs) in the Medicaid program. I am also requesting the release and transfer of \$1,250,000 GPR in FY 18 and \$1,250,000 GPR in FY 19 from the Committee's appropriation under s. 20.865(4)(a) to the DHS appropriation under s. 20.435(4)(b) to fund the non-federal share of costs associated with the rate increase for services provided by ASCs.

ASCs receive reimbursement under Medicaid fee-for-service and managed care programs for services provided to Medicaid members. ASCs have also been subject to a provider assessment; a portion of the revenue from the assessment was used to fund supplemental payments to ASCs in addition to their normal reimbursement. Act 59 adopted the Governor's proposal to end the provider assessment and also directed the Department to provide a rate increase to ASCs, including \$2.5 million GPR in the Committee's supplemental appropriation to fund the non-federal share of the rate increase. Combined with the federal share of payments, the total amount available for the ASC rate increase over the biennium is \$6,073,200. For reference, the Department and contracted health maintenance organizations (HMOs) made approximately \$6.8 million in claim payments to ASCs in FY 17.¹

As directed by Act 59, the Department developed the plan with through consultation with ASCs. In order for the increase in payments to ASCs to equal the funds available, the plan consists of two parts. First, the Department realigns Wisconsin Medicaid rates to Medicare rates and second, the Department increases the realigned rates by a small percentage. The plan does not include alterations to current payment policy on claims for individuals who are dually (Medicare and Medicaid) eligible.

Under current practice, Wisconsin Medicaid reimburses ASCs for covered procedure codes according to one of six payment tiers. The tiers are numbered one through six, with each successive

¹ This amount does not include payments made on claims for which Wisconsin Medicaid pays Medicare cost-sharing amounts for members who are enrolled in both Medicare and Medicaid.

tier having a higher reimbursement rate and every covered procedure code assigned a single tier. Due to the federal restriction that Medicaid payments may not exceed Medicare payments, the assigned tier for every Medicaid covered procedure code reflects the rate that is closest to, but does not exceed, the Medicare payment level for that code. The Department has not been in the practice of reassigning procedure codes to tiers based on periodic updates to Medicare rates. According to the plan, Wisconsin Medicaid will realign covered procedure codes with current Medicare payment amounts. The table below shows the anticipated results based on claims paid on a fee-for-service basis in FY 17. A larger percentage of paid procedure codes, as well as the distribution of dollars paid, will shift to higher tiers.²

Tier	Current			Plan	
	Reimbursement per code	% of all Paid codes	% of all Dollars Paid	% of all Paid codes	% of all Dollars Paid
1	\$ 104	20%	5%	10%	1%
2	\$ 209	20%	25%	8%	5%
3	\$ 313	18%	14%	8%	27%
4	\$ 452	16%	29%	9%	12%
5	\$ 731	11%	4%	20%	22%
6	\$ 1,079	15%	24%	46%	32%
Average Reimbursement			\$334	\$474	

This realignment of tiers will use 95 percent of the available budget for rate increases. To consume the remaining 5 percent of the budget, the plan proposes a 1.7 percent increase to the current reimbursement level. The table below shows these reimbursement amounts.

Tier	Reimbursement			
	Current	Plan	% Increase	
1	\$ 104	\$ 106	1.7%	
2	\$ 209	\$ 212	1.7%	
3	\$ 313	\$ 319	1.7%	
4	\$ 452	\$ 460	1.7%	
5	\$ 731	\$ 743	1.7%	
6	\$ 1,079	\$ 1,097	1.7%	

Historically, 38 percent of reimbursement for services provided by ASCs to Wisconsin Medicaid members occurs on a fee-for-service basis. The remaining 62 percent of reimbursements have been by HMOs, with whom the Department contracts to cover a large portion of Wisconsin Medicaid members. The proposed increase to reimbursement rates would have the effect of requiring HMOs to also increase their reimbursement of ASCs for services provided to their members. The Department previously incorporated an adjustment for the ASC rate increase in developing the calendar year 2018 capitation rates for HMOs.

² Wisconsin Medicaid procedure codes could have either stayed at the same tier or moved upwards. Those codes with reimbursement levels higher than the current Medicare payment level simply stayed at the same tier.

Senator Darling
 Representative Nygren
 April 5, 2018
 Page 3

The rates, as proposed, appropriately considered the amount paid under a new rate structure, both on a fee-for-service and on a managed care basis, to remain with the aggregate expenditure limits put forward by Act 59 and the federal payment rules regarding upper payment limits.

The Department's plan would implement the rate increase effective January 1, 2018. For the months of January 2018 through June 2018, the plan calls for rates to be temporarily adjusted in such a way that ASCs effectively receive the new rate for the entirety of FY 18, but without the Department – and HMOs – needing to revisit payments made in the first half of FY 18. The Department has calculated these one-time rates, which are 30 percent higher than the rates shown in the previous table.

Tier	Plan			% Increase
	Ongoing*	One-time**		
1	\$ 106	\$ 138		30%
2	\$ 212	\$ 276		30%
3	\$ 319	\$ 414		30%
4	\$ 460	\$ 598		30%
5	\$ 743	\$ 966		30%
6	\$ 1,097	\$ 1,426		30%

* in effect beginning July 1, 2018

** in effect only from January 1, 2018 to June 30, 2018

In summary, the Department's expenditures in the 2017-19 biennium according to the plan are as follows:

	SFY 18		SFY 19	
	GPR	AF	GPR	AF
Tier Realignment	\$ 608,337	\$ 1,448,421	\$ 1,210,081	\$ 2,881,144
Rate Adjustment	\$ 663,171	\$ 1,578,979	\$ 69,155	\$ 164,656
Total Increase	\$ 1,250,000	\$ 3,027,400	\$ 1,250,000	\$ 3,045,800
Base Spending (SFY 17)	\$ 2,840,952	\$ 6,764,172	\$ 2,840,952	\$ 6,764,172
Total Paid (projected)	\$ 4,090,952	\$ 9,791,572	\$ 4,090,952	\$ 9,809,972

Thank you for considering this request. Please contact me with any questions you may have.

Sincerely,



Linda Seemeyer
 Secretary

cc: Members of the Joint Committee on Finance