

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: December 3, 2019

Re: 14-Day Passive Review Approval – DHS

Pursuant to s. 49.45(2t), Stats., attached is a 14-day passive review request from the Department of Health Services, received on December 3, 2019.

Please review the material and notify **Senator Darling** or **Representative Nygren** no later than **Friday, December 20, 2019**, 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

Tony Evers, Governor
Andrea Palm, Secretary

December 3, 2019

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The Honorable Alberta Darling, Senate Co-Chair
Joint Committee on Finance
Room 317 East
State Capitol
P.O. Box 7882
Madison, WI 53707

The Honorable John Nygren, Assembly Co-Chair
Joint Committee on Finance
Room 309 East
State Capitol
P.O. Box 8953
Madison, WI 53708

Dear Senator Darling and Representative Nygren:

Per s. 49.45(2t)(a), created by 2017 Act 370, I am requesting approval to implement a rate increase for physicians and psychiatrists in the Medicaid program effective January 1, 2020.

Physicians and psychiatrists are crucial components of the state's health care system. Governor Evers and the Legislature supported Medicaid rate increases for physicians and behavioral health providers in the 2019-21 biennial budget. The final budget, Act 9, directs the Department to fund the rate increases for physicians and behavioral health providers with base funding.

Regarding physicians, the Department proposes increasing reimbursement for "Problem Focused and Preventive" evaluation and management (E&M) codes by six percent. These particular codes are billed primarily by physicians, but certain other providers, such as nurse practitioners and physician assistants, can bill them also.

Like other providers, physicians are facing rising costs to deliver care to their patients. Physicians have not received an across the board increase to Medicaid reimbursement rates since 2008, when rates were increased by 1%. At the same time, physicians participate at high rates in the Medicaid program. Based on a 2016 study by the Department, 85% of primary care physicians are enrolled as Medicaid providers, and 72% are considered to be actively participating. Given the important role they play in the Medicaid program, it is important to provide a significant rate increase to preserve access for members into the future. The projected cost for the increase is \$4,463,600 All Funds (\$1,814,000 GPR) in FY 20 and \$8,927,300 All Funds (\$3,628,100 GPR) in FY 21.

Senator Alberta Darling
Representative John Nygren
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In addition, this proposal would increase selected reimbursement services for psychiatrists by 33 percent. In 2018, the Department increased Medicaid rates for a range of billing codes for psychiatrists and other behavioral health professionals as a way to preserve and improve access to services for Medicaid members. The Department did not increase psychiatrist E&M codes as part of the 2018 rate increase. Because services billed through E&M codes represent the mainstay of many psychiatrists' practices, the Department concludes that these codes should be increased by an amount consistent with the 2018 rate increases for other psychiatric services.

While psychiatrists participate in Medicaid at roughly the same rates as primary care physicians, the state faces a shortage of psychiatrists overall. According to 2018 data, 55 out of 72 Wisconsin counties face psychiatrist shortages. This proposed rate increase will help further access to behavioral health services for Medicaid members. The cost of rate increase is estimated to be \$1,687,900 All Funds (\$686,000 GPR) in FY 20 and \$3,375,900 All Funds (\$1,372,000 GPR) in FY 21.

The combined cost of the physician and psychiatrist rate increases will be \$18,454,700 All Funds (\$7,500,000 GPR) during the 2019-21 biennium. The GPR cost is equivalent to the funding level appropriated by the Legislature during budget deliberations, after adjusting for January 1, 2020, rather than a July 1, 2019, implementation date.

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

Sincerely,

A handwritten signature in cursive script that reads "Andrea Palm".

Andrea Palm
Secretary-designee