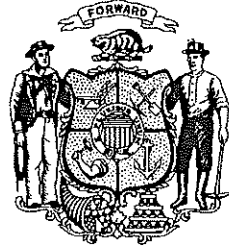


State of Wisconsin

SENATE CHAIR
Howard Marklein

316 East, State Capitol
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ASSEMBLY CHAIR
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Joint Committee on Finance

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Howard Marklein
Representative Mark Born

Date: March 19, 2024

Re: 14-Day Passive Review Approval – DHS

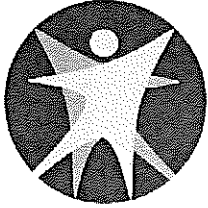
Pursuant to s. 49.45(2t), Stats., attached is a 14-day passive review request from the Department of Health Services, received on March 19, 2024.

Please review the material and notify **Senator Marklein** or **Representative Born** no later than **Friday, April 5, 2024**, 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

HM:MB;jm



State of Wisconsin
Department of Health Services

Tony Evers, Governor
Kirsten L. Johnson, Secretary

March 19, 2024

MAR 19 2024
St. Finance

The Honorable Howard L. Marklein, Senate Co-Chair
Joint Committee on Finance
Room 316 East
State Capitol
P.O. Box 7882
Madison, WI 53707

The Honorable Mark Born, Assembly Co-Chair
Joint Committee on Finance
Room 308 East
State Capitol
P.O. Box 8952
Madison, WI 53708

Dear Senator Marklein and Representative Born:

Per s. 49.45(2t), created by 2017 Act 370, I am requesting approval from the Committee, under 14-day passive review, to establish Medicaid home and community-based services (HCBS) minimum reimbursement rates for certain Family Care services effective July 1, 2024.

The estimated annual cost of the HCBS minimum fee schedule is \$258.0 million All Funds, which will be supported through the current biennium with federal funding for Medicaid HCBS provided through the federal American Rescue Plan Act of 2021 (ARPA). After FY 25, the annual ongoing cost will need to be funded with an estimated \$154.8 million in federal Medicaid funds and \$103.2 million GPR.

The HCBS minimum fee schedule would establish minimum rates that DHS would require managed care organizations (MCOs) to pay providers for the following Family Care services: adult family homes, community based residential facilities, residential apartment complexes, supportive home care agencies, and self-directed supportive home care. These are services for which no corresponding rates exist in fee-for-service Medicaid, and consequently each MCO establishes a rate through its contract with the provider. It is important to note that the minimum rates are not maximum rates; MCOs must pay above the minimum when needed to secure the care their members need.

Under the proposal, an estimated 75.6% of supportive home care service providers would see a 16.2% rate increase, and 64.1% of monthly residential providers would see a 40.5% rate increase.

The Department developed the minimum fee schedule with the assistance of its contracted actuarial firm. In developing the fee schedule, the proposal assumes staffing costs of \$15.75 per hour in direct care wages, \$4,218 for health insurance per year per direct care worker, and retirement contributions of 1.68% of wages, salaries, and paid leave. It is important to emphasize that these were the assumptions used to develop the minimum fee schedule, but providers will retain the authority to set compensation levels for their staff.

The HCBS minimum fee schedule is a critical investment in Wisconsin's long term care system and the providers who care for the state's most vulnerable citizens. The funding would support direct care workers and providers serving individuals with intellectual disabilities, physical disabilities, or over age 65 needing a nursing home level of care.

Medicaid is the only payor for HCBS services for individuals with developmental disabilities and a primary payor for frail elders and individuals with physical disabilities. Additionally, Medicare does not pay for HCBS services, and low Medicaid rates have put upward pressure on private pay families. Long term care providers are experiencing significant cost pressures to recruit and retain direct care workers.

While this proposal would establish a minimum fee schedule, managed care organizations (MCOs) would still be contractually required and expected to negotiate rates and pay above the minimum when needed to secure the care that members need. The Department would increase MCO capitation rates to ensure that MCOs have the funding to increase rates they are currently paying below the proposed minimums without needing to reduce the rates they pay to other providers. Furthermore, the Department will continue risk corridor provisions in MCO contracts, which limit MCO profits. Additionally, the Department would systematically monitor MCOs to ensure they are paying providers at or above the minimums and has the ability to impose contractual penalties if the MCOs fail to pay the minimums.

I thank members of the Committee for the preliminary conversations Department staff have had with you on the proposal. I am pleased that we have been able to collaborate with so many vital partners as we have developed the minimum fee schedule concept. We look forward to continued collaboration with the Committee and the Legislature.

Please contact me with any questions.

Sincerely,

A handwritten signature in cursive script that reads "Kirsten Johnson". The signature is written in black ink and is positioned above the printed name.

Kirsten Johnson
Secretary-designee