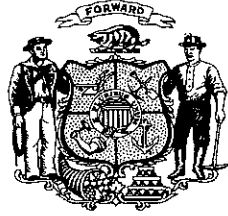


STATE OF WISCONSIN

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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: December 30, 2019

Re: DHS Report to JFC

Attached is a report on the overall condition of the Medicaid benefits budget and any changes to the program in the past quarter from the Department of Health Services, pursuant to s. 49.45(2n), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:JN:jm



State of Wisconsin
Department of Health Services

Tony Evers, Governor
 Andrea Palm, Secretary

December 30, 2019

DEC 30 2019
J.F. Finance

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

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:

As required under s. 49.45(2n), I am writing to provide an update for the second quarter of FY 20 on the overall condition of the Medicaid benefits budget and any changes to the program in the past quarter.

The Department projects that costs will exceed budget in the Medicaid program by \$39.8 million GPR over the next two years. The table below reflects current estimates for Medicaid expenditures through FY 21, based on trends in enrollment, costs per enrollee, federal claiming rates, and third party revenues.

Projected Medicaid Expenditures for the 2019-21 Biennium (in millions)				
	September 2019 Projection		December 2019 Projection	
	GPR	All Funds	GPR	All Funds
Act 9 Budgeted Level	\$6,706.9	\$21,767.2	\$6,706.9	\$21,767.2
Projected Expenditures	\$6,728.3	\$21,819.4	\$6,746.7	\$21,866.7
<i>Difference</i>	<i>(\$21.4)</i>	<i>(\$52.2)</i>	<i>(\$39.8)</i>	<i>(\$99.5)</i>

The projection includes all Medicaid expenditure items in Act 9, the 2019-21 biennial budget, including the Governor's veto message. Costs are projected to be higher than budgeted due to multiple factors. As indicated in my September letter, the state's FFY 21 federal medical assistance percentage (FMAP) rate is projected to be lower than budgeted. In September, the federal government released final per capita income data used to calculate FMAP rates for each state. Wisconsin's FFY 21 rate will be 0.24 percentage points less than the rate assumed in Act

Senator Alberta Darling
Representative John Nygren
December 30, 2019
Page 2

9, which was based on preliminary data released last spring. The lower than expected rate will increase GPR costs by \$20 million over the last nine months of the biennium. This month's projection also reflects actuarially-set rates for BadgerCare Plus and Family Care managed care organizations (MCOs) for CY 20. Rates for BadgerCare Plus MCOs were higher than budgeted, while Family Care rates were lower, with the result being an overall net increase. In addition, this month's projection includes higher estimates for IRIS program expenditures and for Medicare Part D "Clawback" payments to the federal government.

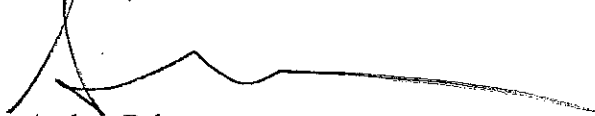
The estimated shortfall in this month's projection is less than one percent of the Medicaid GPR budget for the biennium. Projected expenditures will change in subsequent quarterly reports, as additional months of enrollment and utilization data becomes available. The Department will continue to monitor costs closely throughout the biennium.

State Plan and Waiver Amendments

The Appendix lists state plan amendments and waiver amendments submitted to the federal government this quarter.

Please contact me if you have any questions about this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrea Palm", with a long horizontal flourish extending to the right.

Andrea Palm
Secretary-designee

Appendix

Proposed Medicaid State Plan Amendments and Waivers Submitted to the Federal Government for Approval

State Plan Amendments

Amendment 19-0013 – Drug Utilization Review. Effective October 1, 2019, this amendment adds new components to the drug utilization review program, including monitoring for (1) opioid fills in excess of state limits, (2) opioid use in excess of maximum daily morphine equivalents, (3) concurrent prescriptions of opioids and benzodiazepines, (4) concurrent prescriptions of opioids and antipsychotics, (5) use of antipsychotic medications by children, and (6) potential fraud or abuse of controlled substances. This amendment is required by the federal Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act. *Estimated annual fiscal effect: None.*

Amendment 19-0014 – Katie Beckett Program Cost-Effectiveness Modification. Effective October 1, 2019, this amendment makes changes to reflect current Katie Beckett Program practices and to include information required by the federal Centers for Medicare and Medicaid Services (CMS) regarding the method for determining the cost-effectiveness of caring for children in the Katie Beckett Program in their homes. *Estimated annual fiscal effect: None.*

Amendment 19-0015 – Family Care Partnership Program Covered Outpatient and Prescription Drug Carve-Out. Currently, Family Care Partnership Program managed care organizations (MCOs) are responsible for managing pharmacy services for members. Under this amendment, effective January 1, 2020, Partnership enrollees will receive most outpatient drugs through Medicaid fee for service rather than through the Partnership managed care benefit. *Estimated annual fiscal effect: None*

Amendment 19-0016 – Personal Care Services Maximum Allowable Fee Modification. Effective January 1, 2020, this amendment implements the personal care services rate increase authorized by 2019 Wisconsin Act 9, the 2019-2021 Biennial Budget Act. *Estimated annual fiscal effect: \$28,893,600 AF (\$11,700,000 GPR) in FY 20 and \$62,153,300 AF (\$25,200,000 GPR) in FY 21.*

Amendment 19-0017 – Disproportionate Share Hospital Payments. Effective December 12, 2019, this amendment increases payments to hospitals that serve a disproportionate share of low-income patients as authorized by Act 9. *Estimated annual fiscal effect: \$49,212,598 AF (\$20,000,000 GPR).*

Waivers

None.