

STATE OF WISCONSIN

SENATE CHAIR
Alberta Darling

317 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-5830



ASSEMBLY CHAIR
John Nygren

308 East, State Capitol
P.O. Box 8953
Madison, WI 53708-8953
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: March 31, 2020

Re: DHS Report to JFC

Attached is a report on the overall condition of the Medicaid benefits budget and any changes made 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-designee

March 31, 2020

MAR 31 2020

St. Finance

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:

Each quarter, as required under s. 49.45(2n), I write to provide an update on the overall condition of the Medicaid benefits budget and any changes to the program in the past quarter.

We are in an extraordinary moment in the history of Wisconsin and the nation, as we wage an all-out battle against the COVID-19 pandemic. The pandemic is likely to significantly increase Medicaid expenditures for the remainder of the biennium. Medicaid members will require more health care services, and the pandemic's effect on the nation's economy will likely drive up Medicaid enrollment.

In my December 2019 quarterly letter, I indicated that projected costs would exceed budget in the Medicaid program by \$39.8 million GPR over the next two years. Trends in the program in January and February were consistent with that projection.

The current environment has rendered the previous projection obsolete. Hospitals, nursing homes, and other health care and long term care providers will be stretched to the limit as they care for individuals suffering from COVID-19. The Department has issued a number of Medicaid policy updates and alerts to safeguard the health and well-being of members, providers, and the public during this public health emergency. The Department is also working with the Legislature to pursue a temporary federal waiver approval for more flexible requirements for providers during the COVID-19 emergency period related to reimbursement, allowable settings, certification, and other topics. These measures will help providers respond more effectively to patient care needs while also boosting the volume of provider claims submitted to the Medicaid claims system.

In addition, the Department of Workforce Development has experienced a dramatic increase in the daily number of claims for unemployment benefits in recent weeks. Medicaid enrollment is very sensitive to economic conditions, especially the state's unemployment rate. As unemployment increases, Medicaid enrollment is expected to rise in a commensurate way.

To help states manage the anticipated spike in Medicaid costs associated with the COVID-19 crisis, the Families First Coronavirus Response Act (FFCRA) increases the Federal Medical Assistance Percentage (FMAP) by 6.2 percentage points for Medicaid benefits in the calendar quarters in which the public health emergency related to COVID-19 is in effect. The legislation conditions states' eligibility for the increased funding on:

- Eligibility restrictions being no more restrictive than those in effect on January 1, 2020;
- Premiums imposed being no greater than those in effect on January 1, 2020;
- Currently enrolled and newly enrolling individuals may not be disenrolled, effective on the enactment date until the last day of the month in which the public health emergency period ends; and
- There being no cost sharing requirements for COVID-19 testing services and treatment.

The Department is also working with the Legislature to make temporary program changes to qualify for the enhanced FMAP. The Legislative Fiscal Bureau has estimated that the 6.2% increase would result in GPR savings of approximately \$150 million per quarter. If the Department is able to make the required temporary program changes, this additional federal funding would help offset increases in service utilization and enrollment. The number of calendar quarters for which the state could claim the enhanced FMAP depends on the duration of the federal public health emergency.

Overall, the cumulative effect of service utilization changes, enrollment changes, and enhanced FMAP availability is unknown, because the duration and severity of the COVID-19 outbreak, and the ability of the Department to make temporary program changes, is unknown at this time. The Department will closely monitor expenditures and revenues in the Medicaid program in the weeks and months ahead and keep the Legislature informed as we develop a clearer understanding of the effects of the COVID-19 pandemic on the program's fiscal condition.

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 question about this report.

Sincerely,



Andrea Palm
Secretary-designee

Appendix

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

State Plan Amendments

WI-20-0001 – Hospital Rate Modification. Effective January 1, 2020, this amendment reflects updates to the Department's annual hospital rate setting process. *Estimated annual fiscal effect: None.* This amendment also implements the 2019-21 biennial budget funding increase for the Rural Critical Care Supplement payment. *Estimated annual fiscal effect: \$4.9 million AF (\$2.0 million GPR).*

WI-20-0002 – COLA Modification. Effective January 1, 2020, this amendment increases program eligibility limits for the maintenance of a home of institutionalized beneficiaries, in accordance with the 1.4% annual cost of living adjustments to the SSI Benefit Amount announced in the Federal Register notice published October 22, 2019. *Estimated annual fiscal effect: None.*

WI-20-0003 – COLA Modification. Effective January 1, 2020, this amendment increases program eligibility limits for individuals qualifying related to their SSI eligibility, in accordance with the 1.4% annual cost of living adjustments to the SSI Benefit Amount announced in the Federal Register notice published October 22, 2019. *Estimated annual fiscal effect: None.*

Waivers

None.