

# 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: July 6, 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

June 30, 2020

JUL 06 2020

*A. 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 fourth quarter of FY 20 on the overall condition of the Medicaid benefits budget and any changes to the program in the past quarter.

The COVID-19 pandemic has had profound effects on all aspects of life in Wisconsin. Projecting Medicaid expenditures for the remainder of the biennium is challenging given the multifaceted nature of these effects and uncertainty about the course of the pandemic over the coming year. At the time of my March 31<sup>st</sup> letter, at that early stage in the pandemic response, the Department was not able to develop a specific Medicaid biennial cost projection. With three additional months of expenditure and enrollment data and more information on federal Medicaid emergency funding and the pandemic's projected economic impacts, we are now able to offer a budget status projection for the program informed by the best information available at this time. This projection relies on many assumptions and is subject to multiple uncertainties related to the future of the pandemic, economic conditions over the next twelve months, and the continued availability of federal emergency funding for the Medicaid program.

The Department projects a surplus in the Medicaid program of \$85.4 million GPR for the 2019-21 biennium. The table below reflects current estimates for Medicaid expenditures through FY 21, based on trends in enrollment, costs per enrollee, federal Medicaid financial participation, and third party revenues.

<b>Projected Medicaid Expenditures for the 2019-21 Biennium (in millions)</b>				
	<b>December 2019 Projection</b>		<b>June 2020 Projection</b>	
	GPR	All Funds	GPR	All Funds
Act 9 Budgeted Level	\$6,706.9	\$21,767.2	\$6,706.9	\$21,767.2
Projected Expenditures	\$6,746.7	\$21,866.7	\$6,621.5	\$22,488.8
<i>Difference</i>	<i>(\$39.8)</i>		<i>\$85.4</i>	

This projection is based on multiple assumptions related to four main factors affecting the Medicaid budget.

First, the federal Families First Coronavirus Response Act (FFCRA) increased the Federal Medical Assistance Percentage (FMAP) by 6.2 percentage points for Medicaid benefits in the calendar quarters in which the COVID-19 public health emergency issued by the U.S. Department of Health and Human Services (HHS) related to COVID-19 is in effect. In April, HHS Secretary Alex Azar extended the public health emergency until July 25, 2020. The extension enables states to qualify for the enhanced FMAP funding from January 1, 2020 through September 30, 2020.

Second, FFCRA conditions states' eligibility for the increased FMAP on:

- Eligibility standards and procedures 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;
- Implementing a continuous enrollment policy, whereby currently enrolled and newly enrolling individuals may not be dis-enrolled during the public health emergency period, unless they wish to do so voluntarily or move out of state; and
- There being no cost sharing requirements for COVID-19 testing services and treatment.

2019 Act 185 authorizes the Department to make Medicaid program changes to meet these conditions. The temporary requirement to provide continuous coverage to all Medicaid enrollees is projected to have a significant impact on Medicaid enrollment growth and costs for the remainder of the biennium.

Full-benefit Medicaid enrollment, including projected retroactive adjustments, increased by 8.3% during the most recent four month period, from 1,048,976 enrollees in February 2020 to an expected 1,136,346 enrollees in June 2020. This increase is primarily due to the continuous enrollment policy, and the policy will continue to boost enrollment until the month after the public health emergency ends.

Third, the Wisconsin Department of Revenue indicates that the state's unemployment rate peaked at 14.7% in April 2020, receding to 12.0% in May 2020. Medicaid enrollment strongly correlates with the unemployment rate, although Medicaid enrollments in response to an economic recession often lag unemployment growth by a few months. Based on preliminary June enrollment projections, unemployment appears to have begun influencing Medicaid

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Representative John Nygren  
June 30, 2020  
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enrollment this month. This projection uses the experience of Medicaid enrollment growth during the Great Recession of 2008 and 2009 as a starting point for estimating unemployment-driven enrollment increases for the remainder of this biennium. It assumes that economic conditions will cause monthly Medicaid enrollment growth to peak during the second quarter of FY 21, with growth continuing at a smaller pace through the final quarter of the biennium.

Overall, the Department's projection assumes that full-benefit Medicaid enrollment will increase by 22% between March 2020 and June 2021, an net increase of approximately 232,000 members over the pre-COVID-19 enrollment count of 1,054,000 in March 2020 to reach an expected enrollment of 1,286,000 by June 2021.

A fourth factor relates to changes in service utilization due to COVID-19. Health care providers from hospitals to primary care physicians experienced various impacts on their ability to deliver services, ranging from spikes in COVID-related care to reductions in primary care visits and non-critical procedures. At the same time, the Wisconsin Medicaid program has implemented numerous temporary reimbursement flexibilities for providers, including significant expansion of telehealth services. However, due to the typical three to four month lag in providers submitting claims for reimbursement, we are not yet able to discern clear changes in Medicaid service utilization trends due to the COVID-19 pandemic. As such, this quarter's projection does not attempt to adjust for expected changes in service utilization due to the COVID-19 pandemic.

Based on the combined effects of the enhanced FMAP, projected enrollment growth, and trends in service utilization and costs, it is estimated the Medicaid program will experience a \$309.1 million GPR surplus in FY 20 and a \$223.7 million GPR deficit in FY 21, for a combined estimated biennial surplus of \$85.4 million GPR.

While we offer a more specific projection figure this quarter, I must again emphasize how fluid the Medicaid enrollment picture will be in the coming months due to changing economic conditions and the indeterminate timeframe during which the State will receive enhanced FMAP and be required to maintain the FFCRA continuous enrollment policy. Subsequent quarterly reports will draw on additional data to further refine our projection for the coming year.

*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,



Andrea Palm  
Secretary-designee

## Appendix

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

#### *State Plan Amendments*

*Amendment 20-0012 – Electronic Visit Verification System.* The amendment would provide required assurances relating to the electronic visit verification system for personal care services and home health services. *Annual fiscal effect: None.*

*Amendment 20-0013 – Resource Disregard for Cost Share Reimbursement.* The amendment would disregard as income reimbursement received by members for incorrect cost share charges for a nine month period. *Annual fiscal effect: No material effect.*

*Amendment 20-0014 – CHIP Behavioral Health Benefit Coverage.* The federal SUPPORT Act of 2019 requires states to include assurances of adequate behavioral health coverage in their Children's Health Insurance Program (CHIP) state plans. This amendment adds such assurances to Wisconsin's state plan; it does not alter existing coverage. *Annual fiscal effect: None*

#### **Medicaid and CHIP Disaster Relief State Plan Amendments**

*These amendments will remain in effect as long as both the National Emergency Declaration and the U.S. Secretary of Health and Human Services Public Health Emergency Declaration related to COVID-19 remain in effect.*

*Amendment 20-0004 – Expand hospital presumptive eligibility to include individuals in the Elderly, Blind, or Disabled eligibility categories with incomes up to the Medically Needy Income Limit. Annual fiscal effect: Less than \$100,000 All Funds*

*Amendment 20-0005 -- Extend CHIP renewal deadlines and the reasonable opportunity period for immigration verification. Suspend CHIP premiums for the duration of the emergencies to enable compliance with federal continuous coverage requirements under FFCRA. Annual fiscal effect: \$3.7 million All Funds.*

*Amendment 20-0007 – Allow nurse practitioners and physician assistants to temporarily order home health services, and extend reasonable opportunity for citizenship and immigration status verification. Annual fiscal effect: \$500,000 All Funds.*

*Amendment 20-0009 – Allow exceptions to the Preferred Drug List if drug shortages occur. Annual fiscal effect: Approximately \$1 million All Funds.*

*Amendment 20-0010 – Establish automatic renewal of prior authorization for medications and suspend premiums to comply with continuous coverage requirements under FFCRA. Annual fiscal effect: Approximately \$2.2 million All Funds.*

*Amendment 20-0011* – Modify maximum per-hospital amounts for Medicaid disproportionate share hospital payments. *Annual fiscal effect: None.*

### ***Waivers***

*Section 1135 Waiver Request.* A request for temporary program changes for items authorized under section 105(10)(a) of 2019 Act 185.

*Section 1915(c) Appendix K Emergency Preparedness and Response Waiver Request – Children’s Long Term Supports Waiver.* A request for temporary program changes for items authorized under section 105(10)(a) of 2019 Act 185.

*Section 1915(c) Appendix K Emergency Preparedness and Response Waiver Request – Family Care Waiver.* A request for temporary program changes for items authorized under section 105(10)(a) of 2019 Act 185.

*Section 1915(c) Appendix K Emergency Preparedness and Response Waiver Request – IRIS Waiver.* A request for temporary program changes for items authorized under section 105(10)(a) of 2019 Act 185.