

# 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: October 1, 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

September 30, 2020

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*St. Finance*

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

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 first quarter of FY 21 on the overall condition of the Medicaid benefits budget and any changes to the program in the past quarter.

The Department projects a surplus in the Medicaid program of \$289.0 million GPR for the 2019-21 biennium. The table below reflects current estimates for Medicaid expenditures through FY 21, based on projected trends in enrollment, costs per enrollee, federal Medicaid financial participation, and third party revenues.

Projected Medicaid Expenditures for the 2019-21 Biennium (in millions)				
	June 2020 Projection		September 2020 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	\$6,621.5	\$22,488.8	\$6,417.9	\$22,365.8
<i>Difference</i>	<i>\$85.4</i>		<i>\$289.0</i>	

This projected surplus is higher than what was reported in our June letter primarily due to two factors. First, this projection assumes that enhanced federal Medicaid funding will be available for four calendar quarters from January through December 2020; the June projection assumed only three quarters of enhanced funding. In March, Congress enacted the federal Families First Coronavirus Response Act (FFCRA), which increased the Federal Medical Assistance

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Percentage (FMAP) by 6.2 percentage points for Medicaid benefits in the calendar quarters in which the federal COVID-19 public health emergency is in effect. Since our last report, U.S. Department of Health and Human Services Secretary Alex Azar extended the COVID-19 public health emergency for an additional 90 days, until October 23, 2020. The extension is expected to generate an additional \$120 million in GPR savings for the biennium compared to the June projection.

Second, this projection reflects additional months of Medicaid enrollment data and updated enrollment estimates for the remainder of the fiscal year. Medicaid enrollment has increased due to the economic downturn brought on by COVID-19 and the continuous enrollment requirements under FFCRA. As a condition of receiving enhanced FMAP funds, FFCRA bars states from disenrolling individuals or imposing stricter eligibility or premium requirements during the public health emergency. Full benefit Medicaid enrollment has increased by approximately 128,000 individuals from January to August 2020. While substantial, this increase is smaller than assumed in our June letter. We project that enrollment will continue to grow by an additional 53,500 full benefit enrollees by June 2021. These enrollment projections are consistent with assumptions used for the Department's 2021-23 biennial budget request submitted on September 15, 2020.

Revised trend assumptions in various service categories also contribute to the updated surplus projection.

As in past letters, I would like to emphasize that the Medicaid fiscal situation continues to be fluid due to the evolving Medicaid enrollment picture, changing economic conditions, and the duration of the enhanced FMAP funding. We will provide updated projections based on additional months of data in subsequent quarterly reports.

*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 20-0015 – Nursing Home Rates.* The amendment would update nursing home reimbursement rates consistent with the provisions of 2019 Act 9. *Annual fiscal effect: None.*

*Amendment 20-0016 – Medically Needy Spenddown Modification.* The amendment would, for medically needy groups who have a spenddown requirement for eligibility purposes, disregard income increases that may occur during the spenddown period. *Annual fiscal effect: No material effect.*

*Amendment 20-0017 – MAPP Work Incentive Requirements.* The amendment makes changes to the Medical Assistance Purchase Plan to comply with s. 49.472. The amendment would expand the resource disregard related to independence accounts and allow members to deduct verified monthly out-of-pocket medical and remedial expenses. *Annual fiscal effect: \$3.6 million*

*Amendment 20-0018 – Cost Share Modification.* This amendment would limit the amount of copayments members are required to pay to no more than 5% of monthly family income and eliminate copayments for children under age 19. *Annual fiscal effect: \$6.4 million.*

#### *Waivers*

*IRIS 1915(c) Waiver Renewal.* A three-year renewal of the IRIS program beginning in CY 21.