



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #375

Medical Assistance Base Reestimate (DHFS -- Health Care Financing -- Base Funding and Revenue)

[LFB 2003-05 Budget Summary: Page 198, #2]

CURRENT LAW

In 2002-03, approximately \$1,038.6 million GPR, \$2,266.9 million FED, and \$361.3 million SEG is budgeted to support benefits provided under the state's medical assistance (MA) program. These amounts include funding provided in 2003 Wisconsin Act 1 to address a projected shortfall in 2002-03.

GOVERNOR

Provide \$349,067,600 (\$155,890,100 GPR, \$193,177,500 FED) in 2003-04 and \$474,424,400 (\$313,157,000 GPR, \$266,625,400 FED, and -\$105,358,000 SEG) in 2004-05 to reflect a reestimate of the cost to continue funding MA benefits in the 2003-05 biennium, based on the current program.

DISCUSSION POINTS

1. The MA base reestimate projects the cost to continue MA benefits under current eligibility rules, program restrictions and provider rates. It is estimated that MA benefits will total \$3,933.0 million in 2003-04 and \$4,046.5 million in 2004-05, based on current law. The current estimate is based on updated information regarding 2002-03 enrollment and costs and a revision of some of the assumptions used by the administration in estimating future program costs.

2. Based on this analysis, funding in the bill should be increased by \$29,913,900 (\$14,002,200 GPR and \$15,911,700 FED) in 2003-04 and \$18,094,800 (\$7,409,400 GPR and \$10,685,400 FED) in 2004-05. These amounts include \$6,579,400 GPR and \$6,267,000 FED in

2003-04 to fund payments that otherwise would be paid in 2002-03.

The following table shows the total amount of funding that would be budgeted for MA under the reestimate.

MA Base Reestimate Current Estimate and Change to Bill				
	<u>GPR</u>	<u>FED</u>	<u>SEG</u>	<u>Total</u>
2003-04				
Current Estimate	\$1,216,616,100	\$2,418,981,000	\$297,379,900	\$3,932,977,000
Less Funding in the Bill	<u>-1,202,613,900</u>	<u>-2,403,069,300</u>	<u>-297,379,900</u>	<u>-3,903,063,100</u>
Change to Bill	\$14,002,200	\$15,911,700	\$0	\$29,913,900
2004-05				
Current Estimate	\$1,367,290,200	\$2,487,202,600	\$192,021,900	\$4,046,514,700
Less Funding in the Bill	<u>-1,359,880,800</u>	<u>-2,476,517,200</u>	<u>-192,021,900</u>	<u>-4,028,419,900</u>
Change to Bill	\$7,409,400	\$10,685,400	\$0	\$18,094,800

3. Total enrollment is projected to increase by 9.5% to 509,300 in 2002-03, 4.9% to approximately 534,500 in 2003-04, and 1.4% to approximately 541,900 in 2004-05. The projected increase in 2002-03 is slightly less than the increase projected by the administration. The projected increases for 2003-04 and 2004-05 are somewhat higher than the administration's projections for those years.

The following table identifies, by major eligibility group, the actual average monthly enrollment in 2001-02 and the projected enrollment for 2002-03, 2003-04 and 2004-05.

Actual and Projected Average Monthly Enrollment By Major Eligibility Group				
	<u>2001-02 Actual</u>	<u>2002-03 Estimate</u>	<u>2003-04 Estimate</u>	<u>2004-05 Estimate</u>
Elderly	43,632	42,867	41,046	40,041
Blind and Disabled	99,164	102,368	106,424	110,623
AFDC-Related	173,442	208,924	226,048	227,453
Other*	<u>148,694</u>	<u>155,155</u>	<u>160,943</u>	<u>163,779</u>
Total	464,932	509,315	534,460	541,896

*Individuals in the "Other" category include children and pregnant women eligible for MA under the Healthy Start criteria and individuals participating in the state's community-based long-term care waiver programs, such as CIP and COP-W.

4. Caseload growth among low-income families enrolled in MA has been a major contributing factor to increasing program costs in the current biennium. Since July, 2000, caseload among individuals eligible under the AFDC-related criteria has increased from approximately 145,600 individuals to approximately 215,300 in March, 2003, an increase of approximately 48%. However, it is projected that the number of AFDC-related enrollees will increase at much slower rates in 2003-04, compared with growth over the last 18 months and will not change in 2004-05.

5. Much of the difference between the current estimate and the estimates prepared by the administration reflect lower estimates of collections from other sources, including third-party liability, estate recovery, provider audits and liability for medical support. Based on more recent information regarding these collections, this estimate includes a decrease of approximately \$15 million (all funds) in 2002-03, \$13.8 million (all funds) in 2003-04 and \$12.3 million (all funds) in 2004-05 in collections compared with the estimates included in the bill. Because these collections offset GPR and federal benefit costs, budgeted expenditures are increased to reflect the decrease in estimated collections.

6. In 2001-02, approximately 72.2% of MA costs were attributable to services used by elderly and disabled individuals enrolled in MA, even though this population represented just 27.2% of the total number of MA enrollees. Long-term care services represent the largest category of expenditures under MA. Under the current estimate, long-term care costs, such as nursing home care, home health care and the community-based long-term care waivers, are expected to total approximately 43.0% of total MA expenditures in 2003-04 and 41.4% of total expenditures in 2004-05.

7. Overall trends in health care costs and increasing utilization of services represent a significant factor in MA cost increases. For example, the average cost per person for prescription drugs is expected to increase approximately 11.5% in 2003-04 and 10.7% in 2004-05. Additionally, the average cost per person for personal care services is expected to increase 12.2% in 2003-04 and 9.2% in 2004-05.

8. The funding that is provided under the base reestimate does not include funding for rate increases for fee-for-service providers and managed care organization, except that funding is included to increase managed care capitation payments to: (a) the Family Care care management organizations by 1.5% annually; (b) Wisconsin partnership program (WPP) and program for all-inclusive care for the elderly (PACE) sites by 5% annually; and (c) the independent care program (I-CARE) by 5.0% annually.

MODIFICATION

Increase funding in the bill by \$29,913,900 (\$14,002,200 GPR and \$15,911,700 FED) in 2003-04 and by \$18,094,800 (\$7,409,400 GPR and \$10,685,400 FED) in 2004-05 to reflect the projected cost to continue MA benefits in the next biennium, based on current law.

<u>Modification</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2003-05 FUNDING (Change to Bill)	\$21,411,600	\$26,597,100	\$48,008,700

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