



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #360

Medical Assistance Base Reestimate (DHFS -- MA, BadgerCare and SeniorCare -- Base Reestimates and Funding)

[LFB 2005-07 Budget Summary: Page 233, #2]

CURRENT LAW

The state's medical assistance (MA) program funds acute and long-term care services to certain groups of low-income individuals, including the elderly and disabled, and families with dependent children. MA-funded services are supported with a combination of state funds (GPR and SEG funds from the MA trust fund), county funds, and federal matching funds. Federal matching funds currently support approximately 58% of the costs of most services provided under the program.

Base funding for MA benefits is approximately \$4,054.0 million (\$1,434.6 million GPR, \$2,515.9 million FED, and \$103.5 million SEG). The MA base funding amounts reflect funding that was budgeted for the program in 2004-05 through the acts of the 2003 legislative session. Consequently, the 2004-05 MA base funding level does not include funding that was provided in 2005 Wisconsin Act 2 to partially address a projected shortfall in the program in 2004-05.

The 2004-05 shortfall, which is currently estimated to be approximately \$75 million, reflects a projected deficit in the segregated MA trust fund. In other words, approximately \$75 million in revenue would need to be credited to the MA trust fund in 2004-05 in order for the trust fund to have a \$0 balance, as of July 1, 2005. Neither the funding in the bill, nor in the reestimate presented in this paper, address the projected 2004-05 shortfall in the MA trust fund.

GOVERNOR

Provide \$194,881,600 (\$245,034,000 GPR, -\$25,388,800 FED, and -\$24,763,600 SEG) in 2005-06 and \$367,885,000 (\$333,551,500 GPR, \$67,402,900 FED, and -\$33,069,400 SEG) in 2006-07 to reflect reestimates of the amount of funding needed to support MA in the 2005-07 biennium, based on current law.

DISCUSSION POINTS

Funding

1. The MA base reestimate projects the cost-to-continue MA benefits under current eligibility rules, program restrictions, and provider reimbursement rates (with the exception of payments to managed care providers). It is estimated that MA benefits will total approximately \$4,341.0 million (\$1,693.9 million GPR, \$2,568.4 million FED, and \$78.7 million SEG) in 2005-06 and \$4,523.0 million (\$1,786.5 million GPR, \$2,663.8 million FED, and \$72.7 million SEG) in 2006-07. The current estimate is based upon updated projections of enrollment and costs, a reestimate of the federal financial participation (FFP) rate, the removal of items that do not reflect a true cost-to-continue for the MA program, and a revision of some of the assumptions used by the administration in projecting future program costs.

2. Based on this analysis, funding in the bill should be increased by \$92,105,300 (\$14,224,000 GPR and \$77,881,300 FED) in 2005-06 and by \$101,237,500 (\$18,385,100 GPR, \$80,546,600 FED, and \$2,305,800 SEG) in 2006-07.

Table 1 identifies base funding for MA benefits and the total funding that would be budgeted for MA under the reestimate.

TABLE 1

MA Base and Cost-to-Continue

	2004-05 <u>Base</u>	2005-06 <u>Total</u>	2006-07 <u>Total</u>	2005-06 Change to Base	2006-07 Change to Base
GPR	\$1,434,593,800	\$1,693,851,800	\$1,786,530,400	18.1%	24.5%
FED	2,515,867,500	2,568,360,000	2,663,817,100	2.1	5.9
SEG	<u>103,463,600</u>	<u>78,700,000</u>	<u>72,700,000</u>	-23.9	-29.7
Total	\$4,053,924,900	\$4,340,911,800	\$4,523,047,500	7.1%	11.6%

Enrollment

3. Total enrollment is projected to increase by 7.3% to 583,500 in 2004-05, 5.5% to 615,700 in 2005-06, and 2.7% to 632,300 in 2006-07. The projected increases are higher than the increases projected by the administration for 2005-06 and 2006-07. The current estimate uses caseload data through March, 2005, and uses slightly different assumptions for caseload growth than the administration used in developing its estimates.

4. Table 2 identifies, by major eligibility group, the actual average monthly enrollment in 2003-04, and the projected enrollment for 2004-05, 2005-06, and 2006-07.

TABLE 2

**Actual and Projected MA Enrollment, by Major Eligibility Group
Fiscal Years 2003-04 thru 2006-07**

	2003-04	2004-05	2005-06	2006-07	<u>% Change from Previous Year</u>		
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Elderly	41,600	40,900	40,100	39,200	-1.7%	-2.0%	-2.2%
Blind and Disabled	106,500	110,400	114,100	118,000	3.7	3.4	3.4
AFDC-Related	230,000	256,500	274,100	276,900	11.5	6.9	1.0
Other*	<u>165,700</u>	<u>175,700</u>	<u>187,400</u>	<u>198,200</u>	6.0	6.7	5.8
Total	543,800	583,500	615,700	632,300	7.3%	5.5%	2.7%

*Includes 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.

5. Nursing home patient days are projected to decline by 2.6% in 2004-05 to approximately 8.0 million patient days, by 4.5% to 7.6 million patient days in 2005-06, and by 4.0% to 7.3 million patient days in 2006-07. The administration projected a slightly greater decline in patient days of 4.1% in 2004-05, 4.3% in 2005-06, and 4.4% in 2006-07.

6. Total managed care enrollment among MA participants is projected to increase by 8.5% to 307,552 in 2004-05, 8.5% to 337,737 in 2005-06, and 5.3% to 351,555 in 2006-07. The projected increases are lower than the administration's projections in 2004-05 (11.0%), and higher than the administration's projections in 2005-06 (7.6%) and 2006-07 (4.4%). These enrollment projections include enrollment among the AFDC/Healthy Start population, the Wraparound Milwaukee and Children Come First programs, and the long-term care managed care programs.

Costs

7. Increases in the average costs of fee-for service benefits represent a significant factor in MA cost increases. For example, the average cost per person for prescription drugs is expected to

increase by approximately 11.6% in 2005-06 and 7.9% in 2006-07. Additionally, the average cost per person for personal care services is expected to increase by 6.9% in 2005-06 and by 7.2% in 2006-07.

8. The projected increase in total average fee-for-service costs varies by eligibility group. These costs are projected to increase most rapidly for the group of recipients that are either blind or disabled (8.0% in 2004-05, 10.2% in 2005-06, and 6.7% in 2006-07). The average fee-for-service costs are expected to increase the least for AFDC related enrollees (3.7% in 2004-05, 0.0% in 2005-06, and 3.6% in 2006-07). Table 3 identifies, by major eligibility group, the fee-for-service costs per eligible in 2003-04 and the projected costs per eligible in 2004-05, 2005-06, and 2006-07.

TABLE 3

Average Cost Per Eligible by Major Eligibility Group

	2003-04	2004-05	2005-06	2006-07	<u>% Change from Previous Year</u>		
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Elderly	\$4,900	\$5,300	\$5,600	\$6,000	8.2%	5.7%	7.1%
Blind and Disabled	10,000	10,800	11,900	12,700	8.0	10.2	6.7
AFDC-Related	2,700	2,800	2,800	2,900	3.7	0.0	3.6
Other	3,200	2,700	3,000	2,900	-15.6	11.1	-3.3

9. The cost per recipient estimates included in the current estimate are slightly higher, in general, than the administration projected. The current estimate is based on actual 2004-05 expenditures through February, 2005, whereas the administration's estimate did not include any actual 2004-05 expenditure data.

10. The funding that is provided under the base reestimate does not include funding to support rate increases to fee-for service providers, but does include funding to increase managed care monthly capitation payments to: (a) the Independent Care program (I-Care) by 5.0% annually; (b) the Wisconsin Partnership Program (WPP) and the Program for All Inclusive Care for the Elderly (PACE) sites by 4.0% annually; (c) the Family Care care management organizations by 4.0% annually; (d) the AFDC/Healthy Start HMOs by 3.4% annually; and (e) the Wraparound Milwaukee and Children Come First programs by 1% annually. Federal MA law requires states to provide actuarially sound rates to managed care organizations.

11. In 2003-04, a federal law change prohibited the inclusion of VA per diem payments in the patient liability component at the state-operated veterans nursing homes at King and Union Grove. This change requires MA to support a greater share of care costs for MA-supported residents of the veterans' facilities. This change, in addition to caseload and cost trends, is projected to increase MA reimbursements to the veterans homes from approximately \$18.8 million (all funds) in 2004-05 to \$56.5 million in 2005-06 and to \$29.4 million in 2006-07. However, under another

item in AB 100, the Governor proposes to lapse \$25 million PR from the appropriation that supports the operations of the veterans homes to the general fund in 2005-06. It is possible to lapse this amount from the PR appropriation that supports the veterans homes, in part, because of this increased payment the MA program will make to support the veterans homes.

12. The administration's base reestimate assumes that parental cost share revenues under the children's long-term care waiver, which includes autism recipients, would total \$440,000 annually. These revenues, combined with the federal matching funds of \$603,100 in 2005-06 and \$594,700 in 2006-07, would be used to support services to children with autism. The parental cost share requirement was approved under Act 33 and was anticipated to go into effect in 2003-04. However, DHFS has not implemented the parental cost share requirements. Since these revenues are assumed to be available in both the administration's and the current base reestimate figures, DHFS must implement these cost-sharing requirements to meet both the administration's and the Legislature's intent.

Non-Cost to Continue Items (Autism Services and CIP IB Slots)

13. Under Wisconsin Act 33 (the 2003-05 biennial budget act), approximately \$32.0 million (all funds) was provided in 2004-05 to support intensive and ongoing autism services to children under a new MA home-and community-based waiver program. The funding provided in Act 33 was intended to support the individuals who were receiving autism services on a fee-for-service basis and to support 250 new intensive autism participants in 2003-04 and 2004-05. Services provided at the intensive level would be supported at a rate of \$96 per day, while services at the ongoing level would be supported at a rate of \$30.60 per day. The Governor's MA base reestimate would provide funding to support 250 new autism waiver participants in each year and would increase the intensive daily rate from \$96 per day to \$101.47 per day, beginning in 2005-06.

14. Act 33 also provided funding to support 25 new CIP IB slots to address community placement needs arising from the denial of new ICF-MR admissions and the relocation of individuals with developmental disabilities who live in nursing homes. The Governor's MA base reestimate would continue to fund these slots, but would also add 25 additional slots, beginning in 2005-06.

15. Historically, funding to support new MA waiver slots, increases in MA waiver reimbursement rates, and increases in MA waiver allocations have not been included in the MA base reestimate. The funding increases for the items are not part of the current base reestimate. Consequently, if the Committee wishes to provide additional funding to support these items, they are presented for consideration under Alternatives 2 and 3.

MODIFICATION

1. Increase funding in the bill by \$92,105,300 (\$14,224,000 GPR and \$77,881,300 FED) in 2005-06 and by \$101,237,500 (\$18,385,100 GPR, \$80,546,600 FED, and \$2,305,800 SEG) in 2006-07 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>SEG</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$32,609,100	\$158,427,900	\$2,305,800	\$193,342,800

ALTERNATIVES

A. Autism Services

1. In addition to the modification, increase funding in the bill by \$3,771,500 (\$1,596,900 GPR and \$2,174,600 FED) in 2005-06 and by \$8,533,300 (\$3,566,400 GPR and \$4,966,900 FED) in 2006-07 to support 250 new autism waiver participants in each year and to increase the rate the MA program would pay for intensive autism services, from \$96 per day to \$101.47 per day, beginning in 2005-06.

<u>Alternative A1</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$5,163,300	\$7,141,500	\$12,304,800

2. In addition to the modification, increase funding in the bill by \$2,276,500 (\$960,300 GPR and \$1,316,200 FED) in 2005-06 and by \$4,405,900 (\$1,873,500 GPR and \$2,532,400 FED) in 2006-07 to support 125 new autism waiver participants in each year and to increase the rate the MA program would pay for intensive autism services, from \$96 per day to \$101.47 per day, beginning in 2005-06.

<u>Alternative A2</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$2,833,800	\$3,848,600	\$6,682,400

3. Take no action.

B. CIP IB

1. In addition to the modification, increase funding in the bill by \$342,100 (\$144,300 GPR and \$197,800 FED) in 2005-06 and by \$684,300 (\$289,800 GPR and \$394,500 FED) in 2006-07 to support 25 additional ICF-MR diversion slots, beginning in 2005-06.

<u>Alternative B1</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$434,100	\$592,300	\$1,026,400

2. Take no action.

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