



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #365

Health Care Quality Improvement Fund and Supplemental Hospital Payments (DHFS --MA, BadgerCare, and SeniorCare -- Base Reestimates and Funding)

[LFB 2005-07 Budget Summary: Page 237, #5 and Page 238, #6]

CURRENT LAW

In 2004-05, federal medical assistance (MA) matching funds support approximately 58.3% of the cost of most services MA recipients receive. Wisconsin uses several funding sources, in addition to GPR, to support the state's share of MA costs, including certain county funds, provider assessment revenue, and tribal gaming revenues.

GOVERNOR

Reduce base GPR funding for MA benefits by \$150,000,000 in 2005-06 and by \$130,000,000 in 2006-07 and replace this funding with SEG funding from the health care quality improvement fund (HCQIF), which would be created in the bill.

Create Fund. Create a separate, nonlapsible trust fund designated as the health care quality improvement fund (HCQIF), which would consist of: (a) \$169,703,400 in 2005-06 and \$9,714,000 in 2006-07 that would be transferred from the injured patients and families compensation fund; (b) \$130,000,000 from the net proceeds of revenue obligation bonds backed by the state's excise taxes on alcoholic beverage, cigarette, and tobacco products; (c) \$250,000 annually from program revenues DHFS collects from health care providers; (d) repayment of loans provided by the Health Care Quality and Patient Safety Board; and (e) unanticipated general fund revenues received in the 2005-07 biennium, in an amount determined by the DOA Secretary, that would otherwise be transferred to the budget stabilization fund.

Create Three SEG MA Benefits Appropriations. Create three SEG appropriations from the HCQIF to support MA benefits costs. First, create a continuing appropriation, budgeted with

\$150,000,000 SEG in 2005-06 and \$130,000,000 SEG in 2006-07 to support MA benefits costs. Second, create a sum sufficient appropriation, to which unanticipated general fund revenues received in the 2005-06 biennium, as described above, would be credited. Third, create an annual appropriation, budgeted with \$9,703,400 in 2005-06 and \$9,714,000 in 2006-07, to provide payments for direct graduate medical education, a major managed care supplement, a pediatric services supplement, rural hospital supplements, and an essential access city hospital supplement. Repeal the sum sufficient appropriation and all of the statutory references to this appropriation on June 30, 2007.

Supplemental Hospital Payment. Reduce funding by \$9,068,000 GPR annually and increase SEG funding by corresponding amounts to fund the state's share of the following annual supplemental hospital payments from the health care quality improvement fund, rather than from GPR: (a) direct graduate medical education (\$5,200,000); (b) rural hospital adjustment (\$860,000); (c) major managed care supplement (\$108,000); (d) pediatric supplement (\$900,000); and (e) essential access city hospital supplement (\$2,000,000).

DISCUSSION POINTS

1. To date, the Committee has deleted the following provisions from Assembly Bill 100: (a) the authority for the Building Commission to issue up to \$130,000,000 in revenue obligation bonds backed by the state's alcoholic beverage, cigarette and tobacco products excise tax to provide a revenue source for the HCQIF; (b) the transfer of \$169,703,400 in 2005-06 and \$9,714,000 in 2006-07 from the injured patients and families compensation fund to the HCQIF and the statutory changes relating to that fund; and (c) provisions that would create a new Health Care Quality and Patient Safety Board, attached to the Department of Administration, which would distribute grants and loans for a variety of projects to improve health care quality.

2. Based on the Committee's decisions on these items, there is no longer a source of revenue to the HCQIF that would be available to support base MA benefits costs, including supplemental hospital payments, as proposed by the Governor. A segregated trust fund, the MA trust fund, already exists that supports a portion of the state's share of MA benefits costs. If, in the future, if the Legislature wished to designate a new revenue source to support MA benefits, these revenues could be deposited to the MA trust fund. For these reasons, there appears to be no purpose in maintaining any of the provisions in the bill relating to the HCQIF.

SUMMARY

The Governor's bill provided \$159,068,000 SEG in 2005-06 and \$139,068,000 SEG in 2006-07 from the HCQIF and deleted corresponding amounts of base GPR funding for MA benefits. Because no SEG funding is available to replace these GPR base funds, these GPR amounts should be restored to support MA benefits in the 2005-07 biennium. Further, all references to the HCQIF should be deleted from the bill.

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