



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

---

June, 2023

Joint Committee on Finance

Paper #460

### Health Care Provider Innovation Grants (Health Services -- Quality Assurance)

[LFB 2023-25 Budget Summary: Page 298, #1]

---

#### CURRENT LAW

The federal American Rescue Plan Act (ARPA) included incentives for states to improve their Medicaid-funded home and community based services (HCBS) programs. Under ARPA, states received a 10.0 percentage point increase in their federal medical assistance percentages (FMAPs, the federal matching rate for most Medicaid services) for base HCBS expenditures during a 12-month period from April 1, 2021, to March 31, 2022. Initially, states were required to spend the state savings resulting from the enhanced federal matching funds to improve HCBS programs over a two-year period, from April 1, 2022, through March 31, 2024. However, the deadline for spending these funds was subsequently extended to March 31, 2025.

States were required to submit an expenditure plan to the Centers for Medicare and Medicaid Services (CMS) for HCBS enhancements. In its submission, the Department of Health Services (DHS) anticipated claiming an additional \$353 million in enhanced federal matching funds for HCBS expenditures during the period from April 1, 2021, to March 31, 2022. Overall, DHS estimated that the reinvestment plan would total approximately \$701 million, since an estimated additional \$348 million in federal funds can be claimed on any of the \$353 million spent on Medicaid eligible activities (both benefit and administrative activities).

Under Wisconsin's expenditure plan, which was approved by CMS in September, 2021, the Department anticipated six broad areas of spending: (a) Medicaid HCBS workforce, provider capacity, and fiscal stability; (b) promoting quality and innovation resources; (c) tribal long-term care systems; (d) independent living and family/informal caregiver resources; (e) access to HCBS information and services; and (f) assisted living information, analysis, and quality oversight.

## DISCUSSION POINTS

1. To support quality and innovation, as described in the Department's submission to CMS, the Department created and implemented the HCBS innovation grants program. Wisconsin's HCBS programs include Children's Long-Term Support, Family Care, Family Care Partnership, IRIS (Include, Respect, I Self-Direct), and the Program for All-Inclusive Care for the Elderly (PACE).

2. Under the Department's ARPA-funded HCBS innovation grant program, approximately \$45 million will be paid out over two rounds. To date, DHS has disbursed the first round of grants. During the first round, applicants submitted over 717 applications, requesting over \$200 million in funding. Of those applications, DHS selected 69 projects and awarded over \$17 million in project funding, with projects ranging from \$25,000 to \$2 million. For the second round of funding, DHS received 449 applications, requesting a total of more than \$86 million in grant funding, with projects ranging from \$25,000 to \$1 million. Projects must be completed by September, 2024. DHS expects to provide the status of awards for the second round before June 30, 2023.

3. The program goal of the ARPA HCBS innovation grant program is to enhance, improve, and strengthen HCBS in Wisconsin. Grants must benefit individuals or family members of individuals participating in a Wisconsin HCBS program or a service provider (or employee of a service provider) of a Wisconsin HCBS program. Examples of allowable grant uses include: developing and implementing specialized training for direct care workers and managers; helping individuals with intellectual, developmental, and other significant disabilities find and retain work; expanding the use of technology and telehealth by assisting HCBS providers with supplies and equipment; funding recruitment and retention activities for direct service workers of Medicaid HCBS providers; and supporting quality initiatives that improve services and supports, and increase community engagement.

4. Assembly Bill 43/Senate Bill 70 (AB 43/ SB 70) would provide \$7,500,000 GPR in 2023-24 and \$15,000,000 GPR in 2024-25 to fund health care provider innovation grants (\$7,275,000 in 2023-24 and \$14,550,000 in 2024-25) and contracted program administration and evaluation costs (\$225,000 GPR in 2023-24 and \$450,000 GPR in 2024-25). The bill would authorize DHS to distribute not more than \$15,000,000 in each fiscal year as grants to health care and long-term care providers to implement best practices and innovative solutions to increase worker recruitment and retention.

5. The Administration indicates that the Department would administer the program in a manner similar to how it administered the current grant program with respect to evaluation metrics, scoring criteria, and reporting requirements, with modifications as appropriate.

6. However, the Administration notes two major differences between the ARPA HCBS innovation grants and the proposed healthcare innovation grants included in the bill. First, the ARPA-funded program is only available to HCBS providers due to limitations imposed by CMS on the expenditures of the ARPA funds. Eligibility for the new proposed program would include currently eligible home and community based service providers, as well as all acute and long-term care providers, including institutional providers, who employ direct care professionals, certified nurse aides, and nurses (for example skilled nursing facilities and hospital systems).

7. Second, while workforce is one of the priority project areas for the ARPA-funded program, other projects that strengthen the HCBS system also qualify. On the other hand, the provider innovation grant program would fund evidence-based programs that support entry-level healthcare workers with the goal of increasing recruitment and retention. These grants would support workers through activities that are outside the scope of providers' central responsibilities and are not otherwise reimbursable through the Medical Assistance program.

8. The Administration indicates that examples of activities that could be eligible under the bill include creating mentorship programs, providing teacher or instructor bonuses, sponsoring paid clinical sites, fostering professional development, improving scheduling practices, and providing social supports (referring to material, psychological, financial, or emotional resources provided by a social network to help deal with stress). The Administration believes that these types of projects may increase workforce recruitment and retention for health care and long-term care providers.

9. According to the Wisconsin Hospital Association (WHA) 2022 Wisconsin Health Care Workforce Report "Health care demand increases as age increases, and an aging population requires a larger health care workforce. U.S. citizens over the age of 55 make up 28% of the population, but account for 57% of health care spending. From 2018 to 2033, the U.S. population aged 65 and older is projected to grow by almost 50%, while the population under age 18 will grow by less than 5%. The state of Wisconsin, following national trends, is aging rapidly. In 2015, Wisconsin had zero counties with more than 40% of the population over age 60. By 2040, projections place 16 Wisconsin counties in this oldest bracket."

10. However, in addition to anticipated future need for health care professionals, the WHA Wisconsin Health Care Workforce Report notes that a number of long-term and short-term factors have accelerated staffing difficulties over the past couple of years, including staff retirements due to the aging of the baby boomer generation and an exodus of health care professionals due to the COVID-19 pandemic. As such, hospitals have seen an increase in turnover rates, especially among frontline positions. The report notes that in 2021 turnover rates in hospitals were 33% for certified nurse aides (CNAs), 20% for licensed practical nurses, and 19% for registered nurses.

11. The Long-Term Care 2022 Workforce Report compiled by Leading Age Wisconsin, Wisconsin Assisted Living Association, Wisconsin Health Care Association (WHCA)/ Wisconsin Center for Assisted Living (WiCAL) and the Disability Service Provider Network, using survey data from 805 providers, notes an increase in caregiver vacancies from 23.8% in 2020 to 27.8% in 2022; including a 28.4% vacancy rate for certified nursing assistants (CNAs) and direct care workers. Further, the Long-Term Care Workforce Report survey data shows a caregiver vacancy rate of 33.2% in adult family homes, 31.2% in skilled nursing facilities, 27.1% in community based residential facilities (CBRFs), and 25.6% in residential care apartment complexes (RCACs).

12. In an effort to address caregiver vacancies, which may increase as the population ages and demand for caregivers and health care workers increases while the current workforce retires, the Committee could choose to provide \$7,500,000 GPR in 2023-24 and \$15,000,000 GPR in 2024-25 to fund health care provider innovation grants and authorize DHS to distribute not more than \$14,550,000 (\$15,000,000 GPR in total funding, less \$450,000 that would be budgeted for contracted administration and evaluation services) in each fiscal year as grants to health care and long-term care

providers to implement best practices and innovative solutions to increase worker recruitment and retention. This alternative is identical to the AB 43/SB 70 provision, but corrects the statutory provision to reflect the amount that would be budgeted for grants. [Alternative 1]

13. On the other hand, based on the number of applications and the amount of funding requested for the ARPA HCBS innovation grant funding, the Committee could provide a greater amount of funding for the program, especially in light of the Department's plans to broaden applicant eligibility. As such, the Committee could provide \$10,000,000 in 2023-24 and \$20,000,000 GPR in 2024-25 to fund health care provider innovation grants and authorize DHS to distribute not more than \$19,400,000 in each fiscal year as grants to health care and long-term care providers to implement best practices and innovative solutions to increase worker recruitment and retention (\$20,000,000 in total funding, less \$600,000 that would be budgeted for contracted administration and evaluation services). The Administration's proposal would limit administration and evaluation costs to 3% of total funding, however, it is not clear whether increasing total funding would necessarily increase administration and evaluation costs proportionately. [Alternative 2]

14. Alternatively, the Committee could fund the grants at a lower level. Under this alternative, the Committee would provide \$7,500,000 GPR annually of which \$7,225,000 would be for grants and \$225,000 would be for contracted services. [Alternative 3]

15. Finally, the Committee could choose to take no action on this item. [Alternative 4]

## ALTERNATIVES

1. Provide \$7,500,000 GPR in 2023-24 and \$15,000,000 GPR in 2024-25 to fund health care provider innovation grants (\$7,225,000 for grants and \$225,000 for contracted services in 2023-24 and \$14,550,000 for grants and \$450,000 for contracted services in 2024-25). Authorize DHS to distribute not more than \$14,550,000 in each fiscal year as grants to health care and long-term care providers to implement best practices and innovative solutions to increase worker recruitment and retention.

ALT 1	Change to Base
GPR	\$22,500,000

2. Provide \$10,000,000 GPR in 2023-24 and \$20,000,000 GPR in 2024-25 to fund health care provider innovation grants (\$9,700,000 for grants and \$300,000 for contracted services in 2023-24 and \$19,400,000 for grants and \$600,000 for contracted services in 2024-25). Authorize DHS to distribute not more than \$19,400,000 in each fiscal year as grants to health care and long-term care providers to implement best practices and innovative solutions to increase worker recruitment and retention.

ALT 2	Change to Base
GPR	\$30,000,000

3. Provide \$7,500,000 GPR annually to fund health care provider innovation grants (\$7,225,000 for grants and \$225,000 for contracted services). Authorize DHS to distribute not more than \$7,225,000 in each fiscal year as grants to health care and long-term care providers to implement best practices and innovative solutions to increase worker recruitment and retention.

<b>ALT 3</b>	<b>Change to Base</b>
GPR	\$15,000,000

4. Take no action.

Prepared by: Alexandra Bentzen

