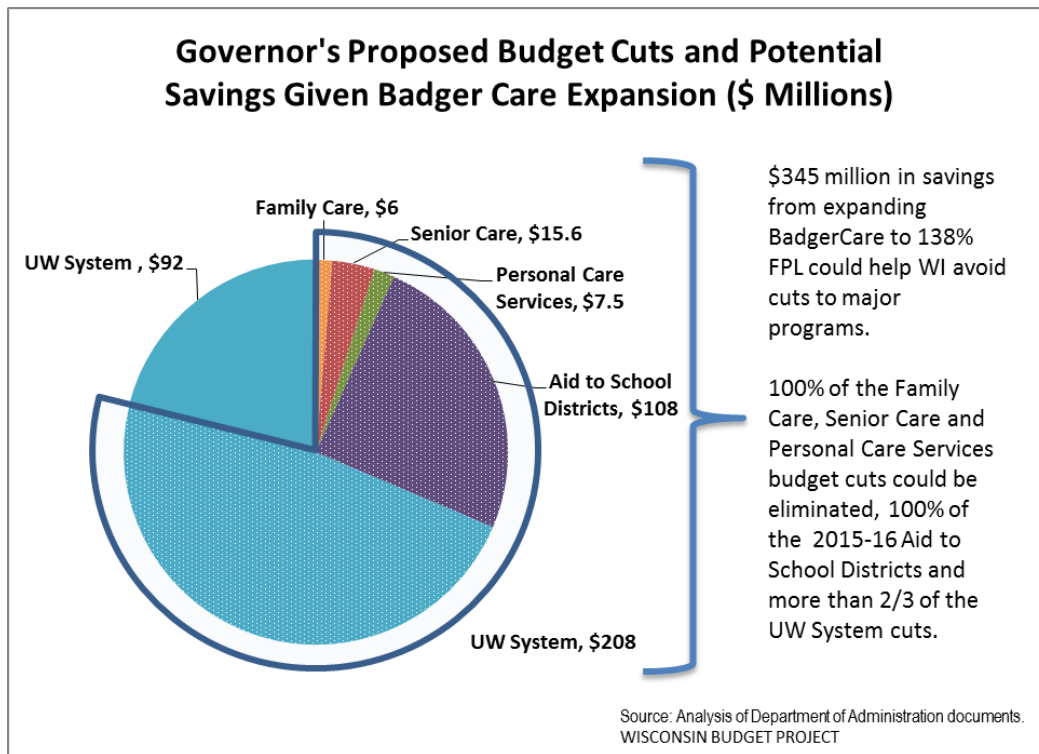


An Overview of Health Care Issues in the 2015-17 Budget

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Although the Governor's budget bill significantly increases state funding for Medicaid and BadgerCare in order to address cost increases, it also contains a number of cuts to important health care services. Those cuts and much of the increased spending from state revenue could be avoided if Wisconsin expanded BadgerCare eligibility to more low-income adults.

A recent Legislative Fiscal Bureau analysis projects that Wisconsin could save \$345 million by expanding the income limit for adults' eligibility for BadgerCare to 138% of the federal poverty level (FPL) and accepting the federal financing that would cover almost all the cost of providing BadgerCare coverage to childless adults. To put the size of the potential savings in perspective, the following chart provides an example of proposed cuts in the budget bill that could be avoided by expanding BadgerCare and capturing our state's fair share of the federal funding.

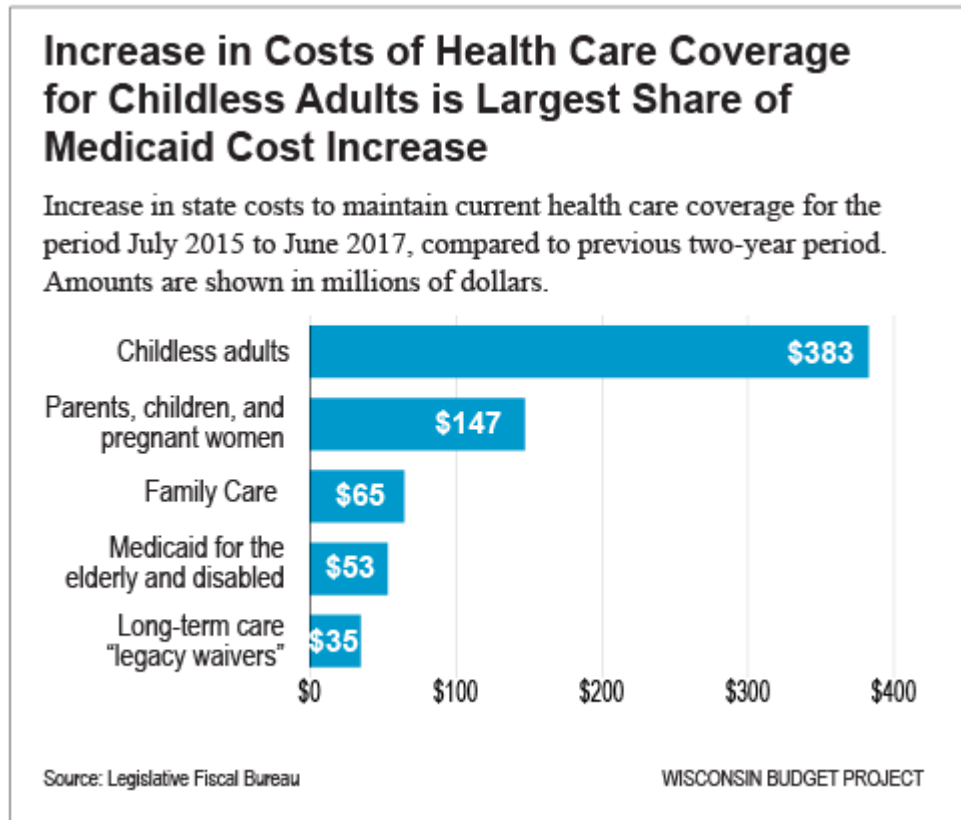


Increased Funding to Maintain Current Programs

The budget bill increases the state share of funding for the Department of Health Services (DHS) by almost \$663 million over the next two years. That increase in state funding, which is known as General Purpose Revenue (GPR), includes \$651 million more for Medicaid and related health care programs, and almost all of that increase, \$647 million GPR, is simply to maintain the status quo. A number of factors are driving that increase, including health care inflation, demographic trends, and a decline in

the federal share of Medicaid spending (because of a formula that decreases the federal match rate when state income improves).

Another very important factor in the increased cost is the BadgerCare caseload growth stemming from last year's expansion of coverage for childless adults. The number of childless adults in BadgerCare is already about 50% above the level DHS was anticipating at the end of the current fiscal year. The following bar graph shows the size of the cost drivers in the 2015-17 budget by comparing the projected increases in state spending (needed to maintain the status quo), measured relative to the funding appropriated for fiscal year 2014-15.



As that graph illustrates, the rapidly increasing enrollment of childless adults accounts for almost \$383 million of the total \$647 million increase needed to maintain Medicaid and BadgerCare. The much higher than anticipated growth rate among that group, whose coverage could be financed with federal dollars, isn't just increasing the cost of maintaining BadgerCare, it is also substantially increasing the potential savings from expanding eligibility and qualifying for the federal funds.

Changes to childless adult coverage

Rather than expanding BadgerCare eligibility and harnessing Wisconsin's fair share of the funding for Medicaid expansions, the Governor is proposing to restrict coverage for adults who aren't caretakers of dependent children. His bill directs DHS to seek federal approval to make the following changes for the childless adult population:

- Imposing monthly premiums for all childless adults, and increasing premium amounts for "behaviors that increase an individual's health risk."

- Limiting their eligibility to 4 years.
- Requiring health risk assessments and drug screening as a condition of eligibility.

The bill doesn't attach any savings to the proposed changes. That may reflect the long odds that the state would be able to get a federal waiver for those restrictions, which conflict with federal Medicaid statutes. No other state requires drug testing or screening as a condition of Medicaid eligibility or sets a time limit on eligibility – after which the state would kick off enrollees, including those who have chronic conditions like diabetes, cancer or mental illness.

Health Care for Individuals with Disabilities and the Elderly

- **Family Care Reform** – The budget proposes sweeping changes to Wisconsin's Family Care program. This Medicaid benefit provides long-term care services for eligible individuals with disabilities and the elderly. The changes, which require federal waiver approval, include expanding Family Care statewide and requiring the existing regional Family Care managed care organizations (MCOs) to operate statewide and provide coverage for acute and primary care services.

Another part of the long term care “reforms” is the elimination of IRIS (Include, Respect, I Self-direct), which is a program under Medicaid Home and Community Based Services that provides beneficiaries the opportunity and independence to budget and choose how/where they receive their long-term care services. In lieu of continuing IRIS, the Governor proposes that Family Care MCOs offer beneficiaries the option to self-direct their care, but there are few details on how DHS envisions that would work within a managed care program.

Disability and long term care advocates have expressed serious concerns with the proposed changes. Although spending for Family Care and the related programs is expected to drop by \$6 million GPR during the biennium, the savings stem from the expansion of Family Care to more counties in FY 17, rather than from the substantial changes DHS plans to put into effect in 2017.

- **Personal Care Services** – The budget proposes cutting personal care services by about \$19.5 million (including \$7.5 million of state funding), as well as making administrative changes to the program. Medicaid personal care services include an important range of services (usually provided in the home) for beneficiaries in need of assistance with activities related to daily living (ADLs) such as eating and drinking, bathing, transferring and help with household chores.

The Governor recommends altering the personal care services benefit by requiring an “independent assessment” for all fee-for-service prescriptions for personal care to help prevent fraud and abuse and make sure that members are getting the “right amount of care ... at the right time and in the right setting.” Advocates for the disabled and elderly say that the current system already includes a strong process to ensure that beneficiaries receive the correct type and amount of care and that the independent assessment will create an unnecessary hurdle.

- **SeniorCare** – The prescription drug benefit that Wisconsin provides to seniors is another area where the budget bill proposes significant savings by making “reforms.” Specifically, the bill would require everyone enrolled in SeniorCare, which now serves about 85,000 low-income Wisconsinites, to enroll in the federal Medicare Part D prescription drug benefit. Advocates say the change would cost the typical SeniorCare user almost \$700 per year because they would go from paying \$30 a year to \$60 a month.

The proposed change to SeniorCare is expected to reduce state GPR spending by \$15.6 million over the next two fiscal years (relative to the “cost to continue” level). That reduction in state spending is relatively small compared to the total fiscal impact felt by seniors because more than four-fifths of the cost of SeniorCare is financed with federal funds and drug rebates.

- **Children’s Community Options Program** – The executive budget repeals the Family Support Program (FSP) and creates a new Children’s Community Options Program to assist families with children with long-term care needs. It would be financed by combining funding from FSP and the children’s portion of the current Community Options Program.
- **Mental Health and AODA Services** – The Governor’s budget proposes expanding Medicaid coverage to include the treatment portion of residential substance abuse. The state cost associated with this change in scope of coverage would be about \$3.2 million GPR over the biennium.

Changes in Provider Reimbursement and Assessments

- **Enhanced Dental Reimbursement Pilot Program** – An additional change the budget proposal makes to the Medicaid program is a pilot program to increase the dental reimbursement rate for providers of pediatric dental care and adult emergency dental services in three counties: Brown, Polk and Racine. The implementation of increased reimbursement rates in selected counties will need federal approval. The estimated cost for this pilot program over the biennium is \$4.53 million GPR.
- **Disproportionate Share Hospital Payments** – The Governor proposes adding \$30 million GPR over the biennium to provide supplemental payments to hospitals that provide a larger or “disproportionate” share of care to Medicaid patients and the uninsured. This appropriation would draw down early \$42 million in federal matching funds, and would help offset the negative impact of uncompensated care costs for about 60,000 adults who the state cut off BadgerCare last year, many of whom haven’t been able to afford the higher cost of switching to private coverage in the federal health insurance Marketplace. While assisting hospitals with the cost of uncompensated care makes sense, the much more effective and far less expensive way of doing so would be to expand BadgerCare and qualify for the enhanced federal funding.
- **Licensed Midwife Reimbursement** – The budget recommends covering services provided by licensed midwives under Medicaid, which is expected to yield savings of \$292,400 GPR.
- **Elimination of Provider Assessments** – The budget includes a proposal to eliminate the provider assessment. Currently these funds are used to help support projects related to health information initiatives.
- **Reimbursing FQHCs at the Prospective Payment Rate** - The budget includes a proposal to reimburse Wisconsin's Federally Qualified Health Centers (FQHCs) at the Prospective Payment System (PPS) rate. The budget proposal did not include any details in terms of the budget impact of this change; however the LFB subsequently released cost savings projections of \$28.8 million over three years. FQHCs across Wisconsin are concerned that the Governor’s budget is using a PPS rate that is not compliant with federal law to determine the savings.

Conclusion

The budget bill contains a large increase in funding for Medicaid programs in Wisconsin, including BadgerCare, but makes a number of negative changes to BadgerCare and SeniorCare, as well as to other health care services for the elderly and people with disabilities.

The negative changes to key health care services could easily be avoided by expanding BadgerCare to cover more low-income adults, which would save an estimated \$345 million during the upcoming budget period by enabling our state to tap into the funding we have been paying into the federal treasury for the financing of Medicaid expansions. Those savings would not only enable the state to avoid damaging cuts to BadgerCare and Medicaid services, but would also allow lawmakers to prevent cuts in K-12 education and many other parts of the budget.

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