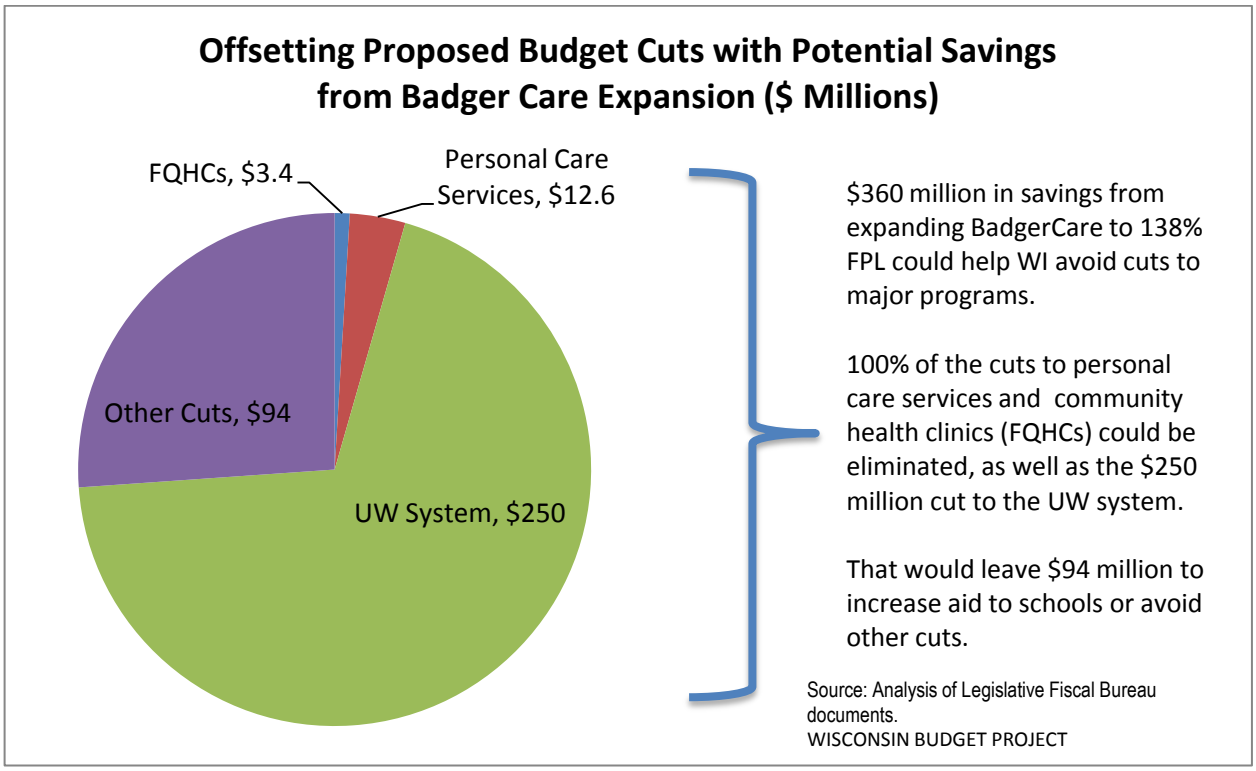
An Overview of Health Care Issues in the 2015-17 Budget

Updated July 20, 2015

Although the final 2015-17 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.

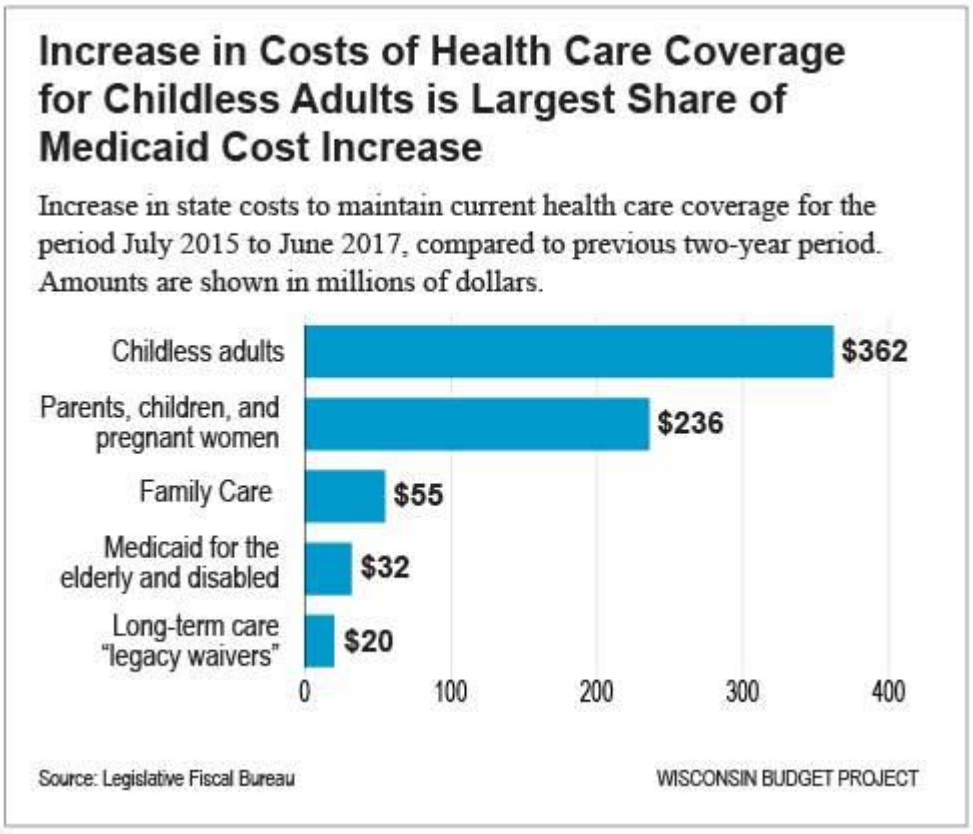
A recent Legislative Fiscal Bureau analysis projects that Wisconsin could save $360 million by expanding the income limit for adults' eligibility for BadgerCare to 138% of the federal poverty level (FPL) and accepting the federal financing that would cover almost all the cost of providing BadgerCare coverage to childless adults. To put the size of the potential savings in perspective, the following chart provides an example of 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

As amended by the Legislature, the budget bill increases the state share of funding for the Department of Health Services (DHS) by $658 million over the next two years. That increase in state funding, which is known as General Purpose Revenue (GPR), includes $650 million more 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 personal income rises).

Another very important factor in the increased cost is the BadgerCare caseload growth stemming from last year's expansion of coverage for childless adults. In the spring of this year, the number of childless adults in BadgerCare was about 60% above the level DHS was anticipating at the end of the 2014-15 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 $362 million (56%) of the total $650 million net increase needed to maintain Medicaid and BadgerCare. The much higher than anticipated growth rate among childless adults, whose coverage could be financed with federal dollars, hasn't just increased the cost of maintaining BadgerCare, it has 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 attempting 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 Governor proposed 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 proposed 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 proposed that Family Care MCOs offer beneficiaries the option to self-direct their care.

  Disability and long term care advocates engaged in a vigorous and partially successful campaign against the proposed changes. As a result of their advocacy, the budget committee made several significant improvements in the Family Care changes. Among those was a requirement that DHS provide opportunity for public input as the changes are being planned and also a requirement that there be at least 5 regional providers. However, to the dismay of advocates, the Governor vetoed the latter requirement. According to a July 13, 2015, statement by the Survival Coalition of disability groups:

  > *"This may open the door again for creating one statewide area or few regions, and set the stage for out-of-state for-profit insurance companies."*

  Advocates are also concerned that the IRIS program is being folded into the new managed care approach, rather than maintained as a separate option.

  The budget bill reduces spending for Family Care and related programs by $6 million GPR during the second year of the biennium, but 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 Governor recommended 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." The overall fiscal effect of this change to personal care services is a net cut of about $21.5 million (including $8.5 million of state funding). 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 JFC voted to approve the Governor's recommendation, but delay the starting date for the contract for the new third party independent assessor for personal care services. This change

increases the projected net savings by $2 million, bringing the total reduction to the $21.5 million figure noted above. 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 Governor proposed significant savings by making "reforms." Specifically, he proposed requiring 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 argued 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 Joint Finance Committee rejected the proposed change to SeniorCare, which would have reduced benefits by about $97 million over the next two fiscal years, though the state share of the cost of eliminating the change is just $15.6 million GPR.

- **Aging & Disability Resource Centers (ADRCs) –** The Governor proposed significant changes to ADRCs, which help seniors and people with disabilities navigate complex benefit systems. His bill would have authorized DHS to eliminate county-run ADRCs by contracting out many of their functions to private, for-profit entities. Advocates were concerned that the changes might reduce access to information and that the information provided might be less trustworthy because private entities could have conflicts of interest. The Finance Committee decided to delete the Governor's recommendations, but included provisions requiring DHS to conduct a number of studies, including evaluating the reliability of the ADRC processes, an assessment of duplicative functions between ADRC boards and DHS procedures, and a study of possibly integrating income maintenance consortia and ADRCs.

- **Children's Community Options Program –** The budget bill will repeal the Family Support Program (FSP) and create a new Children's Community Options Program to assist families with children with long-term care needs. It will be financed by combining funding from FSP and the children's portion of the current Community Options Program. The Joint Finance Committee adopted the Governor's proposal, but included a number of wording and definition changes that have eased some of the concerns of advocates.

- **Mental Health and AODA Services** – The Governor's budget proposed expanding Medicaid coverage to include residential-based substance abuse treatment. The Finance Committee modified the proposal by delaying its implementation to no sooner than July 1, 2016 or the date HHS approves the change (whichever is later), reducing the anticipated cost to $2.2 million GPR in 2015-17.

Changes in Provider Reimbursement and Assessments

- **Enhanced Dental Reimbursement Pilot Program** – An additional change proposed to Medicaid proposed by the Governor is a pilot program to significantly 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 Finance Committee expanded the pilot program to a fourth county (Marathon) and boosted the new funding to $5.4 million GPR.

- **Disproportionate Share Hospital Payments** – The bill adds $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 nearly $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 bill eliminates a provider assessment that is used to help support projects related to health information initiatives.

- **Reimbursing FQHCs at the Prospective Payment Rate** - The Governor proposed changing the current reimbursement methodology for Wisconsin's Federally Qualified Health Centers (FQHCs) to a Prospective Payment System (PPS) rate. The administration proposed a rate change process that would be gradually implemented over three years. Those changes were initially expected to cost FQHCs $24.8 million in the 2015-17 biennium (in state and federal funding combined), and by about $27 million per year thereafter.

  The JFC chose to delay the Governor's proposal by one year. Under the JFC proposal the state would have to continue reimbursing FQHCs under their current payment methodology and rate until July 1, 2016 and DHS will be required to consult with FQHCs as it develops the new payment system. The delay adds $6.5 million in state GPR costs and reduces the total estimated cut to FQHCs in this biennium by $9 million. FQHCs continue to maintain that the PPS rates being used to estimate the savings under the Governor's proposal are incorrect and aren't compliant with federal law because they don't reflect increases in the types of services that the CHCs offer.

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 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 $360 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 higher education and many other parts of the budget.

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