



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #378

Intergovernmental Transfer for Noninstitutional Services (DHFS -- Health Care Financing -- Base Funding and Revenue)

[LFB 2003-05 Budget Summary: Page 207, #10 and #11]

CURRENT LAW

A number of counties are certified to provide a variety of services under the state's medical assistance (MA) program. These services include mental health and substance abuse services, home health, case management, prenatal care coordination, and HealthCheck services. For some services, GPR is budgeted to support the state's share of MA-eligible costs. For other services, counties provide the state's share of MA-eligible costs and therefore, these services are only available in those counties that elect to provide the service.

Under the MA community services deficit reduction benefit (CSDRB), counties and other local governments can claim federal MA matching funds to support costs for services provided under MA, for which MA reimbursement does not cover the local government's cost of providing those services.

GOVERNOR

Increase estimated revenue to the MA trust fund by \$71,600,000 in 2003-04 and \$49,400,000 in 2004-05 to reflect the creation of an intergovernmental transfer (IGT) program between the state and counties for noninstitutional services provided by counties.

Statutory Changes

Create a PR appropriation in the Division of Health Care Financing to fund supplemental payments for the state's share of MA benefits provided by local units of government, including: (a) supplemental payments for school-based services; (b) physician services; (c) HealthCheck

services; (d) home health services; (e) laboratory and x-ray services; (f) ambulance services; (g) therapy services; (h) durable medical equipment; (i) mental health and substance abuse day treatment services; (j) personal care services; (k) community support program services; (l) respiratory care services; (m) case management services; (n) prenatal care coordination and child care coordination services; and (o) case management services for children with lead poisoning and high-cost MA recipients. Specify that, on dates to be determined by the Secretary of the Department of Administration, any funds in the appropriation that are in excess of the payments made for these supplemental payments are transferred to the MA trust fund. Modify current provisions regarding the MA trust fund to specify that the trust fund includes funds transferred to it from the new PR appropriation.

Require county boards, upon demand from the Department of Health and Family Services (DHFS), to authorize payment to DHFS not to exceed the amounts paid to the county, beginning in 2003, for rate increases for the MA benefits specified above that relate to substance abuse and mental health prevention and treatment (except this requirement would not apply to school-based services and ambulance services).

In addition, provide \$14.5 million SEG annually to fund payments to counties that would offset the elimination of CSDRB payments under MA if this proposal is approved by the Centers for Medicare and Medicaid Services (CMS) before July 1, 2005. If the Governor's recommendations are approved, local governments would be prohibited from claiming federal revenue available under CSDRB. Provide that, if any county or health department has received a CSDRB distribution for any year after 2002, that county or health department, upon demand by DHFS, would be required to return to the DHFS the amount of those distributions.

Description of the Proposal

In order to implement these provisions, effective January 1, 2003, DHFS would amend its state plan to show that MA payment rates for MA-covered services provided by counties are increased to more closely reflect the estimated cost to provide these services. These service categories include personal care, home health, outpatient and day treatment for mental health and substance abuse, case management, community support program services, mental health crisis intervention and prenatal care coordination. On average, the rates for these services would be increased by approximately 50%.

Based on the rate increases included in the state plan amendment, DHFS would provide supplemental payments to counties equal to the total value of those rate increases. The state's share of payments would be paid from the new, DHFS PR appropriation. The federal share of payments would be paid from the federal MA benefits appropriation. Counties would be statutorily required to return both the state and federal share of these payments to DHFS through an intergovernmental transfer (IGT). This IGT revenue (including both the state and federal share of the payment) would be deposited back to the new, PR appropriation. The state's share of the returned payment would be retained in the new, PR appropriation as revenue to support the original payment made to the county. The federal share of the payment returned by the

counties would be transferred from this PR appropriation to the MA trust to fund the state's share of MA benefit costs.

Under this provision, counties would not retain the funding for the rate increases included in the MA state plan amendment. Rather, this funding would be returned to the state as IGT revenue and the federal share of this funding would be transferred to the MA trust fund to be used to fund the state's share of MA costs.

DISCUSSION POINTS

1. A technical modification is necessary to delete references to emergency transportation services and school-based services in the new PR appropriation created under the bill, since these services would not be part of the new IGT proposal.

2. The administration's estimate of the additional annual revenue that would be available under this proposal is approximately \$24.2 million greater in 2003-04 than in 2004-05. The administration indicates that the revenue available in the first year would be greater because it would be available for payments made over an 18-month period (from January, 2003, through June, 2004), compared with a 12-month period (July, 2004 through June, 2005) on which the 2004-05 estimate is based.

3. However, the estimated revenue available to the MA trust fund assumed in the bill includes estimated federal revenue that would be paid to schools and local units of government under the Governor's bill. (A separate LFB issue paper addresses the Governor's proposals to reduced shared revenue and schools aids payments and replace those benefits with supplemental MA payments for emergency transportation services and school-based medical services.)

Because this federal revenue would be paid to school districts and local units of government to replace the reduction in school aids and shared revenue, this additional federal revenue would not be deposited to the MA trust fund. Therefore, it is estimated that the amount of revenue available for the Governor's proposal to create an IGT program for noninstitutional services would result in an additional \$53.8 million SEG-REV in 2003-04 and \$31.6 million SEG-REV in 2004-05. (A separate LFB issue paper on the MA trust fund includes a modification that would reduce estimated revenue to the trust fund by approximately \$17.8 million annually to reflect this reestimate.)

4. It is estimated that CSDRB payments would total \$14.5 million FED annually in the next biennium. However, if the Governor's recommendation to increase federal MA claiming through a local government IGT mechanism were approved, the state would no longer be able to claim federal matching funds for CSDRB. With the supplemental payments that would be provided under this proposal, counties would be paid up to their charges for services provided and could not be paid any more. Therefore, under this provision, SEG funding from the MA trust fund would be budgeted to provide payments to municipalities to hold them harmless for the elimination of CSDRB.

5. This proposal would require increasing provider rates significantly for certain services and therefore is subject to CMS approval as a state plan amendment. Therefore, it is not certain that the state will receive these additional federal matching funds. However, it is expected that CMS would approve this proposal for three reasons.

One, IGT funding mechanisms are legal under federal law. Currently, Wisconsin uses an IGT mechanism to provide payments to hospitals in Milwaukee County as a way of increasing funding available to Milwaukee County's general assistance medical program.

Two, the additional payments under this proposal are provider rate increases. State payments for noninstitutional services are not subject to the same federal restrictions as payments for other services, such as institutional care and services provided by managed care organizations. Generally, MA payments for noninstitutional services can be determined by the states, except that MA cannot pay providers more than their charges.

Three, this proposal does not involve claiming additional federal funds retroactively to January, 2001, as the other IGT proposal included in the Governor's bill related to community-based waiver services. Rather, this initiative would claim funds retroactively to January, 2003. The state cannot go back further because federal law generally requires providers to submit claims no later than 12 months after a service is provided.

DHFS submitted a state plan amendment that would be effective January 1, 2003, to increase provider rates, as recommended by the Governor, for noninstitutional services provided by local governments. Approval of the plan amendment is pending. It is not known when CMS will act on the amendment. However, under federal regulations, CMS must act on the amendment within 90 days of its submittal otherwise it is deemed approved. If CMS requires any additional information from DHFS on the plan amendment, the 90-day requirement is suspended until DHFS responds.

Approval of any state plan amendment cannot be guaranteed and therefore, it is possible that the revenue anticipated under this proposal would not be available if CMS would not approve the state plan amendment.

6. The Committee could delete the provision to increase SEG expenditures by \$14.5 million annually to reflect the elimination of CSDRB under this proposal as a way of decreasing expenditures from the MA trust fund.

However, deleting funding to hold counties harmless from elimination of the CSDRB would result in an estimated loss of \$14.5 million annually in revenue that counties would receive under current law. While the language in the bill would require county boards to pay to DHFS the amounts required to implement the IGT proposal, it could be argued that in requiring counties' cooperation, it may be appropriate to ensure that at a minimum, counties would not be harmed by this proposal. Additionally, if counties are harmed by this proposal, some counties may choose to decrease the MA-covered services they provide, particularly for those services where counties

provide the state share of the payment for the service. If counties decrease the MA-covered services they provide, the state's ability to generate revenue under this proposal could decrease.

7. The Committee could delete the Governor's recommended proposal, however doing so would result in a deficit in the MA trust fund which must be addressed by increasing GPR expenditures for MA benefits. Deleting the provision would decrease estimated revenue to the MA trust fund by \$85,379,800 over the biennium and reduce expenditures from the trust fund by \$14.5 million annually. The difference between the estimated revenue reduction and the reduced expenditures (\$56,379,800) would be the amount of the deficit created by deleting the Governor's provisions and the amount of GPR needed to avoid creating a deficit in the MA trust fund.

ALTERNATIVES

1. Approve the Governor’s recommendations. In addition, delete references to emergency transportation services and school-based services in the PR appropriation.

2. Approve the Governor’s recommendations. Delete references to emergency transportation services and school-based services in the PR appropriation. In addition, delete \$14.5 million SEG annually that would be budgeted to hold counties harmless from the loss of funding available under CSDRB.

<u>Alternative 2</u>	<u>SEG</u>
2003-05 FUNDING (Change to Bill)	- \$29,000,000

3. Delete provision.

<u>Alternative 3</u>	<u>GPR</u>	<u>SEG</u>	<u>Total</u>
2003-05 REVENUE (Change to Bill)	\$0	- \$85,379,800	- \$85,379,800
2003-05 FUNDING (Change to Bill)	\$56,379,800	- \$85,379,800	- \$29,000,000

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