



## Legislative Fiscal Bureau

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May 11, 2017

Joint Committee on Finance

Paper #335

### **Division of Medicaid Services -- Contracts and Other Supplies and Services (Health Services -- Medicaid Services Administration)**

[LFB 2017-19 Budget Summary: Page 218, #1]

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#### **CURRENT LAW**

The Department of Health Services (DHS) has numerous responsibilities relating to the medical assistance (MA) program and other public assistance programs. These duties include fiscal management, rate setting, eligibility determinations, fraud investigations, recovery of improper payments, claims processing, provider enrollment, rule development, and the production of various reports.

Some of these activities are conducted by state staff in the Division of Medicaid Services (DMS) and the Office of the Inspector General, while others are performed by private firms under contract. Some services are performed by other state agencies. For example, DHS purchases hardware hosting, network, and mainframe services for the Client Assistance for Reemployment and Economic Support (CARES) system from the Department of Administration Division of Enterprise Technology. In addition, most eligibility management functions for these programs are performed by county staff on a regional basis through income maintenance (IM) consortia and by tribes. In Milwaukee County, state employees in Milwaukee Enrollment Services (MilES) perform IM services.

In developing its biennial budget request, DHS reviews the costs of its current contracts with private firms, state agencies, and supplies and services that support the Division of Medicaid Services, and projects these costs for the next biennium. The costs of DMS staff and funding allocations for the IM consortia are excluded from this review, as these costs are addressed in separate items.

## **GOVERNOR**

Provide \$2,080,600 (\$2,247,200 GPR and -\$166,600 FED) in 2017-18 and \$5,554,700 (\$4,877,600 GPR and \$677,100 FED) in 2018-19 to reflect the net effect of funding adjustments to appropriations that support contracted services and supplies and services for the general program operations for the Division of Medicaid Services. Total base funding for these costs, including several appropriations not affected by this item, is \$236,357,600 (\$73,250,600 GPR and \$163,107,000 FED).

## **DISCUSSION POINTS**

### **A. Reestimate Governor's Recommendations**

1. The Governor's funding for this item is intended to fund the difference between the amounts the administration proposes to spend for certain administrative functions, excluding state staff costs, and base funding available to support these costs. The base funding is adjusted to reflect funding and cost transfers associated with the creation of the DMS.

2. In a March 31, 2017, letter to this office, the administration identified two errors in the amount of funding that would be needed to fund contracted services. First, a portion of the contract for the Medicaid management information system (MMIS) procurement was funded under this item and another item in the bill. Second, there was a minor error in the cost of a contract relating to record reviews in the IRIS (Include, Respect, I Self-Direct) program. The administration requested that funding in the bill be reduced by \$273,000 GPR and \$1,588,200 FED in 2017-18 to correct these errors.

3. In addition, a review of the administration's calculations suggest that funding can be further reduced by an additional \$271,000 (-\$122,400 GPR and -\$148,600 FED) in 2017-18 and by \$277,000 (-\$125,300 GPR and -\$151,700 FED) in 2018-19 to support the difference between the administration's proposed budget and base funding available to support these costs.

4. The attachment to this paper shows, for both 2017-18 and 2018-19: (a) the base funding amounts available to support contracted services and supplies and services for DMS in the appropriations affected by this item; (b) funding transfers in the bill affecting these appropriations that relate to the creation of DMS; (c) other adjustments to these appropriations that reflect the availability of revenues transferred from other appropriations; (d) total costs of contracts and supplies and services that the administration proposes to fund in the 2017-19 biennium, as adjusted to reflect the DOA errata request; (e) the Governor's recommended funding change relating to these services; and (d) reestimates of the amounts needed to support the administration's proposed spending plan.

5. The table in the attachment indicates that if the Committee wished to support all of the contracts and supplies and service costs identified by the administration, it could reduce funding in the bill by \$2,132,200 (-\$395,400 GPR and -\$1,736,800 FED) in 2017-18 and by \$277,000 (-\$125,300 GPR and -\$151,700 FED) in 2018-19 (Alternative 1).

**B. Options Relating to Individual Components**

6. In addition to modifying funding in the bill to reflect a reestimate of the costs of the contracted services and other supplies and services costs the administration would fund, the Committee could consider modifying elements of the Governor's proposed spending plan if it wished to reduce funding budgeted for contracts and other supplies and services costs.

***Milwaukee Enrollment Services -- Moving Costs***

7. The bill would provide \$1,260,000 (\$545,700 GPR and \$714,300 FED) in 2018-19 to fund costs the Department would incur to relocate Milwaukee Enrollment Services (MiLES) staff to another location or locations. Currently, MiLES employees work at four facilities in Milwaukee County, which are listed and briefly described in Table 1.

**TABLE 1**

**Milwaukee Enrollment Services Facilities**

	<u>Leased from</u>	2016-17 Estimated <u>Lease Costs</u>	Public Access for <u>IM Services</u>
Marcia P. Coggs Human Services Building 1220 West Vliet Street	Milwaukee County	\$2,803,200	Yes
United Migrant Opportunity Services (UMOS) 2701 South Chase Avenue	UMOS	235,400	Yes
Teutonia Avenue Facility 6091 North Teutonia Avenue	City of Milwaukee	361,200	No
Northside	Ross Innovative Employment Solutions Corporation	144,000	No

8. DHS indicates that the current Coggs building, where most MiLES staff is stationed, is not ideal because: (a) patrons with disabilities must use a freight elevator and a separate entrance to access services; (b) not all MiLES staff can be stationed there; (c) the lobby and waiting areas are poorly suited to meet the Department's needs; (d) building management do not promptly respond to work orders; and (e) the workspace for staff is inadequate.

9. For years, DHS has considered other options for leasing space for MiLES staff. However, DHS has not yet found an alternate site or sites for MiLES staff, and is not currently negotiating a new space for MiLES. Nonetheless, DHS remains interested in moving and consolidating MiLES staff, and could begin funding such a move in the 2017-19 biennium with the funding provided in the bill. It may be prudent to adopt the Governor's recommendation to reserve funding to support one-time moving and information technology (ITS) purchases and set-up if there

is an opportunity to relocate Miles in the 2017-19 biennium (Alternative 2A1). However, as there are no current plans to relocate Miles operations, funding for this item could be deleted from the bill (Alternative 2A2).

### ***EBT FoodShare Contract***

10. DHS contracts with Fidelity National Information Services (FIS) to provide services relating to the FoodShare program's QUEST card, including a 24-hour a day customer and retailer services helpline. Recipients can use this line to report and replace lost, stolen, or damaged cards, obtain current account balances, obtain a transaction history, change the personal identification number (PIN), and resolve disputes regarding account transactions.

11. Under the current contract, FIS is reimbursed \$0.67 per case (generally households, not the number of qualifying individuals in the household) per month. The funding in the bill for the contract is based on the administration's projected average monthly cases totaling 352,689 in 2016-17, 357,077 in 2017-18 and 371,833 in 2018-19. The administration's estimates, which were developed by the agency as part of its September, 2016, budget submission, are based on several assumptions regarding caseload changes resulting from the effect of the time-limited benefits provided to certain able-bodied adults without dependent children (ABAWDs) and the state's general population growth.

12. During the past several years, the average number of FoodShare cases statewide has decreased, which is likely due to the implementation of the time limited benefits for ABAWDs, as well as an improving economy. For example, as of February, 2017, there were 346,398 cases, compared with an average of 420,638 cases in 2013-14. If the number of cases remained the same for the rest of the 2016-17 fiscal year, the average caseload for 2016-17 would be 348,377, which is approximately 4,300 fewer cases than the administration assumed in estimating the cost of the FIS contract. By using updated actual caseload figures through February, 2017, the estimated cost of the FIS contract is reduced by \$35,000 (-\$17,500 GPR and -\$17,500 FED) in 2017-18 and by \$36,600 (-\$18,300 GPR and -\$18,300 FED) in 2018-19 (Alternative 2B2). However, since the actual cost of the contract is uncertain at this time, due to the uncertainty of future FoodShare caseloads, the Committee could fund the contract, based on the caseload assumptions assumed by the administration (Alternative 2B1).

### ***CARES -- Vendor Programming Costs***

13. DHS currently contracts with Deloitte to perform programming for the state's client assistance for reemployment and economic support (CARES) eligibility system. CARES is used primarily by county staff in the income maintenance consortia and Miles to determine program eligibility and maintain information on cases for individuals and households who apply for Medicaid, FoodShare, Wisconsin Shares and Wisconsin Works benefits. As such, programming costs are funded from several sources, including state funds, federal matching funds, and program revenue (PR) transferred from the Department of Children and Families.

14. Deloitte's work is determined by programming projects identified and approved by DHS. DHS identifies projects requiring changes to CARES that may be needed to comply with

changes in federal or state law or policy, or that are intended to improve the accuracy of the eligibility function. The vendor reviews each project, and estimates the number of programming hours that would be required to complete the project. DHS reviews the estimate in the context of priority, expected federal financial participation, and budgeted GPR funding. DHS may then approve, delay, or disapprove a project. Occasionally, the number of hours for a project may be reestimated, as timeframes and federal guidelines may change during the course of a project.

15. Different federal financial participation rates apply to different types of projects. For example, certain types of projects relating to the enrollment of children in BadgerCare Plus whose services are eligible for enhanced federal funding under the federal Children's Health Insurance Program (Title 21 of the Social Security Act) are eligible for 93.76% federal matching funds. Generally, design and development work relating to MA eligibility is eligible for 90% federal matching funds. Projects involving FoodShare are generally eligible for 50% federal matching funds. The state receives no federal matching funds for programming hours relating to SeniorCare and the Wisconsin Share program.

16. The Governor's budget bill would fund an estimated 293,402 and 289,811 hours of programming in 2017-18 and 2018-19, respectively. Table 2 shows the number of programming hours DHS has purchased from the vendor during the past several years, including the estimated number of hours that will be purchased in 2016-17.

**TABLE 2**

**Programming Hours Purchased for CARES**

	<u>No. of Hours</u>	<u>Change from Previous Year</u>	
		<u>No. of Hours</u>	<u>Percent</u>
2010-11	226,019		
2011-12	260,580	34,561	15.3%
2012-13	243,326	-17,254	-6.6
2013-14	233,531	-9,795	-4.0
2014-15	292,058	58,527	25.1
2015-16	293,029	971	0.3
2016-17 (DHS Estimate)	350,301	57,272	19.5
2017-18 Governor's Bill	293,402	-56,899	-16.2
2018-19 Governor's Bill	289,811	-3,591	-1.2

17. Table 2 shows that the number of programming hours that would be funded in the 2017-19 biennium under the Governor's bill approximately equals the average number of hours that DHS has purchased in the past. The increases in funding that would be provided for these programming services is primarily due to the inflationary increases in the rates DHS will pay for these services. Specifically, the funding in the bill reflects the assumption that both the monthly base fee and hourly rates will increase by 5% annually. The cost of providing these inflationary increases in funding to fund these costs is \$936,600 (\$249,200 GPR, \$24,500 PR and \$606,800 FED) in 2017-18 and \$2,779,800 (\$807,100 GPR, \$69,800 PR, \$1,731,300 FED) in 2018-19.

If the Committee wishes to fund the number of hours the administration anticipates purchasing in the 2017-19 biennium, it could adopt the Governor's recommendations (Alternative 2C1).

18. Arguments could also be made to reduce the amount of funding for CARES programming services in the bill. First, as part of its 2015-17 budget actions, the Joint Committee on Finance provided funding to enable DHS to fund 216,000 hours of contracted programming hours, which represented a 20% increase from the number of hours budgeted in the 2013-15 biennium (180,000 hours), but equaled a reduction of 18,000 hours from the number of hours that would have been budgeted in the Governor's 2015-17 budget recommendations (234,000 per year).

19. As shown in Table 2, DOA purchased 293,029 programming hours in 2015-16, compared with 216,000 hours that were budgeted. In that year, DHS was able to purchase additional hours because more of the programming work was eligible for greater federal matching funds than had been assumed in the budget.

In recent years, the actual number of programming hours that DHS has purchased has exceeded the amounts budgeted. This has been possible because DHS has taken advantage of enhanced federal funding available for these projects, as described above, or by reprioritized funding budgeted for other contracts and supplies and services to support additional CARES programming hours.

20. In some cases, CARES changes must be made to implement changes in state and federal law. For example, changes to CARES were needed in the current biennium to implement a provisions enacted in Act 55 that required FoodShare enrollees to fund the cost of replacing QUEST cards from their FoodShare benefits. State and federal changes relating to program eligibility and coverage often require CARES programming. Other CARES programming projects, while not required under federal or state law, are intended to improve the accuracy of the eligibility system for the benefit of both recipients and IM staff. For example, a recent CARES change involved enhancing the six-month reporting forms and negative decisions regarding FoodShare eligibility to include information that applicants still needed to provide, or that the IM worker still needed to verify an applicant's eligibility.

21. DHS has identified 42 CARES projects it has authorized Deloitte to complete in the 2017-19 biennium, based on the number of programming hours that would be budgeted in the bill. Each of these projects has a primary purpose of one of the following: (a) system modernization (13 projects); (b) quality improvement (14 projects); (c) operational efficiency (11 projects); or (d) a policy mandate (four projects).

Examples of systems modernization projects include: (a) a project that would implement a mobile version of ACCESS, the web-based system that allows individuals to apply online for several public assistance programs; (b) creating a mechanism for enrollees to upload documents into their case without installing software on their computer; and (c) and modernizing a document viewer feature in CARES to be compatible with the most current version of JAVA (a computer programming language).

Some examples of quality improvement projects include: (a) a project to enhance communications between FoodShare Employment and Training (FSET) agencies and income maintenance staff; (b) automating the processing of applications for certain individuals who qualify for both Medicare and Medicaid to eliminate the need for manual steps in determinations and notifications; and (c) changes to correspondence with FoodShare recipients affecting applications, six-month report forms, and notices of benefit changes and renewals when benefits are terminated or denied.

Examples of projects intended to improve operational efficiencies include: (a) the development of an IM workload tracking tool, which would identify case work that needs to be completed, assign staff, and track completed work; (b) enhancements to the FoodShare "On Demand Dashboard," so that information can be updated in real time (immediately), and incorporate this tool on the home page used by income maintenance (IM) workers who use CARES; and (c) creating a CARES call center logging tool, that would assist IM workers in logging in inquiries, processing questions, and submitting certain types of questions to a CARES call center.

Some examples of projects that respond to a policy mandate include: (a) incorporating drug screening, testing, and compliance requirements for certain FSET enrollees; (b) changes to CARES to incorporate new federal rules relating to the determination of modified adjusted gross income and fair hearings; and (c) implementing provisions relating to the childless adult waiver, as authorized in the 2015-17 budget act.

22. DHS is in the best position to weigh the needs and costs of projects requiring CARES changes. Any reduction in funding budgeted for CARES programming services would likely result in DHS re-evaluating the need for, or scope of, current planned projects, delaying lower priority projects, reallocating funding budgeted for other contracts, or a combination of these. If the Committee wished to reduce the amount of funding budgeted for CARE programming costs, it could: (a) adopt the Governor's recommended number of hours in 2017-18 (293,402) and budget for 275,000 hours in 2018-19 (Alternative 2C2) or (b) budget for 275,000 hours of CARES programming in each year of the 2017-19 biennium (Alternative 2C3).

## ALTERNATIVES

1. Adopt the Governor's recommended spending plan for selected contracted services and supplies and services costs. Reduce funding in the bill by \$2,132,200 (-\$395,400 GPR and -\$1,736,800 FED) in 2017-18 and by \$277,000 (-\$125,300 GPR and -\$151,700 FED) in 2018-19 to reflect a reestimate of the funding needed to support the Governor's recommended spending plan.

ALT 1	Change to	
	Base	Bill
GPR	\$6,604,100	- \$520,700
FED	<u>- 1,378,000</u>	<u>- 1, 888,500</u>
Total	\$5,226,100	- \$2,409,200

2. Modify the bill by adopting one or more of the following options.

**A. Milwaukee Enrollment Services -- Funding for Relocation Costs**

(1) Adopt the Governor's recommendations.

(2) Reduce funding in the bill by \$1,260,000 (-\$545,700 GPR and -\$714,300 FED) in 2018-19 to delete funding that would be budgeted for the costs of relocating MILES staff.

ALT 2A2	Change to	
	Base	Bill
GPR	- \$545,700	- \$545,700
FED	<u>- 714,300</u>	<u>- 714,300</u>
Total	- \$1,260,000	- \$1,260,000

**B. FoodShare EBT Contract**

(1) Adopt the Governor's recommendations.

(2) Reduce funding by \$35,000 (-\$17,500 GPR and -\$17,500 FED) in 2017-18 and by \$36,600 (-\$18,300 GPR and -\$18,300 FED) in 2018-19 to reflect a reestimate of the costs of the FoodShare EBT contract in the 2017-19 biennium.

ALT 2B2	Change to	
	Base	Bill
GPR	- \$35,800	- \$35,800
FED	<u>- 35,800</u>	<u>- 35,800</u>
Total	- \$71,600	- \$71,600

**C. CARES Development and Maintenance Hours**

(1) Adopt the Governor's recommendations.

(2) Reduce funding by \$1,836,500 (-\$543,000 GPR, -\$94,300 PR and -\$1,199,200 FED) in 2018-19 to reduce the number of CARES programming hours budgeted in the bill from 289,811 to 275,000 in 2018-19.

ALT 2C2	Change to	
	Base	Bill
GPR	- \$543,000	- \$543,000
FED	- 1,199,200	- 1,199,200
PR	<u>- 94,300</u>	<u>- 94,300</u>
Total	- \$1,836,500	- \$1,836,500



3. Reduce funding by \$2,171,500 (-\$537,500 GPR, -\$104,300 PR and -\$1,529,700 FED) in 2017-18 and by \$1,836,500 (-\$543,000 GPR, -\$94,300 PR and -\$1,199,200 FED) in 2018-19 to reduce the number of CARES programming hours budgeted in the bill from 293,401 in 289,811 to 275,000 in both 2017-18 and 2018-19.

ALT 2C3	Change to	
	Base	Bill
GPR	- \$1,080,500	- \$1,080,500
FED	- 2,728,900	- 2,728,900
PR	<u>- 198,600</u>	<u>- 198,600</u>
Total	- \$4,008,000	- \$4,008,000

Prepared by: Charles Morgan  
Attachment



## ATTACHMENT

### Supplies and Services Funding -- Selected Appropriations Governor's Recommendations

**2017-18**

	GPR			FED				
	DMS Operations	Contracted Services	Total	Medicaid Operations	FoodShare Operations	FSET Operations	Contracted Services	Total
Base Funding	\$11,635,700	\$61,614,900	\$73,250,600	\$3,311,900	\$12,514,600	\$1,386,700	\$115,725,800	\$132,939,000
Other Adjustments								
Offset from Hospital Revenue Assessments	0	700,000	700,000	0	0	0	0	0
Transfer Funding from DMS Reorganization Item	<u>-925,900</u>	<u>-129,000</u>	<u>-1,054,900</u>	<u>-250,900</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-250,900</u>
Net Available to Support Supplies and Services	\$10,709,800	\$62,185,900	\$72,895,700	\$3,061,000	\$12,514,600	\$1,386,700	\$115,725,800	\$132,688,100
2017-18 Spending Plan	11,274,500	63,746,000	75,020,500	10,640,700	3,488,600	142,900	118,100,700	132,372,900
DOA Errata	0	-273,000	-273,000	0	0	0	-1,588,200	-1,588,200
Net Spending Plan	11,274,500	63,473,000	74,747,500	10,640,700	3,488,600	142,900	116,512,500	130,784,700
Difference between Available Funds and Net Spending Plan	564,700	1,287,100	1,851,800	7,579,700	-9,026,000	-1,243,800	786,700	-1,903,400
Funding Change in Bill	687,100	1,560,100	2,247,200	7,678,400	-8,975,900	-1,243,800	2,374,700	-166,600
<b>Difference (ALTERNATIVE 1)</b>	<b>-\$122,400</b>	<b>-\$273,000</b>	<b>-\$395,400</b>	<b>-\$98,700</b>	<b>-\$50,100</b>	<b>\$0</b>	<b>-\$1,588,000</b>	<b>-\$1,736,800</b>

**2018-19**

Base Funding	\$11,635,700	\$61,614,900	\$73,250,600	\$3,311,900	\$12,514,600	\$1,386,700	\$115,725,800	\$132,939,000
Other Adjustments								
Offset from Hospital Revenue Assessments	0	700,000	700,000	0	0	0	0	0
Transfer Funding from DMS Reorganization Item	<u>-925,900</u>	<u>-129,000</u>	<u>-1,054,900</u>	<u>-250,900</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-250,900</u>
Net Available to Support Supplies and Services	\$10,709,800	\$62,185,900	\$72,895,700	\$3,061,000	\$12,514,600	\$1,386,700	\$115,725,800	\$132,688,100
2017-18 Spending Plan	12,037,300	65,610,700	77,648,000	11,138,600	3,711,200	146,200	118,217,500	133,213,500
Difference between Available Funds and Spending Plan	1,327,500	3,424,800	4,752,300	8,077,600	-8,803,400	-1,240,500	2,491,700	525,400
Funding Change in Bill	1,452,800	3,424,800	4,877,600	8,178,000	-8,752,100	-1,240,500	2,491,700	677,100
<b>Difference (ALTERNATIVE 1)</b>	<b>-\$125,300</b>	<b>\$0</b>	<b>-\$125,300</b>	<b>-\$100,400</b>	<b>-\$51,300</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$151,700</b>