

# Wisconsin State Legislature

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## Joint Committee on Finance *100<sup>TH</sup> ANNIVERSARY 1911 - 2011*

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Alberta Darling  
Representative Robin Vos

Date: January 3, 2012

Re: DHS Report to JFC

Attached is a letter on the overall condition of the Medicaid benefits budget and the Department's efforts to identify and implement savings measures in the program from the Department of Health Services, pursuant to s. 49.45(2m)(f), Stats.

This letter is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:RV:jm



State of Wisconsin  
 Department of Health Services

Scott Walker, Governor  
 Dennis G. Smith, Secretary

RECEIVED  
 JAN 03 2012  
 BY: J. Finance

December 30, 2011

The Honorable Alberta Darling, Senate Co-Chair  
 Joint Committee on Finance  
 Room 317 East, State Capitol  
 Madison, WI 53702

The Honorable Robin Vos, Assembly Co-Chair  
 Joint Committee on Finance  
 Room 309 East, State Capitol  
 Madison, WI 53702

Dear Senator Darling and Representative Vos:

As required under the 2011-13 biennial budget, Act 32 s. 49.45(2m)(f), I am writing to provide you an update for the second quarter of FY 12 on the overall condition of the Medicaid benefits budget and the Department's efforts to identify and implement savings measures in the program.

*Overall Condition of the Medicaid Benefits Budget*

In the Department's first quarter report in September, we indicated that \$554.4 million All Funds (\$219.5 million GPR) in savings would be needed to balance the program in the 2011-13 biennium. The September estimate was based largely on assumptions used in the biennial budget, with revised projections for drug rebate revenues and higher costs per enrollee in certain areas of the program.

For the second quarter projection, we now have the benefit of five months of actual caseload and expenditure data for this fiscal year. Based on this data, our new projection indicates that \$231.8 million AF (\$92.3 million GPR) in savings is needed.

Projected Medicaid Expenditures for the 2011-13 Biennium (in millions)				
	September Projection		December Projection	
	GPR/SEG/PR	All Funds	GPR/SEG/PR	All Funds
Projected Expenditures	\$5,579.37	\$14,447.97	\$5,452.17	\$14,125.41
Act 32 Budgeted Level	\$5,359.87	\$13,893.61	\$5,359.87	\$13,893.61
Savings Need per s. 49.45(2m)	\$219.5	\$554.36	\$92.30	\$231.80

The estimate of savings needed is lower as a result of several factors, including:

- *Caseload:* Under current eligibility standards, based on actual enrollment to date, we project that enrollment growth will be smaller in FY 12 compared to Act 32 assumptions. We project that enrollment will continue to grow, however, eventually reaching roughly the same average level in FY 13 as assumed in Act 32. The September projection assumed that caseload would be below budgeted levels in FY 12 but exceed budget in FY 13.
- *Medicare Part B Premiums:* The state is required to pay Medicare Part B premiums for Medicaid enrollees who also participate in Part B. In November, the federal government announced 2012 premiums that were lower than assumed in the September estimate.
- *Drug Rebates:* The September projection assumed that the Department would need to return \$25 million of drug rebates received in FY 11 to the federal government based on provisions in the Patient Protection and Affordable Care Act (PPACA). Based on a more detailed analysis, the repayment amount is now estimated to be approximately \$7 million.
- *Costs per enrollee trends:* Actual expenditure data in FY 12 indicate costs per enrollee for various services will be lower than assumed in the September projection. The projection still assumes that costs for the average enrollee will increase during the biennium, based on historical trends.

It is important to note that the lower projection represents a change of only 2 percent of the total GPR and SEG funding in the program this biennium. As you know, Medicaid is large and complex with a wide range of services and eligibility categories. A minor change in enrollment, service utilization, provider billing patterns, or federal policy can result in significant expenditure shifts. For this reason, expenditures must be monitored closely for the remainder of the biennium. For the same reason, it is important that the Department continue to pursue the various savings measures that we included in our September report. Negotiations continue with the federal government regarding the Medicaid state plan amendments and waivers approved by the Committee in November.

In addition, it remains a top priority of the Governor to implement reforms to Family Care to enable the program to be cost effective and sustainable on an ongoing basis. On December 28<sup>th</sup>, Governor Walker announced that enrollment caps will be lifted and expansion into new counties will be resumed. Act 32 assumed savings of \$21.7 million GPR in FY 12 and \$84.2 million GPR in FY 13 resulting from the cap; the amount of funding needed in the current biennium to lift the cap would depend on the effective date of the changes.

#### *Other Program Changes*

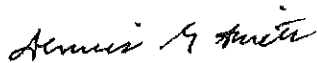
By the end of the December, the Department plans to submit a technical formatting change to its Medicaid state plan regarding how information about provider rates is presented. The revisions will not involve any substantive change to rates. The proposed language will provide an Internet address through which the reader may obtain actual rate schedules on the Department's web site.

Senator Darling & Representative Vos  
December 30, 2011  
Page 3

The Department's web site provides the effective dates of current and past reimbursement rates. Other than this technical change, the Department has not submitted any Medicaid state plan amendments or waivers to the federal government since our September and November reports to the committee.

The Department will continue to monitor program expenditures closely. If you have any questions regarding this report, please do not hesitate to contact me.

Sincerely,



Dennis G. Smith  
Secretary

cc: Members of the Joint Committee on Finance  
Legislative Fiscal Bureau