

Wisconsin Budget Issues

Implications for Health Care in the State

Rural Health Development Council

April 14, 2011

Wisconsin Political Environment



Wisconsin Political Environment

- \$3.6 B Biennial State Budget Deficit (7/1/11-6/30/13)
- Tensions are still high in Madison
- State Government was at a halt earlier this year
- This tone and tenor will likely continue for the next 2 years

This political environment makes advocacy very difficult

Budget Repair Bill

- Addressed 2011 fiscal year (ending 6/30/11)
- Projected shortfalls caused need for remedy bill
- Medicaid (MA)
 - \$176.5 million deficit thru yearend
 - Money would have run out by mid-May
 - Some states deal with this by writing IOU's!
 - Bill signed by Gov. Walker April 6



What Does the Repair Bill Do?

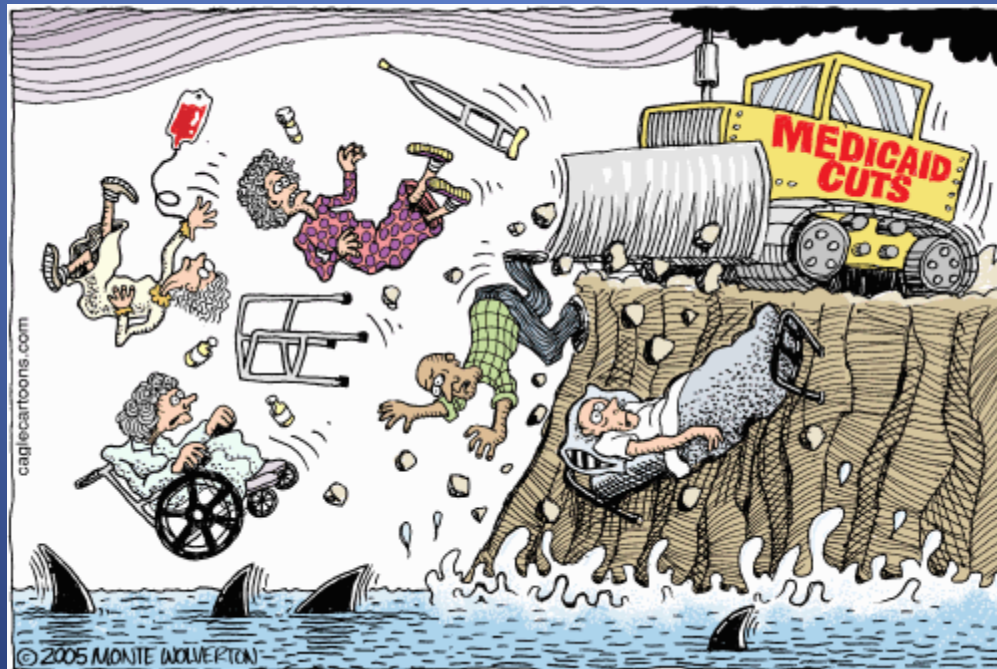
- Fully Funds MA deficit this year without:
 - Provider cuts
 - Affecting Enrollment
- Funded primarily by debt restructuring
- Separate repair bill grants DHS authority to study and propose cost-saving changes to MA through the Administrative Rule process (bill being challenged in courts on unrelated matter)
- DHS will implement changes through:
 - Waivers from CMS
 - State plan amendments
 - Administrative Rules

“Study Process”

- Secretary Smith “We will seek much input from many stakeholders”
- Meetings with providers
- Town hall meetings across the state to discuss how Medicaid can become more efficient
 - Eligibility Thresholds
 - New Packages of Benefits
 - Change Reimbursement Schemes
 - Eligibility and Enrollment Verification

Study Process Results

The \$500 M in Medicaid spending reductions that is in the biennial budget proposal will be found through this process.



Federal Health Reform Bill

- PPACA allows states in a “budget crisis” to immediately roll back eligibility for most adults.
 - Threshold of 133% of the Federal Poverty Level
 - Decreased enrollment of 70K people in Wisconsin
- PPACA is restrictive and uncertain in other ways
 - Tightens the verification process
 - Decrease flexibility to make MA changes
 - Secretary Sebelius has great power
- Constitutionality? States can opt out in 2014.

2011-13 Biennial Budget

- Hospitals, WHA continue to evaluate the 2011-2013 State Budget with the our guiding principles in mind, including:
 - 1) preserving the Medicaid (MA) safety net for our most vulnerable populations;
 - 2) maintaining the integrity of the hospital assessment; and
 - 3) minimizing cost shifting to employers and employees from unreimbursed Medicaid costs and uncompensated care.

2011-13 Biennial Budget

- Wisconsin is facing a \$3.6B deficit
- Medicaid alone accounts for \$1.8B
- Governor's budget proposal is the first step of the process that goes through mid-June.



\$1.8B Medicaid Deficit

- Proposal to address the deficit:
 - One-time federal funding replaced with \$1.3B GPR
 - \$500 M will come via the Study and Administrative Rule Processes



Cuts Outside of Study/Admin Rules

- No specific eligibility reductions
- Co-Pays and Premiums above 185-200% of Federal Poverty Level (becomes Bad Debt for hospitals)
- No across the board Provider cuts
- No changes to the hospital assessments
- All but one “Supplemental Payment” retained

Medicaid Budget Funding

- For hospitals, freezes base reimbursement at FY 2011 levels
 - A 2% intensity increase requested by DHS was not included in Governor's budget proposal
 - This essentially cuts hospitals' reimbursement by \$12.6M AF in FY12 and \$25.3M AF in FY13
- Cut backs on “dual eligibles” – what MA pays hospitals for Medicare Part A co-insurance (\$15.2M AF in FY12 and \$21.6 M AF FY13)
- Cuts compound the growing cost-shifting problem

Focus on Medicaid High Cost Individuals

- 5% of enrollees account for 58% of program dollars
- Moving these individuals to Managed Care
- Capitalize on Wisconsin's integrated health systems

Biennium Budget “Others”

- Senior Care – Requires Medicare D application
 - Senior Care will become supplemental wrap-around
 - Savings of \$37 M All Funds over 2 yrs
- Medical Record Copy Fees
 - 2009-11 Biennial Budget set fees lower than cost of making copies in statute
 - Returned to administrative rules process
- Newborn Screening Fees
 - State Lab of Hygiene, DHS increased fees 57% last session with little legislative review, no provider input
 - Moved to administrative rules process

State Budget Brings Challenges for Hospitals

- Persistent Financial Challenges
 - Medicaid pays hospitals less than the cost to provide care (est. \$750M state-wide in 2010)
 - WI hospital MA reimbursement rates are among the lowest in the nation.
 - WI increasing enrollment (2nd only to AZ)
 - Medicare also pays less than cost and the Boomers are coming

Hospital Options to React

- Raise Prices and pass them on to the patients and business (compounding the cost-shift)
- Eliminate more services and programs for our population
- Help answer the question: “How best to improve the health status of Medicaid enrollees while making the program more efficient?”

MA Impacts Other Areas

- Other cuts have large constituencies
 - K-12 Education, Teachers
 - Collective Bargaining
 - UW System



It's the Unions. They're Pissed!

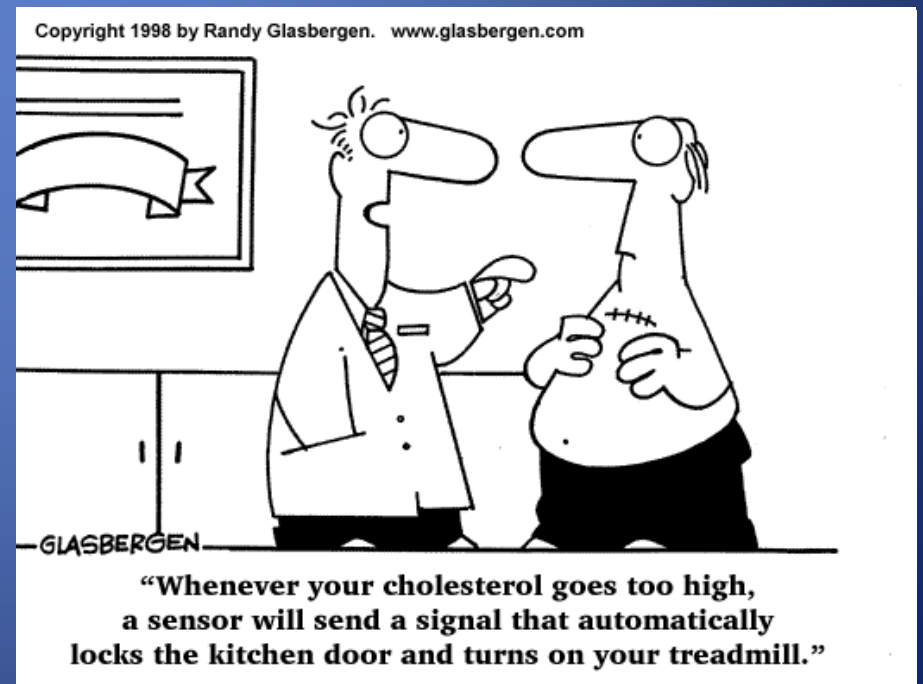
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\$500 M in MA yet to be found!!!



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Questions/Comments