



The
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Legislative, Regulatory & Information Services

Department of Health and Family Services Budget Requests

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The Department of Health and Family Services (DHFS) is requesting a 21.8 percent increase in its total budget for the 2003-05 biennium compared to FY 2003 base year doubled. The two-year request represents an increase of \$2.4 billion over the current \$11.1 billion for a total biennial request of \$13.5 billion. (The [DHFS Budget Request](#) is located on their Web site [98 pp., PDF])

The bulk of the agency budget is comprised of federal funds (\$7.1 billion of the requested \$13.5 billion) followed by GPR at \$4.7 billion. The remaining \$1.7 billion is made up of program revenue, program revenue-service, and segregated revenue funded programs.

The department is requesting a GPR increase of \$725 million, an 18.4 percent increase over base year doubled, for the biennium. Nearly this entire request (\$703 million of the \$725 million) relates to programs that provide aids to individuals and organizations such as Medical Assistance, BadgerCare and SeniorCare. Most of these same programs qualify for federal matching funds and relate to \$1.42 billion of the total increase of \$1.49 billion the department is requesting in federal revenue.

Selected budget items are summarized below:

Radioactive Materials Licensing and Inspection

The department proposes to expand its current role in the regulation of radioactive materials. Currently, The federal Nuclear Regulatory Commission (NRC) is responsible for directly regulating reactor-produced or manufactured radioactive materials. The state regulates naturally occurring and accelerator produced material. Under the DHFS proposal, the state would assume regulatory oversight of radioactive materials currently under federal jurisdiction. Radioactive material from nuclear power plants and federal facilities would continue to be regulated by the federal government. The fiscal effect would equal \$251,800 and a half-time position. Fees paid by Wisconsin regulated facilities are projected to be lower than under the federal regulatory program.

MA Base Re-estimate

Based on projected caseload and increases in the utilization and cost of medical services (particularly drug costs), the department is requesting an additional \$1 billion in the MA program. Proposed increases include \$533 million GPR, \$599 million FED and a reduction of \$106 million in SEG funding to reflect the expected decline in SEG revenue from Intergovernmental Transfer. IGT revenues are expected to decrease from \$356 million in FY 03 to \$51 million in FY 04 and \$39 million in FY 05.

BadgerCare Re-estimate

The department request is largely based on projected growth in enrollment of 9.1 percent in FY 03, 3.5 percent in FY 04, and 2.0 percent in FY 05. Total request = \$132 million increase for the biennium comprised of \$37 million GPR, \$95 million FED, \$1.8 million in PR (enrollee premiums) and \$1.4 million reduction in IGT SEG.

SeniorCare Re-estimate

This program was established in the last biennial budget bill (2001 Act 16) with 10-month funding of \$50 million GPR. Generally, it provides prescription drug assistance to residents over 65 years old with income of less than 240 percent of the federal poverty level. Wisconsin has since obtained approval of a federal waiver (July 1, 2002) to receive federal matching funds for participants with income less than 200 percent. Despite the availability of federal matching funds, the department indicates that original cost projections for benefit costs were substantially underestimated. In addition, benefit costs are estimated to increase by 17 percent annually in each year of the next biennium. Total increases requested for the biennium amount to \$389 million, which includes \$92 million GPR, \$197 million FED, and \$100 million in PR from enrollee co-payments and deductibles.

MA Contracts Re-estimate

The department is requesting \$24 million for estimated increases in the MA fiscal agent and various other MA administrative contracts, costs associated with the CARES system and SeniorCare costs. The request is made up of \$6.2 million GPR, \$10.9 million FED and \$7.1 million PR.

HIRSP Re-estimate

The department is requesting an increase of \$64 million in FY 04 and \$127 million in FY 05 (\$191.7 million for the biennium) to support anticipated increases in the Health Insurance Risk Sharing Program. HIRSP expenditures totaled \$70 million in FY 02 and are projected to be \$100 million in FY 03. NOTE: These expenditure totals do not reflect the 20 percent share that providers are responsible for under the funding formula, since that "funding" is realized in the form of discounted services as opposed to assessments levied and collected from insurers and premiums paid by enrollees. The request is based, in part, on estimated enrollment increases of 25 percent in FY 04 and 22 percent in FY 05. According to a recent audit conducted by the Legislative Audit Bureau, 15,267 policyholders were enrolled in HIRSP as of September 30, 2002. The LAB noted that enrollment increased 28.1 percent in FY 01 and 27.1 percent in FY 02. The program also experienced significant increases in claim costs of 48.9 percent in FY 01 and 24.2 percent in FY 02. (LAB Audit Report 02-17) <http://www.legis.state.wi.us/lab/Reports/02-17tear.htm>

HIRSP Procurement

Under current law, the state requires that the Medicaid fiscal agent also be the HIRSP plan administrator. The department is proposing to eliminate this requirement so that the contract for the HIRSP plan administrator could be separately put out for competitive bid. The current Medicaid fiscal agent contract expires at the end of 2005.

Mental Health/AODA Redesign Phase II

The department is requesting \$1.4 million over the biennium (\$700,000 FED and \$700,000 PR) to further fund redesign projects aimed at providing comprehensive based mental health and substance abuse services in a managed care system. Phase II activities include exploration of federal waivers, design of eligibility screens, improvement in case management and design/implementation of performance based contracting.

Preventing Tobacco Sales to Minors

The department is requesting \$837,500 in PR to prevent tobacco sales to minors and meet compliance with federal Synar requirements. The majority of the funding is proposed to go to local health departments to conduct compliance surveys at retail outlets. The department expects

to allocate funds to 15 local health departments in FY 04 and 53 local health departments in FY 05. The proposal includes \$71,000 per-year for a contract staff person to work with coalitions to conduct retailer education and training activities. DHFS proposes to fund the initiative by increasing the surcharge on fines assessed against drug offenders from 50 percent to 80 percent.

HIPAA Administrative Simplification

The Health Insurance Portability and Accountability Act (HIPAA) of 1996 mandates regulations that govern privacy, security and administrative simplification standards on health care information. DHFS has determined that major state health care systems and programs (i.e. Medicaid, HIRSP, and Facility Licensing and Certification Information System) still require system modifications to comply with HIPAA requirements. There are two final federal regulations and several proposed regulations that are expected to become final by the end of calendar year 2003. Federal law requires compliance with various HIPAA standards within 24 months of the effective date of adopted federal regulations. The total request for HIPAA related costs is \$13.4 million, which includes \$11.86 million FED, \$330,000 PR and \$1.17 million PRS.

Statutory Language Requests

Proposed language requests include the following:

- Competitive procurement for HIRSP_--- Eliminate the requirement that the HIRSP Plan Administrator be the MA fiscal agent [s. 149.16 (1)]
- Preventing Tobacco Sales to Minors --- Increase the Drug Abuse Program Improvement Surcharge to 80 percent from 50 percent and allow it to be used for Synar compliance. [s 961.41 (5)(a) and s. 20.435 (6)(gb)]
- Special Enrollment Period for HIPP Qualified Employees --- Make Health Insurance Payment Plan (HIPP) a “qualifying event” that enables employees to enroll immediately in an employer sponsored health plan. [s. 632.746]
- Eliminate County Insurance Payments --- Deletes provisions that provide for incentive payments to local units of government that identify other health insurance for MA applicants to conform with legislative decisions in made in the last biennium. [s.49.45(3)(am)]
- DHFS User Fee Policy --- Allows DHFS to establish fee levels through policy for department fees whose amounts are currently specified in statute or administrative rule.