



State of Wisconsin  
Department of Health Services

---

Scott Walker, Governor  
Kitty Rhoades, Secretary-Elect

**Joint Committee on Finance**  
**Testimony of Secretary-Elect Kitty Rhoades**  
**Department of Health Services**  
**March 20, 2013**

I would like to thank you for the opportunity to discuss the Governor's 2013-2015 biennial budget for the Department of Health Services.

As you know, the Department of Health Services has nearly 6,000 positions and a two-year budget of \$20 billion. Roughly 80% of the Department's budget is dedicated to the Medicaid program and 50% of our budget is federally funded. In addition, we operate seven direct care facilities across the state that provide services for some of the state's most vulnerable residents.

In his budget, Governor Walker continues to preserve safety net services for our most poor and vulnerable citizens by moving forward on entitlement reform, while also expanding access to health coverage to hundreds of thousands of Wisconsin citizens.

In his last budget, the Governor invested \$1.2 billion in GPR dollars to support Medicaid services. In addition to the increase in state funding, he tasked our Department with the ambitious goal of identifying more than \$500 million in savings to make the program stronger and more efficient. And I am happy to report that we are on track to meet that goal for this biennium, without having to resort to benefit reductions or provider rate cuts. For the first time since 2007, the Legislature has not needed a budget repair bill to cover the current biennium's Medicaid bills.

As you know, the Department has provided this committee with regular quarterly updates on the status of the Medicaid budget and I look forward to continuing those reports in the coming biennium.

The Governor's Budget adds roughly \$650 million GPR to Medicaid for the next two years. We recognize that this is a significant amount. However, it's important to note that \$258 million of this funding increase directly results from federal decisions outside of our control, including implementation of the Affordable Care Act and reductions in the federal Medicaid matching rate for Wisconsin.

Like last biennium, we will continue to responsibly manage the Medicaid program, as well as continue to pursue efforts to improve cost effectiveness and care outcomes in Medicaid. These include:

**1. Reforming Service Delivery to Members**

- Medical homes offer patients individualized, patient-centered and coordinated health care that accomplishes the goals of saving costs across the health care system. This is typically accomplished by avoiding duplicative or unnecessary care and treatment and enhancing the patient's health care outcomes by making sure patients receive the right care at the right time.
- It is important to note that medical homes are not brick and mortar buildings, but rather a successful integrated care delivery model.
- The Department has implemented medical homes for AIDS/HIV and foster children and we will continue to explore this option for other populations in the next biennium.

## 2. **Detecting Fraud and Preventing it in the First Place**

- We created the Office of Inspector General in 2011 to integrate Department-wide program integrity efforts. In CY 2012, for every \$1 invested, the OIG generated \$22 in returns from recipient fraud investigations. The OIG's efforts will continue in the upcoming biennium and beyond.
- We also propose improving the integrity of the eligibility system to reduce member fraud. In this budget, we propose implementing automated database searches to verify that all Medicaid applicants are indeed Wisconsin residents.

## 3. **Strengthening the Medicaid Program's Fiscal Stability**

- We also propose strengthening divestment and estate recovery policies to ensure that people with the resources to support their own care will do so.
- We will also expand and streamline efforts to identify when third party insurance and other payers should fund the cost of care with Medicaid being the payer of last resort, as it was intended to be.

### *Entitlement Reform*

As you know the Governor has proposed reforms to BadgerCare Plus eligibility to become effective with the federal implementation of the Affordable Care Act.

The Governor's proposal:

- Reduces the number of uninsured adults by an estimated 224,580, cutting the uninsured rate nearly in half.
- Maintains current coverage levels for seniors, people with disabilities, and pregnant women, as well as children whose family income is up to 300% of the federal poverty level.
- Provides more than eighty-two thousand childless adults living in poverty access to Medicaid coverage.
- Covers all eligible adults living in poverty, with those above 100% of the federal poverty level able to access coverage through the federal health insurance exchange.

Governor Walker is making a bold change by reforming Medicaid to more closely reflect reality and the way people actually live their lives. His budget re-focuses Medicaid on the population that it was created for – people in poverty. The Governor's proposal will ensure long-term sustainability and predictability for a program that serves those who are most in need in our State.

Governor Walker saw conflict under the current Medicaid rules – people in poverty not being eligible for Medicaid because their eligibility was tied to their household structure, not their income. For a long time, adults in poverty had to have a dependent child to get access to this health care where adults with no dependent children were not able to get this coverage, simply because they did not have a child. In expanding Medicaid to all people in poverty, the Governor is strengthening the state's commitment to people in poverty.

Some say Wisconsin should take the promise of short-term federal money to expand Medicaid. The Governor believes that having more people depend on government-run Medicaid should not be our goal. Rather, we want to help individuals and families living above poverty to remain in the private sector for getting their health insurance coverage. It is better for individuals to be able to purchase a plan of their own choosing in the private market that provides care where and when they need it. This proposal is based on what will provide the best outcome for our citizens, not on obtaining short-term financial assistance for the State.

Keep in mind that the Governor's budget is about making sure that hundreds of thousands of Wisconsinites will now have access to affordable health insurance that they did not have access to before. This is a decision that should be the norm for other states across the nation.

We believe that we will achieve the greatest economic impact for Wisconsin by having people purchase health insurance through the exchange. We have all heard providers' complaints about reimbursement rates being too low. The traditional

commercial market pays providers a higher rate than Medicaid. Which rates do you think providers would prefer to receive – the Medicaid rate or the commercial rate? I know that if I was a provider, I would want the commercial rate. The more people we have who are purchasing their insurance through the exchange and the more providers we have being paid the commercial rates, the greater the overall economic impact of the health exchanges will be.

Wisconsin's Medicaid program has been expanded repeatedly in recent decades. Keep in mind that Wisconsin expanded its Medicaid program before it was required and before the federal government implemented the Affordable Care Act. We have a long history of filling the gap to take care of our own residents.

- Enrollment in Medicaid has nearly tripled since BadgerCare was begun in July 1999.
- In FY 2000, we spent \$587 million All Funds for coverage of low-income families. In FY 2014, we'll spend over \$1.7 billion.
- The overall Medicaid program cost about \$1 billion in 1987. By 2015, it will exceed \$8 billion.

Governor Walker has created a Wisconsin solution - a common sense approach to the Medicaid program. It is time we return the Medicaid program to what it was originally intended, a health care safety net for our most needy citizens and those in poverty.

Entitlement reform goes beyond Medicaid. In his budget, Governor Walker invests \$16.8 million GPR to support job training for able-bodied adults without children in the FoodShare program, to ensure they receive the skills they need to return to the workforce.

For too long most states, including Wisconsin, have asked the federal government to waive work requirements for those participants, on the mistaken belief able-bodied adults without children face too many barriers to working. The Governor will invest in the future of these individuals to help them break the cycle of poverty and dependence. The Department will also work with our sister agencies to ensure that current workforce programs are enhanced and not duplicated with this new resource.

#### *FamilyCare*

Governor Walker's budget provides for the cost to continue funding the existing FamilyCare program. It does not address any potential expansions of this program.

Last session the Governor, with the support of the Wisconsin legislature, hit the pause button on enrollment in the FamilyCare program. This time was valuable for the Department so we could assess the existing program and move forward with changes to make FamilyCare sustainable for future generations.

As part of the legislation that lifted the cap on FamilyCare enrollment, the Legislature required that any future expansions of this program must have the affirmative support of this committee. The Department of Health Services built its budget knowing that any expansion of this program is a decision that will be made between the Governor and the Legislature. However, any expansion of FamilyCare would require a long-term funding commitment.

#### *Mental Health Investments*

Governor Walker's budget also includes a significant investment in mental health services. The budget supports measures that consumers, families and advocates have told us will make a real difference in the lives of people with mental illness. They include:

- Expanding Comprehensive Community Services statewide and making it a state matched, rather than county matched, Medicaid benefit.

- Implementing Coordinated Service Teams statewide. These teams are already in 36 counties and 6 tribes and provide “wraparound” models of care for children with mental illness.
- Creating Peer-Run Respite Centers, a model that has been implemented successfully in other states.
- Allowing certain Medicaid counseling for children with mental illness to be provided in the child’s home.
- Increasing the capacity of state forensic treatment units at Mendota Mental Health Institute to meet the growing demand for inpatient evaluation and treatment services.
- Creating the Office of Children’s Mental Health Services, which will coordinate initiatives, monitor program performance, and assure the integration of services across all state agencies.

In summary, the Governor’s Budget for the Department of Health Services preserves the health care safety net for our most needy citizens while reforming entitlements back to their true purpose of transitioning people from a cycle of dependence to independence and self-reliance. Under Governor Walker’s leadership, Wisconsin continues its tradition of combining compassion with responsibility, while also re-inventing government to meet the challenges of the future. I would be happy to answer any questions you may have.