



State of Wisconsin  
**Department of Health Services**

Scott Walker, Governor  
 Linda Seemeyer, Secretary

March 30, 2018

The Honorable Alberta Darling, Senate Co-Chair  
 Joint Committee on Finance  
 Room 317 East  
 State Capitol  
 P.O. Box 7882  
 Madison, WI 53707-7882

The Honorable John Nygren, Assembly Co-Chair  
 Joint Committee on Finance  
 Room 309 East  
 State Capitol  
 P.O. Box 8953  
 Madison, WI 53708

Dear Senator Darling and Representative Nygren:

As required under s. 49.45(2n), I am writing to provide an update for the third quarter of FY 18 on the overall condition of the Medicaid benefits budget and any changes to the program in the past quarter.

The Department projects that Medicaid benefits costs will be below budgeted levels by \$59.7 million GPR by the end of the 2017-19 biennium. The table below reflects current estimates for Medicaid expenditures through FY 19, based on trends in enrollment, costs per enrollee, federal claiming rates, and third party revenues.

<b>Projected Medicaid Expenditures for the 2017-19 Biennium (in millions)</b>				
	<b>December 2017 Projection</b>		<b>March 2018 Projection</b>	
	GPR	All Funds	GPR	All Funds
Act 59 Budgeted Level	\$6,107.3	\$20,010.6	\$6,107.3	\$20,010.6
Projected Expenditures	\$6,097.7	\$19,987.2	\$6,047.6	\$19,865.0
<i>Difference</i>	<i>\$9.6</i>	<i>\$23.4</i>	<i>\$59.7</i>	<i>\$145.6</i>

The projection has improved compared to the September report. Among other factors, manufacturers' rebates received for prescription drugs continue to trend higher than assumed in the biennial budget. Family Care enrollment is projected to be lower than previously estimated. In addition, the projection improved by \$16 million GPR due to adjustments in federal claiming

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for certain payments to Family Care managed care organizations. Various other small factors contributed to the improved outlook.

Consistent with the December projection, this estimate assumes the June 2019 "Clawback" payment to the federal government for Medicare Part D costs will be paid in June 2019. The 2017-19 biennial budget assumed the payment would be delayed until July 2019.

Since our last letter, Congress reauthorized the Children's Health Insurance Program (CHIP) through FFY 2027. Wisconsin uses its CHIP allocation to fund costs for BadgerCare Plus children who meet the CHIP eligibility criteria. Previous federal authorization legislation for the program had expired on September 30, 2017. The reauthorization eliminates one fiscal risk factor for the Medicaid budget.

Nevertheless, we are less than halfway through the 2017-19 biennium. Subsequent projections will change based on additional months of enrollment and utilization data and developments at the federal level. We will need to continue monitoring the program closely over the remainder of the biennium.

*State Plan Amendments*

The Appendix lists state plan amendments submitted to the federal government this quarter.

Finally, the latest information on the DHS Office of Inspector General's efforts to reduce and prevent fraud in the Medicaid program can be found at <https://www.dhs.wisconsin.gov/oig/data.htm>.

Please contact me if you have any questions about this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Seemeyer", with a long horizontal line extending to the right.

Linda Seemeyer  
Secretary

## Appendix

### Proposed Medicaid State Plan Amendments and Waivers Submitted to the Federal Government for Approval

*Amendment 17-0012. End of Ambulatory Surgical Center Access Payments.* This amendment ends access payments to ambulatory surgical centers consistent with 2017 Act 59, the 2017-19 biennial budget. (The December 2017 letter incorrectly identified this as 17-0013.)

*Amendment 18-0001. Eligibility Cost of Living Adjustments.* This amendment would update relevant income eligibility thresholds to reflect 2018 federal Social Security Act cost of living adjustments.

*Amendment 18-0002. Inpatient Hospital Rates.* This amendment updates inpatient hospital rate methodologies.

*Amendment 18-0003. Outpatient Hospital Rates.* This amendment updates outpatient hospital rate methodologies.

*Amendment 18-0004. Mandatory Managed Care Enrollment for SSI-Eligible Members.* This amendment would require SSI-eligible members to enroll in a managed care plan. (The December 2017 letter incorrectly identified this as 17-0012.)

*Amendment 18-0005. Foster Care Youth.* To comply with recent federal legal guidance, this amendment would eliminate coverage for former foster care youth who live in another state under the State Plan. Those individuals are now covered under Wisconsin's BadgerCare Plus federal waiver.