



State of Wisconsin  
**Department of Health Services**

Scott Walker, Governor  
 Linda Seemeyer, Secretary

June 29, 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 fourth 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 \$102.4 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>March 2018 Projection</b>		<b>June 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	\$6,047.6	\$19,865.0	\$6,004.9	\$19,760.8
<i>Difference</i>	<i>\$59.7</i>	<i>\$145.6</i>	<i>\$102.4</i>	<i>\$249.8</i>

The projection has improved by \$43.7 million GPR since the March report. Now that we are at the end of FY 18, we have a better sense of trends for the remainder of the biennium. This projection assumes more favorable caseload for FY 19, with average monthly enrollment for BadgerCare Plus children declining by 0.7% and BadgerCare Plus parents and caretakers by

Senator Alberta Darling  
Representative John Nygren  
June 29, 2018  
Page 2

2.3%. Savings from these lower trends will be partially offset by growth for childless adults (1.9%) and elderly, blind, disabled individuals (1.5%).

We are also better able to project the direction prescription drug costs will take in the coming year. This projection assumes 8.5% growth in drug expenditures in FY 19, compared to 10.5% in previous projections. The projection also assumes a lower trend for nursing home utilization. These savings are partially offset by higher assumptions for personal care expenditures.

Consistent with the March 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.

While the halfway point allows us to more easily project expenditures for the remainder of the 2017-19 biennium, we still have a year before the biennium concludes. 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 during FY 19.

*State Plan and Waiver Amendments*

The Appendix lists state plan amendments and waiver 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 flourish extending to the right.

Linda Seemeyer  
Secretary

## Appendix

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

*Amendment 18-0006. Outpatient Hospital Services.* The current state plan refers to an Approved Nursing and Allied Health Activities Add-On (ANAH Add-On). This add-on previously provided a rate increase to hospitals based on their costs related to nursing and allied health activities, and was active through December of 2016. Effective April 1, this language will be removed from the state plan. Funding associated with this add-on continues to be paid to hospitals through a reallocation to base outpatient hospital reimbursement rates.

*Amendment 18-007. Home Health Services.* This revision brings the state into compliance with the federal mandate that home health services cannot be restricted to individuals who are homebound or to services furnished solely in the home.

*Amendment 18-008. Title 21 Children's Health Insurance Plan (CHIP).* The purpose of the amendment is to provide assurances to CMS that Wisconsin is in compliance with the federal Mental Health Parity and Addiction Equity Act.

*Family Care 1915b and 1915c Waiver Amendments.* The amendments will enable tribes to provide case management services for their members in Family Care and allow the state to provide cost-based funding to Indian Health Care Providers and Family Care managed care organizations for services authorized by Indian Health Care Providers.

*IRIS 1915c Waiver Amendment.* The amendment makes adjustments to projected participant counts included in the waiver.