



State of Wisconsin
 Department of Health Services

Scott Walker, Governor
 Linda Seemeyer, Secretary

December 28, 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 second quarter of FY 19 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 \$212.7 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.

Projected Medicaid Expenditures for the 2017-19 Biennium (in millions)				
	September 2018 Projection		December 2018 Projection	
	GPR	All Funds	GPR	All Funds
Act 59 Budgeted Level	\$6,107.3	\$20,010.6	\$6,107.3	\$20,010.6
Projected Expenditures	\$5,958.3	\$19,647.1	\$5,894.6	\$19,491.8
<i>Difference</i>	<i>\$149.0</i>	<i>\$363.5</i>	<i>\$212.7</i>	<i>\$518.8</i>

The projection has improved as a result of updated assumptions for CY 19 capitated payments for members enrolled in managed care programs, plus additional months of trend data for fee-for-service utilization and for enrollment. The Department estimates that, overall, actuarially-set rates for HMOs serving the BadgerCare Plus and SSI Managed Care populations will decline

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from CY 18 to CY 19 based on enrollees' service utilization trends. Savings from these lower rates will be partially offset by higher Family Care MCO rates. In addition, FY 19 claims for federally qualified health centers through November 2019 have been significantly lower than what was assumed in the September estimate. Prescription drug expenditures have also been substantially lower. Finally, enrollment is trending lower than previous projections.

Consistent with prior projections, 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.

Given that only two quarters remain in the biennium, the Department can be more certain about the condition of the Medicaid budget. However, it will continue to monitor expenditures in the program through the end of the fiscal year, as small changes in utilization can have a significant impact on final expenditure amounts.

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,



Linda Seemeyer
Secretary

Appendix

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

Children's Long Term Support Waiver. The Department submitted an amendment to implement a uniform rate methodology that counties will use when reimbursing providers for CLTS services. The Centers for Medicare and Medicaid Services (CMS) required the state to implement the new methodology. *Submitted December 14, 2018.*

IRIS Waiver. The Department submitted an amendment to update participant counts in the waiver. *Submitted December 12, 2018.*