



Legislative Fiscal Bureau

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April 27, 2017

TO: Senator Kathleen Vinehout
Room 22 South, State Capitol

FROM: Charles Morgan, Program Supervisor

SUBJECT: Medical Assistance and FoodShare -- Contracted Services

In response to your request, this memorandum provides information on amounts the Department of Health Services (DHS) has expended during the past several years for certain contracted services DHS uses to administer the medical assistance (MA), FoodShare, and other public assistance programs, and the amounts that would be budgeted for these services in 2017-18 and 2018-19 under the Governor's budget recommendations.

Most categories of MA administrative expenses, including state staff, income maintenance services (eligibility determinations and managing cases), and most services provided by contracted entities, are supported 50% from state funds and 50% with federal matching funds. Enhanced federal funding is available for certain types of administrative costs, such as certain types of modifications to the client assistance for reemployment and economic support (CARES) system, which assists state and county staff in performing income maintenance functions, and the Medicaid management information system (MMIS), which maintains information on MA claims and expenses for program management and reporting purposes. The costs of conducting certain types of external quality reviews, currently performed by MetaStar, also qualify for enhanced federal cost-sharing.

Funding to support costs relating to the administration of the MA and FoodShare programs is budgeted in several appropriations. Two appropriations, the general purpose revenue (GPR) appropriation under 20.435(4)(bm) of the statutes, and the federally-funded appropriation under 20.435(4)(pa) of the statutes, support the costs of contracted services, which include services provided by private firms, as well as services provided through contracts with other entities within DHS and other state agencies (primarily information technology support from the Department of Administration). Funding DHS distributes to groups of counties and tribes that perform income maintenance functions are not budgeted in these two appropriations and are instead supported from appropriations that fund allocations to county and tribal income maintenance agencies, exclusively.

Much of the funding that is budgeted for contracted services in these two appropriations pays for services provided by the state's MA fiscal agent, currently Hewlett-Packard Enterprises (HPE). These services include processing claims, reviewing prior authorization requests, pharmacy services, customer service, federal and state reporting, coordination of benefits, and the development and support for the MMIS. The appropriations also support costs of maintaining and making changes to the CARES system, services that are currently provided by Deloitte Consulting. The appropriation also funds contracts for consultant services that assist DHS staff in rate-setting for hospitals and nursing homes, implementing federally-required program changes, and actuarial services. Finally, the appropriations support MA-related costs of the DHS Disability Determination Bureau, and administrative hearings relating to MA cases that are conducted by the Department of Administration's Division of Hearings and Appeals.

The following table identifies actual expenditures from the GPR and federal appropriations that support these contracted services, from 2012-13 through 2015-16, the 2016-17 amounts budgeted for these services under 2015 Wisconsin Act 55, and the amounts that would be budgeted for these services in 2017-18 and 2018-19 under the Governor's 2017-19 biennial budget bill.

**Actual and Budgeted Expenditures for MA, FoodShare and Family Care Contracted Services
Fiscal Years 2012-13 through 2018-19**

<u>Fiscal Year</u>	<u>GPR</u>	<u>FED</u>	<u>All Funds</u>
2012-13	\$36,981,400	\$113,678,400	\$150,659,800
2013-14	39,124,000	122,937,800	162,061,800
2014-15	55,538,700	128,091,000	183,629,700
2015-16	56,384,200	146,315,800	202,700,000
2016-17 (Act 55 Budget)	61,614,900	145,893,800	207,508,700
2017-18 (Governor's Bill)	69,143,500	184,356,000	253,499,500
2018-19 (Governor's Bill)	72,785,300	197,952,100	270,737,400

The GPR increase in costs for contracted service that occurred between 2013-14 and 2014-15 is largely due to and the transfer of certain contract costs that were previously budgeted in the former Division of Long-Term Care, but are now funded in the Division of Medicaid Services.

Under the Governor's 2017-19 budget bill, the funding that would be budgeted for contracted services purchased by the Division of Medicaid Services totals approximately \$253.5 million (\$69.1 million GPR and \$184.4 million FED) in 2017-18 and \$270.7 million (\$72.8 million GPR and \$197.9 million FED) in 2018-19. The funding increases for contracted services is primarily due to: (a) reestimates of current contract costs, some of which include annual rate adjustments; (b) programming services for CARES to implement several FoodShare-related initiatives in the Governor's budget bill; (c) costs DHS expects to incur to support the procurement and implementation of a new MMIS (approximately \$10.4 million GPR and \$76.5 million FED in the 2017-19 biennium); and (d) cost of contracting with vendors to provide employment and training services to MA recipients who are adults without dependent children.

The Governor's bill also includes an item to reduce funding for contracted services by converting 41.50 full-time equivalent (FTE) current contracted positions, beginning in 2017-18, to state positions as a means of reducing overall administration costs. This item is summarized on page 223 of the Legislative Fiscal Bureau's summary of the Governor's 2017-19 budget recommendations.

Please contact me if you require additional information on this matter.

CM/sas