



STATE OF WISCONSIN

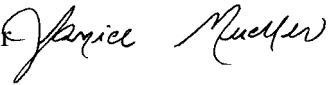
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Janice Mueller
State Auditor

DATE: January 6, 2011

TO: Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee

FROM: Janice Mueller 
State Auditor

SUBJECT: Proposed Audit of Medical Assistance Program—Background Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find useful in considering an audit of the Medical Assistance program, which is administered by the Department of Health Services. The Medical Assistance program funds the costs of health care services for certain groups, including children under the age of 19 and their parents or caretaker relatives; pregnant women; and elderly, blind, and disabled individuals. To qualify for program benefits, participants must be Wisconsin residents, United States citizens, or qualifying aliens, as well as meet income limits that vary based on eligibility group.

Wisconsin's Medical Assistance program consists of two main subprograms: a longstanding subprogram for elderly, blind, and disabled individuals; and BadgerCare Plus, which began in February 2008 and was authorized by 2007 Wisconsin Act 20, the 2007-09 Biennial Budget Act. BadgerCare Plus was created by merging its predecessor, BadgerCare, with family coverage under the Medical Assistance program, and by expanding income limits and creating coverage for additional groups of individuals.

In fiscal year 2009-10, benefit expenditures totaled \$6.7 billion. Approximately 70.2 percent of these expenditures were funded with federal revenue, 19.3 percent with GPR, and 10.5 percent with other sources, primarily segregated revenue through the State's Medical Assistance Trust Fund. From January through November 2010, the average number of monthly Medical Assistance recipients totaled 1,048,546, 73.2 percent of which were receiving services through BadgerCare Plus. These figures exclude expenditures and enrollment related to the SeniorCare program.

Recipients are provided with a broad array of services, such as coverage for physician office visits, medication, inpatient and outpatient hospital procedures, prenatal care, physical therapy, mental health and substance abuse treatment, emergency room care, nursing home care, and medical supplies and equipment. Medical services for elderly, blind, and disabled recipients are provided on a fee-for-service or managed-care basis, based on an individual's county of residence. In contrast, medical services for BadgerCare Plus enrollees are commonly provided by Health

Maintenance Organizations (HMOs), which receive monthly capitation payments for providing comprehensive medical care.

Concerns have been raised about the extent of program growth; the quality, usefulness, and availability of management information; the ability to accurately project program enrollment and costs; and the effect federal health care reforms may have on the program.

An audit of the Medical Assistance program could include:

- a review of trends in program expenditures by funding source and type, including a detailed review of administrative costs;
- a review of trends in the number of Medical Assistance recipients by sub-program category;
- an analysis to apportion cost increases among increased caseloads, increased service costs, and increased administrative costs;
- to the extent reliable data are available, an analysis of trends in program service costs by category, such as physician office visits, nursing home care, and inpatient hospital stays;
- a review of contract payments for selected administrative services, including services provided by HP Enterprise Services, which acts as the fiscal agent for Medical Assistance;
- a review of how Medical Assistance costs and benefits in Wisconsin compare to those of other midwestern states; and
- a review of cost containment strategies that other states have implemented to address rising costs in their Medical Assistance programs.

I hope you find this information helpful. If you have additional questions, please contact me.

JM/PS/bm

cc: Senator Mary Lazich
Senator Alberta Darling
Senator Kathleen Vinehout
Senator Julie Lassa

Representative Kevin Petersen
Representative Robin Vos
Representative Andy Jorgensen
Representative Jon Richards

Dennis Smith, Secretary
Department of Health Services