

Governor Walker Unveils His 2013-2015 Biennial Budget Proposal --2013 Assembly Bill 40--

Governor Walker has formally presented his 2013-2015 biennial budget recommendations to the Legislature. His proposed \$68.0 billion dollar budget has been introduced as 2013 Assembly Bill 40, an omnibus 1,093-page document.

The Governor's budget contains several items that are certain to fuel political and policy debates at the State Capitol and throughout the State. Early reactions to his budget generally have focused on recommendations to:

1. Reduce individual income taxes by \$343 million;
2. Expand the school choice/voucher program; and
3. Reject the federal financial incentives to significantly expand Medicaid/BadgerCare and, instead, implement a modified program under which current income eligibility limits for all nonelderly, nondisabled adults would be reduced from 200% of the federal poverty level to the federal poverty level (other low-income persons would be eligible to receive subsidized health insurance coverage through the state exchanges, effective January 2014).

In addition to the above referenced recommendations, the Governor's proposed budget includes several items of particular interest to the long-term services and supports provider community. The following is a brief summary of these items, based on information obtained from the Governor's published budget materials and a briefing by his budget staff:

Medicaid Base Reestimate: Increase the Medicaid program by \$130.9 million GPR ("general purpose revenues," or state tax dollars) in 2013-14 and by \$274.5 million GPR in 2014-15 to reflect reestimates of enrollments, utilization, acuity and inflation. Over the biennium, the Medicaid reestimate would exceed \$806 million AF ("all funds," the combination of federal and state tax dollars).

There are some key budget assumptions included in the Medicaid reestimate:

- **Medicaid Provider Rate Increases:** *No provider rate increases would be authorized.*

- Acuity Adjustments:** The nursing home base would be increased by \$5.4 million GPR/\$13.1 million AF in 2013-14 and by \$10.5 million GPR/\$25.5 million AF in 2014-15 to reflect a projected increase in resident acuity. The proposed budget assumes the acuity base adjustment would be funded by a return of the nursing home bed tax "skim." Under this assumption, \$38.6 million of the estimated \$90 million bed tax "skim" (\$45 million AF in each year of the 2013-15 biennium) would be authorized for nursing facilities by June 30, 2015. This acuity adjustment would increase nursing home base funding by approximately 2% annually. Also, the reestimate assumes annual acuity base adjustments of 1.5% for hospitals and, apparently, 1% for facilities for the developmentally disabled (FDD). Further, the FDD bed tax would be established as a flat amount of \$910 per licensed bed per month (essentially no change from current tax level which is based on a percentage of revenues).

Overall, LeadingAge Wisconsin estimates the Governor's recommendations would reduce the Medicaid fee-for-service nursing facility (non-FDD) fiscal year 2013 base level funding from \$681.1 million to \$665.2 million in 2014 and to \$657.6 million in 2015.

Estimated Medicaid Nursing Facility Fee-for-Service Funding Levels under the Governor's Proposed Budget-- All Funds

	2014	2015
2013 Nursing Facility Base	\$681,079,412	\$681,079,412
Projected Utilization Decrease in Nursing Facility Medicaid Days:	-\$28,960,500	-\$49,080,180
Projected Acuity Increase per Governor's Budget	\$13,053,000	\$25,552,400
Nursing Facility (non-FDD) Proposed Budget:	\$665,171,912	\$657,551,632
Nursing Facility Funding Change from 2013 Base:	-\$15,907,500	-\$23,527,780

- Family Care Expansion:** The cost-to-continue the Family Care program in the next biennium will exceed \$228.6 million AF. The proposed budget is silent on whether Family Care will be expanded statewide to include any, all or some of the 15 remaining non-participatory counties in the 2013-15 biennium. Expansion decisions will be made by the Department of Health Services (DHS) and require prior approval by the Legislature's Joint Committee on Finance. The proposed budget does assume that more long-term care recipients will choose to enroll in the Include, Respect, I Self-Direct (IRIS) program for self-directed care options. The DHS goal is to triple IRIS enrollments from the 3,292 level in 2011 to 10,700 in 2015.

**Estimated Family Care Funding Levels
for Managed Care Organizations (MCOs)
under the Governor's Proposed Budget-- All Funds**

	2013 Base	2014	2015
Estimated Family Care MCO Budget:	\$ 1,248,048,969	\$ 1,371,749,491	\$ 1,476,743,006
Annual Increase:		\$ 123,700,522	\$ 104,993,515
% Increase:		9.9%	6.6%

IRIS:	\$ 235,677,677	\$ 295,486,438	\$ 344,562,926
Annual Increase:		\$ 59,808,761	\$ 49,076,488
% Increase:		25.4%	16.6%

- Supplemental Payments/Certified Public Expenditures:** Certified Public Expenditure (CPE) claims based on Medicaid losses from government-operated facilities are estimated at \$91.1 million annually. Of this amount, the Medicaid Trust Fund would retain \$52.0 million per year and governmental facilities annually would receive \$39.1 million in Supplemental Payments (SP). (Note: In 2012-13, it is estimated that CPE claims will contribute \$48.9 million to the Medicaid Trust Fund). The Governor's budget does not assume any increase in Supplemental Payments to governmental facilities in the next biennium.

Medicaid Federal Funding Replacement: Increase GPR funding by \$108.5 million in 2013-14 and by \$149.8 million in 2014-15 to reflect a reduction in the share of Medicaid costs paid by the federal government and other related federal adjustments.

Medicaid Divestment/Estate Recovery/Electronic Verification of Residency/Third Party Liability Reviews: Authorize multiple changes to tighten the Medicaid eligibility and verification systems. In total, these changes are expected to reduce public assistance program expenses by \$13.9 million GPR/\$35.4 million AF over the next two years. Among other changes, community spouses would be required to verify assets and resources; the look-back period would be five years; persons would be required to provide electronic verification of residency (excludes nursing home and assisted living residents); and cross-checks of information would be made with the Division of Motor Vehicles and other sources.

Virtual PACE Program: Authorize DHS to implement the Virtual PACE program, if federal approval is secured, but assume no budget savings related to offering an integrated program for dual eligible (Medicaid/Medicare) persons residing in nursing homes.

Community-Based Residential Facility (CBRF) Definition and Licensure: Amend the CBRF statutory definition to clarify that a CBRF is not a “private residence that is the home to adults who independently arrange for and receive care, treatment, or services for themselves from a person or agency that has no authority to exercise direction or control over the residence.” In addition, modify current law which generally requires DHS to conduct two inspections of a CBRF before granting permanent licensure. Instead, require DHS to conduct an initial inspection and then evaluate the CBRF (a second inspection would not be required) before granting a permanent license to operate.

Wisconsin Health and Educational Facilities Authority (WHEFA): Grant WHEFA the ability to issue bonds to finance a project undertaken by any 501(c)(3) nonprofit institution for a nonprofit facility and to refinance the outstanding debt of a nonprofit institution. Further, create a state income tax exemption for interest income earned from bonds issued by the WHEFA that are otherwise eligible for state tax-exempt financing issued by another entity, such as a local economic development authority.

Senior Care Reestimate: Delete \$10.2 million GPR/\$27.6 million AF in 2013-14 and \$9.3 million GPR/\$24.0 million AF in 2014-15 to reflect a SeniorCare reestimate related to caseload, utilization and drug costs.

Medicaid Administration: Convert 20.75 Medicaid contract staff positions to DHS staff positions, at a projected savings to the Medicaid program of \$245,500 GPR/\$502,700 AF over the 2013-15 biennium

Certified Medical Coder: Provide a medical coder position within DHS responsible for reviewing Medicaid reimbursement policies and ensuring medical code accuracy in the Medicaid claims system, producing an estimated savings of \$1.5 million GPR/\$3.6 million AF over the 2013-15 biennium.

Comprehensive Community Services Program: Increase funding by \$10.2 million GPR/\$16.7 million AF to expand the Comprehensive Community Services program statewide and to replace \$6 million in local funding that currently supports the program. The program provides enhanced, individualized services to adults and children diagnosed with severe mental illness.

Wisconsin Veterans Homes: Increase expenditure authority for the Veterans Home in King by \$4.9 million in 2013-14 and by \$6.4 million in 2014-15 to reflect the addition of 110.6 positions provided to address higher utilization and resident acuity. In addition, increase expenditure authorization for the Veterans Home in Union Grove by \$1.7 million in 2013-14 and by \$2.2 million in 2014-15 to fund 38 positions to staff the newly converted (from CBRF to skilled nursing) Gates Hall facility. Finally, provide \$1.2 million annually to reflect the full cost of operating the Veterans Home in Chippewa Falls.

Wisconsin Academy for Rural Medicine/Residency Programs: Provide \$2.0 million GPR each year of the biennium to support the costs of developing and offering primary care graduate medical education programs in rural areas of the State. An additional \$500,000 GPR would be available annually to fund hospital residency programs throughout the State.

Ombudsman Relocation Specialists: Provide \$128,000 GPR annually to permanently fund the ombudsman nursing home relocation specialist.

Electronic Health Records (EHR): Provide \$1.8 million GPR/\$3.5 million AF annually to fund an EHR system for the state health care facilities.-

LeadingAge Wisconsin, formerly WAHSA, is a statewide membership association of not-for-profit organizations principally serving seniors and persons with a disability. Membership is comprised of 188 religious, fraternal, private and governmental organizations which own, operate and/or sponsor 185 nursing homes, 9 facilities for the developmentally disabled (FDD), 182 assisted living facilities, 114 apartment complexes for seniors, and over 300 community service agencies which provide programs ranging from Alzheimer's support, adult and child day care, home health, home care, and hospice to Meals on Wheels. LeadingAge Wisconsin members employ over 38,000 individuals who provide compassionate care and service to over 48,000 residents/tenants/clients each day. For more information, please contact John Sauer (jsauer@LeadingAgeWI.org), LeadingAge Wisconsin President/CEO, Tom Ramsey (tramsey@LeadingAgeWI.org), LeadingAge Wisconsin Vice President of Public Policy & Advocacy or Brian Schoeneck (bschoeneck@LeadingAgeWI.org), LeadingAge Wisconsin Vice President of Financial and Regulatory Services, at (608)-255-7060.

March 13, 2013