

May 25, 2011

## Joint Committee on Finance Adopts Medicaid Budget

On a 12-4 party-line vote Tuesday, the Legislature's Joint Committee on Finance (JFC) passed an omnibus Medicaid budget motion which would place a two-year cap on Family Care enrollments, provide nursing homes with funding for acuity increases, and budget \$39.1 million for supplemental payments to county and municipal nursing homes.

While all 12 Republican members of the JFC voted in favor of the omnibus Medicaid motion, all 12 voted in opposition to a motion offered by the Joint Committee's four Democrat members which would have eliminated the Family Care enrollment cap provision. The Democrats' motion failed on a 4-12 party-line vote.

The omnibus Medicaid budget motion adopted by the JFC contained the following provisions:

- **Medicaid Base Reestimate:** In response to a reestimate of the Medicaid funding base by the Department of Health Services (DHS), increase funding by \$8.7 million GPR (general purpose revenues, or state tax dollars) and \$21.9 million AF (all funds, the combination of state and federal dollars) over the 2011-13 biennium *to provide a 1.0% acuity increase to nursing homes in each year of the biennium*. According to the DHS, the adjustment is in keeping with past acuity trends and "is needed to avoid what would otherwise effectively be a reduction to nursing home rates in the 2011-13 biennium."
- **Medicaid Unspecified Reductions:** Adopt the Governor's proposal to reduce Medicaid expenditures by \$190.6 million GPR and \$466.6 million AF over the biennium to reflect the administration's estimate of the savings that will be achieved by the unspecified changes the DHS intends to make to the Medicaid program. In addition, require the DHS to submit quarterly reports to the JFC that contain the following information:
  1. Updated descriptions of any MA program changes implemented by the DHS, including a description of any amendments to the State Medicaid plan;
  2. Updated estimates of the projected savings associated with those changes; and
  3. Updated projections of the total MA benefit expenditures during the biennium and an analysis of how these projected expenditures compare to the funding provided in the 2011-13 budget act.



- **Family Care:** The JFC modified the Family Care provisions proposed in 2011 Assembly Bill 40, the 2011-13 budget bill. The JFC proposal would:
1. Prohibit the DHS from enrolling, in the service area of each Aging and Disability Resource Center (ADRC), more persons into the Family Care, Partnership, PACE or IRIS programs than the total number of persons participating in all of those programs in that ADRC service region on June 30, 2011 or the effective date of the budget bill, whichever is later (The Governor’s proposal capped enrollment in each of the four Family Care programs in each Family Care county as of June 20, 2011 or the effective date of the budget bill, whichever is later. The DHS requested this change);
  2. As under the Governor’s proposal, lift the enrollment cap after June 30, 2013;
  3. Notwithstanding the enrollment cap, permit the DHS to enroll any individual into any of the four Family Care programs who is relocated from a nursing home, ICF-MR, or State Center for People with Developmental Disabilities if the individual has resided in the facility for at least 90 days, the facility is not licensed, an emergency exists, or the facility is closing or downsizing (This provision was not included in AB 40);
  4. As under the Governor’s proposal, prohibit the DHS from expanding Family Care to other counties after June 30, 2011 unless the DHS determines that administering the Family Care benefit in such a county would be more cost-effective than the county’s current mechanism for delivering long-term care services; this provision also sunsets on June 30, 2013;
  5. Require the DHS to study the cost-effectiveness of the four Family Care programs compared to one another and compared to standard MA card services, both before and after an individual enrolls in a Family Care program and present its findings to the JFC by March 1, 2012; and
  6. ***Provide \$10 million GPR and \$25.2 million over the biennium to fund 400 Family Care slots per year for individuals on waitlists who are in urgent need of long-term care services as determined by the DHS.*** The funding of these 400 “emergency” or “crisis” slots could be used to serve individuals on a temporary basis until the individual can enroll in Family Care. The funding sunsets on June 30, 2013. {Note: We are in the process of trying to determine the criteria the DHS will require for an individual to be eligible for one of these 400 “crisis” slots so that members can be prepared to compete for those slots. We will share that information with members as soon as we receive it.}
- **Supplemental Payments:** Increase funding by \$934,000 GPR and \$2.4 million AF over the biennium to reflect the amount budgeted for annual supplemental payments of \$39.1 million to county and municipal nursing homes. AB 40 established a supplement payment of \$37.9 million. However, the JFC chose not to delete the statutory “no more than” funding ceiling; current law would be retained so that the DHS would continue to disburse “no more than” the amount budgeted for supplemental payments.

- **Generic Drug Study:** Require the DHS to study and determine whether the use of a competitive bidding process for the purchase of generic drug equivalents provided to MA recipients would generate savings to the MA program; the DHS is directed to submit a copy of that report and the results of their study to the JFC by December 31, 2011.
  
- **Legislative Oversight of MA Changes and Waivers:** 2011 Act 10, the budget repair bill which currently is under a temporary restraining order and has yet to go into effect, authorized the DHS to promulgate administrative rules to implement changes to the Medicaid program that conflict with current statutes. The JFC repealed that provision and replaced it with the following oversight process:
  1. Require the DHS to submit any federal waiver requests or requests for amendments to the State's MA plan, together with estimates of the projected savings associated with those proposed changes, to the JFC before submitting any such requests for federal approval; and
  2. Allow the DHS to submit these requests for federal approval unless the JFC schedules a meeting within 14 working days of receiving the proposed requests and at that meeting either rejects or amends the proposed waiver request or proposed amendment to the State MA plan. This JFC "passive review" process would sunset as of January 1, 2015.
  
- **Labor Regions:** Effective July 1, 2013, modify the nursing home reimbursement formula by requiring the DHS to:
  1. Include Dodge County in a single labor region with Dane, Iowa, Columbia, Sauk and Rock Counties and adjust payments so that the direct care cost targets of nursing facilities in Dane, Iowa, Columbia, Sauk and Rock Counties are not reduced as a result of this change;
  2. Include the nursing facilities in Dunn County with the facilities in Pierce, St. Croix and Douglas Counties as part of the Minneapolis-St. Paul MSA labor region; and
  3. Direct DHS in preparing its 2013-15 DHS budget request to increase the budgeted base year funding for nursing home payments by \$415,600 GPR and \$1.3 million AF to reflect these changes.

The JFC is expected to conclude its budget deliberations by June 4<sup>th</sup>. From there, the JFC-amended version of AB 40 must be approved by both the Assembly and the Senate before it can be sent to the Governor for his approval and any line-item vetoes he chooses to impose.

Ordinarily, the JFC-version of the budget bill is amended significantly by both the Assembly and the Senate and a conference committee must be convened, either formally or informally, to iron out the differences between each house's version of the budget. However, majority party leaders in both the Assembly and the Senate have indicated their desire to pass the JFC version of the budget without any additional amendments. We shall see if they will be able to carry out that plan. Regardless, it is a certainty that minority Democrats in both houses will offer numerous amendments to the budget before the bill is ready for the Governor's review. Nonetheless, the expectation remains that the budget bill will be on the Governor's desk prior to the July 1, 2011 beginning date of the 2011-13 biennium.