



To: PSW Board Members and Business Support Members
From: Tom Engels, VP of Public Affairs
RE: Governor's Medicaid Budget Recommendations
Date: Wednesday, February 18, 2009

*"Leading Our Profession
in a Changing
Health Care Environment"*

An initial summary of the Governor's budget recommendations: to assist you in the budget information I will simplify the sources of funding referenced in the Governor's Budget.

The Governor's Biennial Budget recommendations are for fiscal years 2010 (FY10) and fiscal year 2011 (FY11). Fiscal year 2010 begins on July 1, 2009 and ends on June 30, 2010 and fiscal year 2011 begins on July 1, 2010, ending on June 30, 2011.

For the most part, this memorandum references all funding sources. However, there are a few references to only general purpose revenue (GPR) which is revenues from state tax sources.

This memorandum only focuses on the Governor Recommendations for the Wisconsin Department of Health Services and the Medicaid programs.

1. The Governor recommends reducing Medicaid funding to reflect savings achieved through "operational efficiencies and other reductions".

The Governor has proposed reducing general purpose revenues (GPR) funding to Wisconsin Medicaid by \$100 million dollars. This reduction of Medicaid spending, through saving and operational efficiencies, is not specified and it will be determined by the Department of Health Services following the passage of the budget.

Wisconsin's Medicaid Director, Jason Helgerson, told PSW that this reduction would be developed following discussions with Medicaid provider groups, including PSW. Although the Governor's budget doesn't specify how the cuts are to be made it does specify the amounts that are to be reduced for each year of the budget.

In FY10 the Governor directs the Department to reduce Medicaid spending by \$34,117,000. In FY11 the Department is to reduce Medicaid spending by an additional \$66,617,000.

2. The Governor recommends reducing funding for SeniorCare to reflect the elimination of the 5 percent supplemental payment enhancement. The Governor claims in his budget that the incentive payment is no longer necessary to ensure adequate pharmacy participation.

As in past budget recommendations, the Governor has proposed the elimination of the five percent enhancement fee paid to pharmacies for prescriptions dispensed through the SeniorCare Prescription Drug Program. The elimination of the five percent enhancement reduces payments to pharmacies in FY10 by \$3,955,600 and in FY11 by \$3,955,600

3. The Governor recommends reducing most nonfederal appropriations by 1 percent to “create additional efficiencies and balance the budget”.

As with the previously discussed Medicaid efficiency reductions, the Governor did not specify how the one percent reduction is to be achieved. Although, as with the general Medicaid efficiency reduction recommendation, the Governor does specify the amount of the reductions, which he recommends to be \$31,344,800 for each year of the budget.

4. The Governor recommends adjusting the department's base budget to reflect re-estimates of the federal Medical Assistance percentage, caseload, and cost and utilization of prescription drugs.

The re-estimates for SeniorCare lower program funding levels for FY10 by \$61,444,100, all funds, and for FY11 they are \$48,713,700, all funds. The Governor's budget does not provide specificity detailing these re-estimates' but the elimination of the five percent pharmacy payment enhancement is factored into these figures. The other \$92 million in funding reductions are unexplained.

5. The Governor recommends adjusting funding to reflect an increase in federal funding for Medicaid and SeniorCare. In addition to the adjustments shown for FY10 and FY11, the Governor also recommends decreasing funding for Medicaid by \$306 million GPR in FY09 to reflect an increase in federal reimbursement.

In addition to the \$306 million reduction for FY09, the Governor is proposing to reduce GPR funding in FY10 by \$567,630,000 and by \$295,880,000 in FY11. The Governor proposes to make up these reductions in state GPR by using federal funds; \$536,140,000 in FY10 and \$279,690,000 in FY11. It is also unclear what federal monies are being used for this provision; however it is likely based on a combination of the formula developed for the new Hospital Tax and the federal funds Wisconsin will receive from the Federal Stimulus Act.