



Legislative Fiscal Bureau

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August 30, 2007

TO: Representative Michael Huebsch
Room 211 West, State Capitol

FROM: Bob Lang, Director

SUBJECT: Medical Assistance Benefits Funding

In response to your request, this memorandum provides information regarding the Department of Administration (DOA) Secretary Morgan's August 29, 2007, memorandum (copy attached) to DHFS Secretary Hayden.

In his memorandum, Secretary Morgan indicated that he has directed staff in the Division of Executive Budget and Finance to develop a plan for withholding expenditure authority in GPR appropriations for medical assistance (MA), which would set aside each month 20 percent of the monthly appropriation, and, upon adoption of the state budget by the Legislature, provide for the release of these funds. The DOA Secretary requested DHFS to develop an implementation plan in response to a potential reduction of this magnitude and submit the plan to DOA by September 7. It is important to note that the Secretary's letter does not direct a reduction in the MA program or a withholding of funds. Rather, it asks for a plan which would be reviewed "to determine feasibility in the context of statutes, financial conditions and programmatic impacts."

Under s. 20.002 of the statutes, if the Legislature does not amend or eliminate any existing appropriation on or before July 1 of the odd-numbered years, existing appropriations provided for the previous fiscal year remain in effect for the new fiscal year and all subsequent fiscal years until the Legislature amends or eliminates the appropriations. Consequently, the amount budgeted for MA benefits in the 2006-07 fiscal year is available to support MA benefits in 2007-08 and each subsequent year until a new funding level is established through legislation.

In 2006-07, approximately \$1,766.7 million was budgeted to support the state's share of MA benefits from general purpose revenues (\$1,656.4 million) and segregated revenues from the MA trust fund (\$110.3 million). Funding for MA benefits is budgeted in a biennial appropriation. Until a new state budget is enacted, this funding amount will be available to support MA benefits in each

year of the 2007-09 biennium, so that a total of \$3,533.5 million in GPR and SEG revenues would be budgeted in the 2007-09 biennium to support MA benefits. However, due to a projected decrease in available revenues from the MA trust fund (-\$24.6 million in 2007-08 and -\$35.9 million in 2008-09), it is estimated that approximately \$3,473.0 million would be available to support the state's share of MA benefits costs in the 2007-09 biennium.

It is currently estimated that the state's share of the costs to maintain the current MA program (reflecting current eligibility standards, services and provider reimbursement rates) from GPR and SEG sources will total approximately \$1,846.9 million in 2007-08 and \$1,923.5 million in 2008-09, or approximately \$297.4 million more than the amount that would be available to support MA benefits in the biennium until the new budget is enacted. This difference represents approximately 8.6% of the total amount that would be available to support MA benefits in the biennium. Based on the amount of funding that would be available to support the state's share of MA benefits in the 2007-09 biennium and current projections of the state's share of these costs, it is estimated that the program would have sufficient funding to support MA benefits costs through March, 2009.

BL/CM/lah
Attachment