

TO: Members of the Wisconsin State Legislature

**FROM: Eric Borgerding, President & CEO
Kyle O'Brien, Senior Vice President - Government Relations**

DATE: May 28, 2019

Subject: Support Hospital Reimbursement Increases and Other Health Care Provisions in the Budget Bill

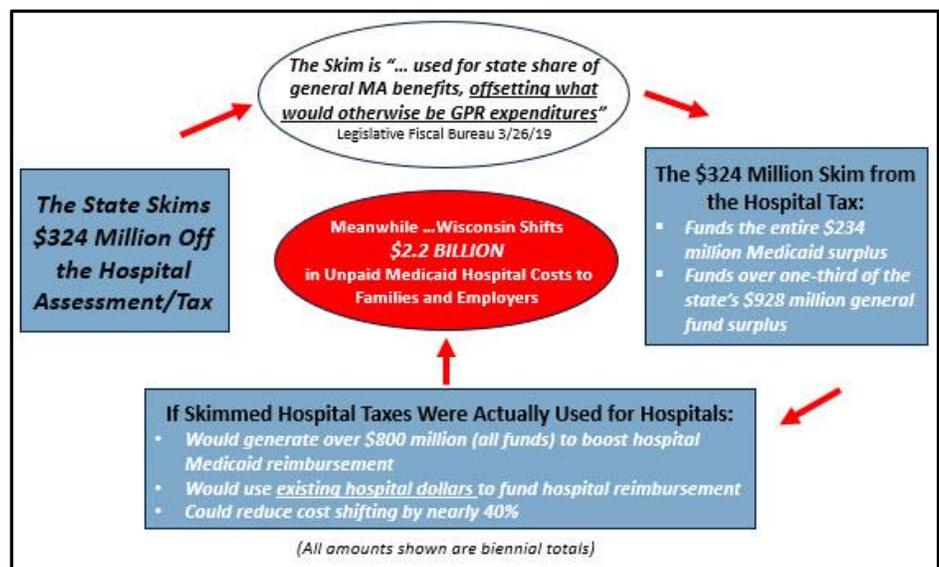
Wisconsin's hospitals are the state's health care safety net treating all patients coming through their doors, including all who are covered by Medicaid and those with no insurance. However, due to some of the worst Medicaid reimbursement rates in the country, in 2017 Wisconsin hospitals were forced to shift over \$1.1 billion in unpaid Medicaid costs to Wisconsin businesses and families.

In fact, a study by a leading Milwaukee business group found that 31 cents of every dollar paid for hospital care in southeast Wisconsin is the result of cost-shifting from government reimbursement rates, effectively creating a "hidden health care tax" in Wisconsin. For Medicaid alone, this amounts to over \$1 billion annually - more than any other business "tax" in Wisconsin.

Wisconsin's hospitals are also one of the largest provider partners with the state's Medicaid program, and by far the largest provider funders of Medicaid through Wisconsin's hospital assessment. Hospitals already provide most of the state funding for their own Medicaid reimbursement via the hospital assessment. In addition, over the current biennium another \$324 million was "skimmed" from the hospital assessment and used to fund other state spending/surpluses. According to the Legislative Fiscal Bureau, the skim from the hospital assessment is "used for the state share of general MA benefits, offsetting what would otherwise be GPR expenditures."

Wisconsin Business Taxes¹	
<i>Medicaid Hidden Health Care Tax (2017)²</i>	\$1.14 billion
Motor Fuel Tax (2018)	\$1.06 billion
Corporate Income Tax (2018)	\$894 million
Unemployment Compensation (2018)	\$598 million
Utility Taxes (2018)	\$365 million

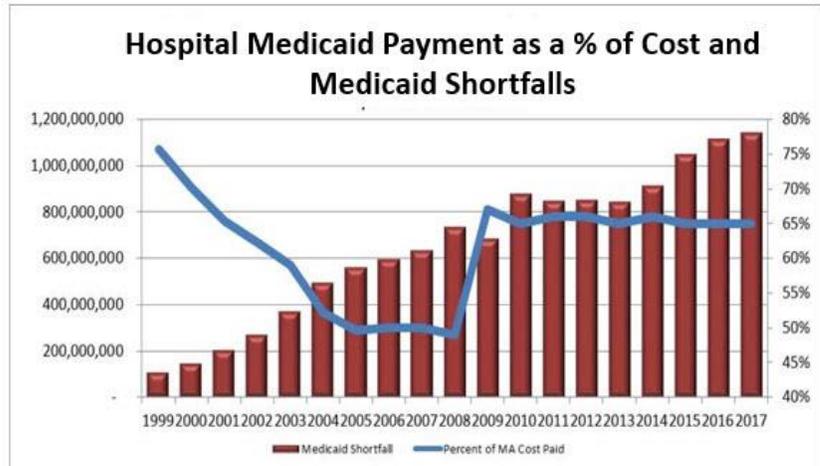
¹ Compiled by WHA from Wisconsin Legislative Fiscal Bureau and Department of Workforce Development Sources
² Source: 2017 Annual Wisconsin Hospital Fiscal Survey Data



In other words, at the same time the state annually shifts over \$1 billion in unpaid hospital Medicaid costs onto others, a significant portion of the hospital assessment is being used to essentially fund the entire \$234 million Medicaid surplus and more than one-third of the state's \$928.7 million general fund surplus.

Rather than funding surpluses, we believe dollars generated by hospitals and their patients should be targeted toward boosting hospital reimbursement, reducing unpaid Medicaid costs the state shifts to businesses and families and improving access to hospital and health system services. At a time when the state has record revenues, including a hospital assessment-generated Medicaid surplus of \$234 million GPR, a general fund surplus of nearly \$1 billion and nearly \$2 billion in new revenue in the next budget, **WHA asks for your support to use new and existing revenues to increase Medicaid reimbursement for hospitals and reduce Medicaid cost-shifting to employers and families.**

Governor Evers’ budget contains several health care provisions that have enjoyed bipartisan support in the past, including building on the hospital reimbursement increases previously supported by both Republicans and Democrats. **Under the Governor’s budget, Wisconsin’s hospitals would receive a net reimbursement increase of \$165 million All Funds over the biennium, the equivalent of \$34.1 million GPR annually.**



Policymakers from both parties have expressed strong support for improving hospital reimbursement, while at every budget hearing held by the Joint Finance Committee hospital leaders from across the state testified in support of these reimbursement increases. **Today, WHA reiterates that support and urges the Legislature to at least match Governor Evers’ budget by approving an additional \$34.1 million GPR annually for the Disproportionate Share Hospital and Rural Critical Care programs.**

In addition to hospital reimbursement increases, Governor Evers’ budget contains other positive health care/Medicaid provisions we believe both parties can coalesce around and support. We commend the Joint Finance Committee for already taking bipartisan action to approve several of these provisions and urge the Committee and the Legislature to continue working together to advance the following items:

- Funding for enrollment navigators to help connect the nearly 50,000 people currently eligible for Medicaid who have not enrolled and the estimated 240,000 people currently eligible for subsidized insurance on the exchange who have not enrolled.
- Continuing Medicaid eligibility for pregnant mothers 12 months post-partum, ensuring consistency with the health care providers and facilities that have treated mother and child.
- Expanding access to behavioral health services by boosting Medicaid reimbursement for psychiatrists, advanced practice psychiatric nurses and psychiatric hospitals serving high numbers of Medicaid patients.
- Making long overdue changes to telemedicine services in Medicaid that will expand access to cost-effective care in underserved rural and urban communities.
- Using existing program dollars to expand Wisconsin’s successful graduate medical education (GME) program to continue growing a physician workforce that wants to stay and practice in Wisconsin.
- Expanding access to dental care for patients with severe disabilities who must be treated in Wisconsin hospitals.