

Wisconsin's Medicaid Program – and the Impact on Hospitals

**Presented to the
Medicaid Reform Committee**

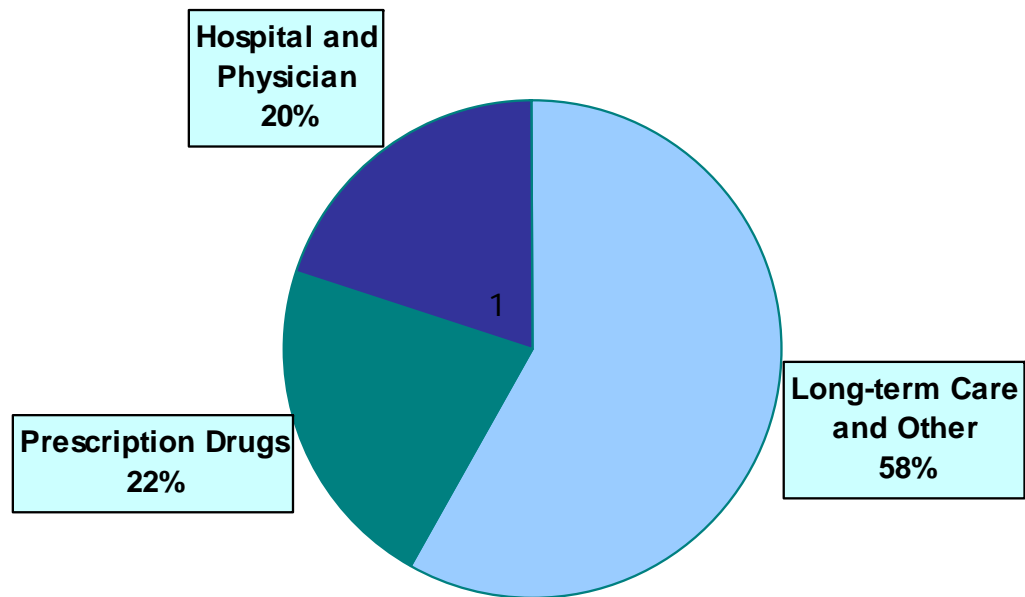
April 20, 2005

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Senior Vice President**



Where are Medicaid Dollars Spent?

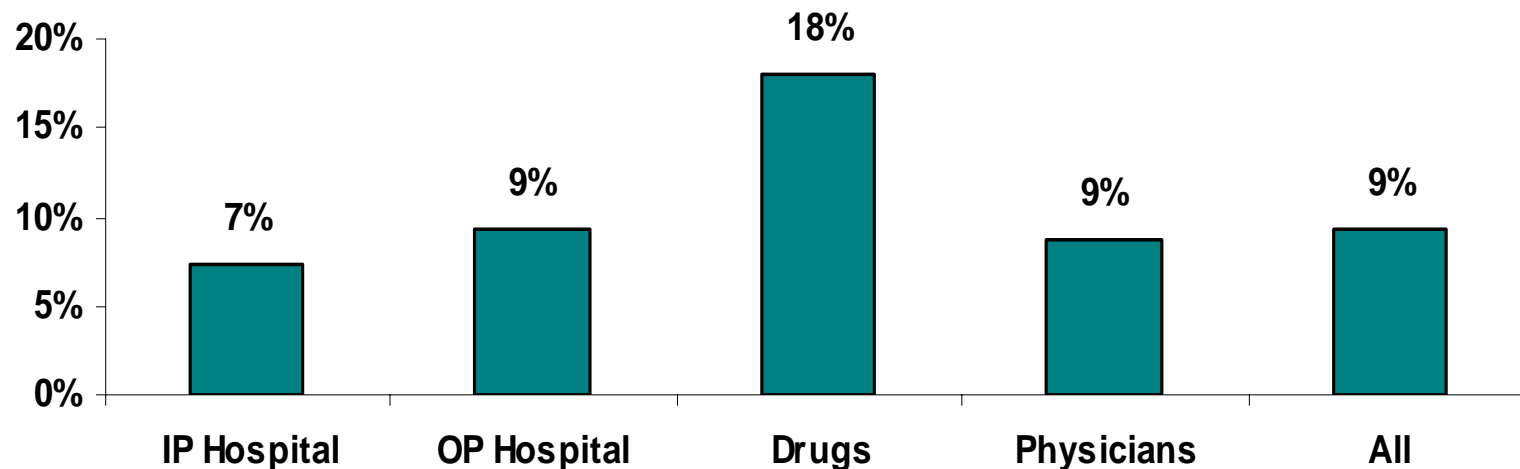
Medicaid Major Expenditure Categories – FY 2004



Source: DHFS

What are the Trends in Medicaid Spending?

Major Expenditure Categories – FY 1998 through FY 2004 Average Annual Percentage Increase in Total Expenditures

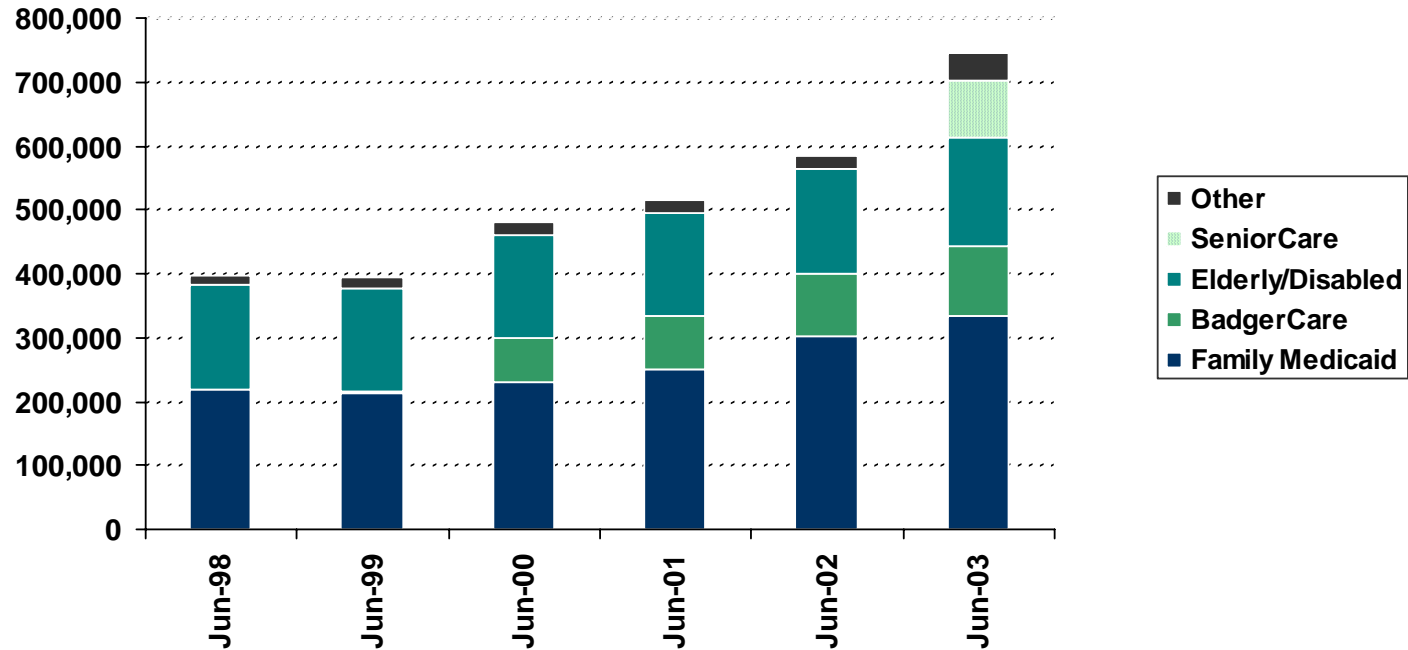


Source: DHFS



Medicaid Caseload Trends

Enrollment increased by 88% from June 1998 to June 2003 (an average annual rate of 13.5%)



Source: Wisconsin Enrollment Reports.



How are Hospitals Paid by Wisconsin Medicaid (FFS)?

- ◆ Payments for Inpatient Services
 - ✓ Fixed amount of dollars
 - ✓ DRGs - Milwaukee and non-Milwaukee base rates
 - ✓ Outlier payments
 - ✓ CAHs paid reasonable costs

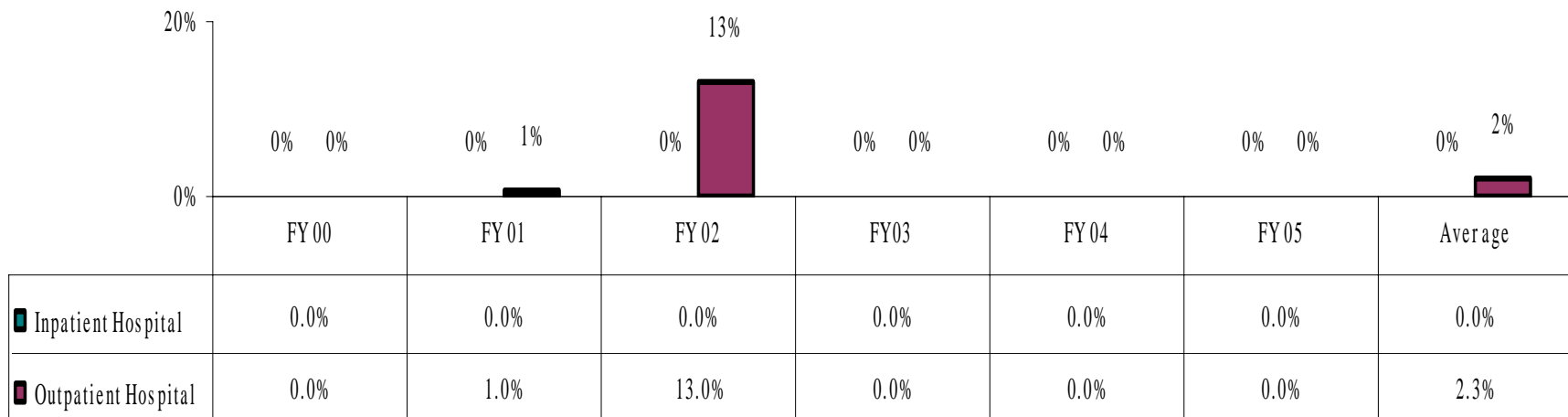
- ◆ Payments for Outpatient Services
 - ✓ Fixed amount of dollars
 - ✓ Per visit rate
 - ✓ CAHs paid reasonable costs, with exceptions
 - ✓ Hold harmless applies to certain hospitals

Source: DHFS; Wisconsin State Medicaid Plan



What Have Been the Typical Increases for Hospitals?

Major Expenditure Categories – FY 2000 through FY 2005 Average Annual Percentage Increase in PAYMENT RATES



Source: DHFS



What Has this Done to Outpatient Reimbursement?

Typical Percentage of Charges Paid to Hospitals for Outpatient Services

<u>Procedure</u>	<u>Charge</u>	<u>Medicaid Pays</u>	<u>Percentage of Charge Paid</u>
Arteriogram	\$6,497.00	\$93.38	1.4%
Cataract Surgery	4,466.00	94.00	2.1%
Heart Catheterization	7,724.25	93.38	1.2%
Endoscopy	2,067.00	124.00	6.0%
Radiation Therapy	5,270.00	93.38	1.8%
MRI – Spine	5,144.00	93.38	1.8%
Cholecystectomy	9,289.00	124.00	1.3%
Tonsillectomy	3,621.00	94.00	2.6%

Source: DHFS; WHAIC; WHA Analysis



Specific Examples of Medicaid Payments for Colonoscopy

Hospital	Colonoscopy Charge	Medicaid Payment	Percent of Charges Paid
Columbia Milwaukee	\$2,945.00	\$133.64	4.5%
St. Joseph's West Bend	\$2,701.00	\$168.68	6.3%
Froedtert Milwaukee	\$2,218.00	\$224.22	10.1%
The Monroe Clinic	\$1,456.00	\$129.29	8.9%
Beloit Memorial	\$863.00	\$101.07	11.7%

Source: DHFS; 2003 Fiscal Survey; WHA Analysis



Medicaid Payments Cuts Made in Last Budget

- ✓ Medicare “Crossover” payments cut back by \$34.2 million in FY 2004-5
- ✓ Graduate Medical Education - all but eliminated: \$42 million cut in FY 2004-5
- ✓ **TOTAL CUTS: \$76.2 million** -- a 12% reduction in Medicaid payments to hospitals

Source: DHFS; Wisconsin State Medicaid Plan



Who Will Care For Our Patients?

Wisconsin Takes Action to Fight a Growing Physician Shortage



A report by the Wisconsin Hospital Association and the Wisconsin Medical Society.

Medicaid Payments to Hospitals - continued

- ◆ Disproportionate Share Hospital Payments
 - ✓ DSH program is meant to relieve financial stress on high Medicaid utilized hospitals
 - ✓ These hospitals are crucial to the health care safety net, and DSH payments are supposed to help to preserve access to these hospitals for the program's enrollees

Source: DHFS; Wisconsin State Medicaid Plan



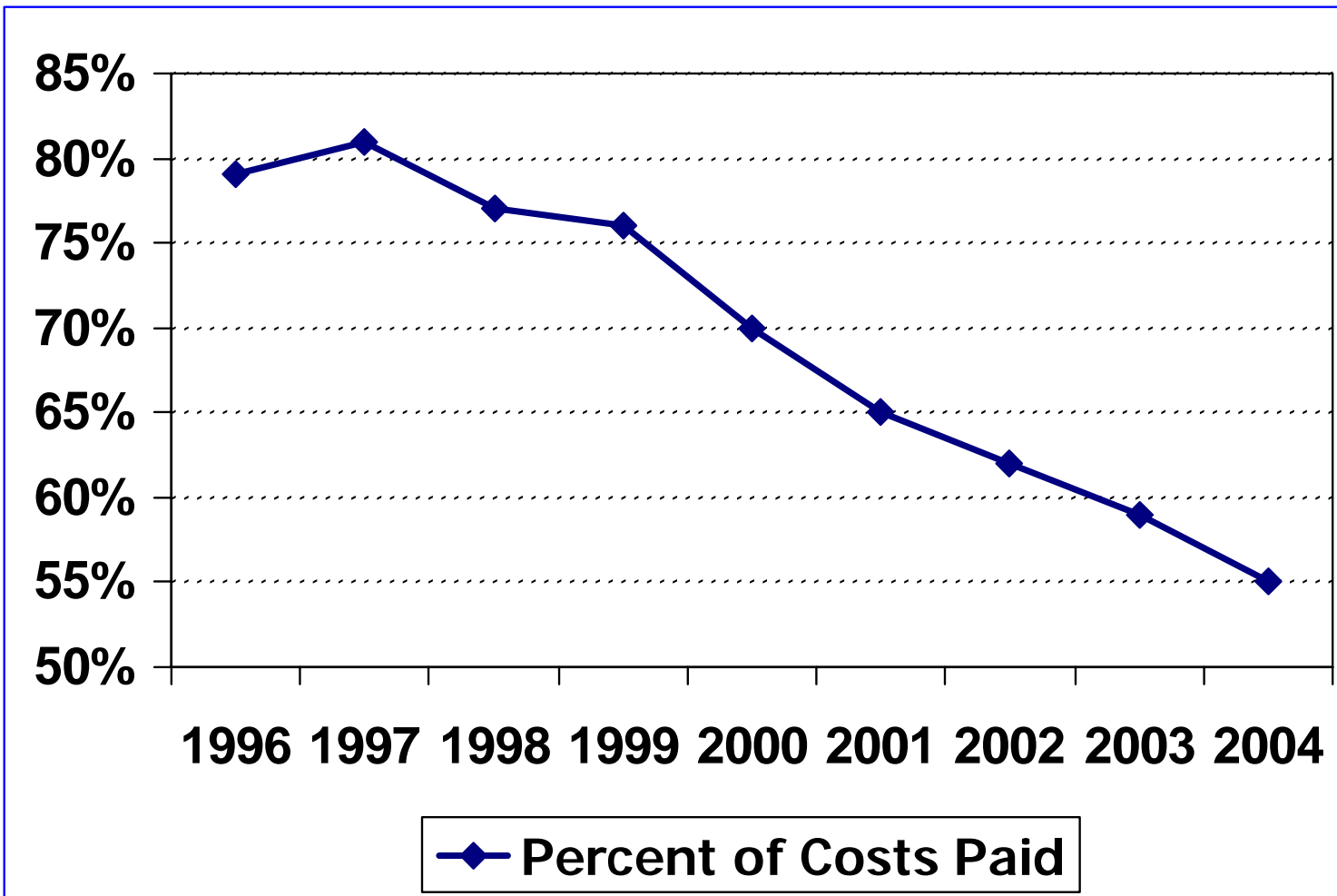
Examples of Medicaid DSH Hospitals

Hospital	Medicaid Inpatient Utilization	Medicaid Shortfall	Percent of Medicaid Costs Paid
St. Mary's Milwaukee	21%	\$12.4 Million	57%
Aurora Sinai Milwaukee	47%	\$33.8 Million	55%
St. Joseph's Chippewa Falls	21%	\$2.3 Million	56%
Franciscan Skemp LaCrosse	15%	\$5.4 Million	35%

Source: DHFS; 2003 Fiscal Survey; WHA Analysis



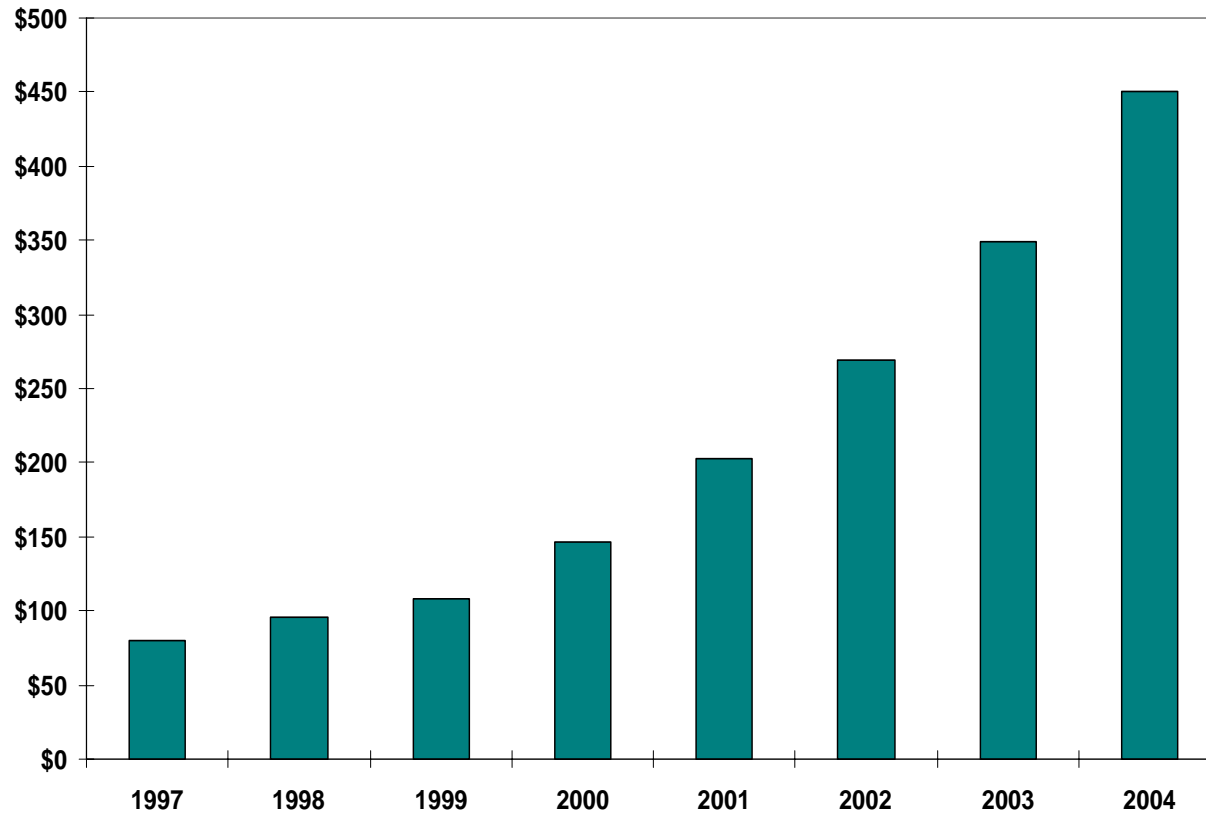
Medicaid Payments to Hospitals – What About Adequacy?



Source: Fiscal Surveys; WHA Analysis

Medicaid Payment Shortfalls and the “Hidden Health Care Tax”

Medicaid Payment Shortfalls– 1997 through 2004



Source: Fiscal Surveys; WHA Analysis



What Do We Recommend?

- ◆ Make a “Downpayment” Towards Payment Adequacy – make targeted increases in areas of critical need
 - ✓ Increase DSH Payments
 - ✓ Increase Outpatient payments
 - ✓ Increase Direct Medical Education payments

Source: DHFS; Wisconsin State Medicaid Plan



What Do We Recommend?

◆ Other Reforms

- ✓ Kaiser Family Foundation found that Wisconsin Medicaid had Already Implemented 13 of 15 identified reforms
- ✓ Tighten Divestiture Rules
- ✓ Implement Pharmacy Changes

Source: DHFS; Wisconsin State Medicaid Plan



Wisconsin Hospital Association



WISCONSIN HOSPITAL
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A Valued Voice
