



2003-2005 State Budget: Impacts on Wisconsin Hospitals

Governor Doyle's budget proposal is a good news-bad news document for Wisconsin's hospitals, other health care providers and both Medicaid and privately insured patients. The good news is that the budget maintains current eligibility requirements for Medicaid and BadgerCare, and avoids across-the-board cuts to provider reimbursement rates.

The bad news is twofold. First, over \$1 billion of Medicaid's funding is based on two uncertain revenue sources: \$553 million from an intergovernmental transfer (IGT) and \$200 million from the Patients Compensation Fund (plus approximately \$300 million of federal matching funds). If this funding does not materialize, Wisconsin will face a major crisis. Second, even with these new dollars, hospital funding crucial to ensuring access to health care is cut, while other budget initiatives will increase hospital costs. Direct payments to hospitals drop by at least 11 percent or about \$93 million in this budget.

Graduate Medical Education (GME): The Governor's budget eliminates \$57 million over the biennium for health care training programs in the state's hospitals. GME funding helps pay resident salaries and the higher patient care costs attributable to medical education programs. Elimination of GME sets the stage for increased physician shortages across the state, limiting access to health care.

Rural Hospital Adjustment: The Governor's budget eliminates about \$4.5 million over the biennium for rural hospitals. These payments are intended to help small rural hospitals (under 100 beds) serving a large proportion of Medicare and Medicaid patients meet their operating costs. Elimination of this funding jeopardizes access to care in rural areas.

Health Insurance Risk Sharing Plan (HIRSP): The Governor's budget revamps HIRSP by eliminating the \$10.2 million GPR subsidy of premiums and deductibles, increasing provider and insurer assessments from 20 to 21 percent of program costs, and reducing policyholder payments from 60 to 58 percent. This means HIRSP will pay a hospital 76 percent of its charges for treating a HIRSP patient, a reduction of approximately \$5 million in payments to hospitals.

Medicare Crossover Claims: The Governor's budget restricts the amount Medicaid will reimburse hospitals for outpatient treatment of certain Medicare patients, reducing hospital funding by \$26 million over the biennium. As provider reimbursements continue to decline, health care costs for everyone in the state will continue to rise.

IGT: An IGT is not a "funding loophole," but a federal program recognized in statutes and regulations. While past IGTs in Wisconsin have involved nursing home funding, the current Doyle Administration proposal seeks reimbursement for community-based services. Despite rumors to the contrary, no other state has made a similar proposal for IGT funds and been turned down.

Even with the \$1 billion generated by the IGT and Patients Compensation Fund transfer, significant cuts have been made to the Medicaid budget. Without these new funds, additional cuts necessary to save \$1 billion would cripple Medicaid. At the same time, as costs not reimbursed by Medicaid are shifted to the private sector, ever-increasing health insurance premiums will continue to rise.

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