



State of Wisconsin
Department of Health Services

Tony Evers, Governor
Karen E. Timberlake, Secretary

November 22, 2021

The Honorable Howard L. Marklein, Senate Co-Chair
Joint Committee on Finance
Room 316 East
State Capitol
P.O. Box 7882
Madison, WI 53707

The Honorable Mark Born, Assembly Co-Chair
Joint Committee on Finance
Room 308 East
State Capitol
P.O. Box 8952
Madison, WI 53708

Dear Senator Marklein and Representative Born:

Per s. 49.45(2t), created by 2017 Act 370, I am requesting approval from the Committee, under 14 day passive review, to increase reimbursement rates to Medicaid home and community-based services (HCBS) providers by 5% effective January 1, 2022.

The annualized cost of the rate increase is \$156.3 million All Funds, which will be funded with enhanced federal funding for Medicaid HCBS provided through the federal American Rescue Plan Act of 2021 (ARPA). As a result, the rate increase will be GPR neutral to the Medicaid budget in the 2021-23 biennium.

The 5% increase would apply to 42 service categories across Family Care, Family Care Partnership, IRIS, PACE, the Children's Long Term Supports waiver program, SSI Managed Care, BadgerCare Plus Managed Care, and Medicaid fee-for-service state plan services. The attached table lists the services that would receive the increase.

HCBS providers serve Wisconsin's frail elders and adults and children with disabilities, enabling them to live independently or in home-like settings in the community. These services are essential to meeting their daily needs and avoiding unnecessary institutionalization. Further, HCBS are shown to be a cost effective alternative to higher cost institutional services, such as nursing home placements and hospital services. Providers need adequate reimbursement to recruit staff and maintain this important system that delivers such critical care.

Like all health care and long term care providers, HCBS providers have faced increasing challenges to recruit and retain qualified staff and maintain access for members. The 2021-23 biennial budget provided significant financial investments in support of the Medicaid HCBS workforce, including funding for personal care providers, behavioral treatment services for individuals with autism and other disorders, home health, therapeutic services, and Family Care providers, as well as funding increases for the direct care workforce funding program in Family Care. These rate increases go into effect on January 1, 2022 as well.

The rate increases delivered through the biennial budget are much welcomed and needed by Medicaid HCBS providers. Even taking those increases into account, the rate increases made possible by ARPA are also needed to enable providers to keep pace with cost pressures related to staffing, service delivery, and overhead. Annualized wage growth for personal care and home health aides has been over 3% in recent years according to U.S. Bureau of Labor Statistics data. Looking to the future, providers will continue to encounter rising labor costs as the demand for long term care services is projected to rise faster than workforce growth. According to the Governor's Taskforce on Caregiving, the state's population ages 65 and older is expected to grow by 640,000, or 72%, between 2015 and 2040, which is six times higher than the projected overall Wisconsin population growth of 12%. The funding provided through ARPA gives the state the opportunity to make further investments now, so providers can keep pace with costs and maintain access for members.

The federal ARPA legislation enables state Medicaid programs to claim an extra 10 percentage points of federal Medicaid match on eligible HCBS for claims paid from April 1, 2021 through March 31, 2022. As a condition of receiving the funds, the state must reinvest an equivalent amount in a plan to enhance, expand, and strengthen Medicaid HCBS. The state has until March 31, 2024 to spend the reinvestment funds, and it can draw additional federal funding for reinvestments in Medicaid-eligible activities.

The Centers for Medicare and Medicaid Services approved Wisconsin's reinvestment plan on September 3, 2021. Under the plan, the Department expects to claim an estimated \$353.2 million in enhanced federal matching funds for current HCBS expenditures. When combined with an additional \$347.5 million in federal funds claimed for Medicaid eligible activities, the reinvestment plan totals \$700.7 million All Funds. This rate increase would comprise approximately 50 percent of the required reinvestment under the approved plan and would have no GPR cost impact on the Medicaid program through March 2024.

Please contact me with any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brian Z. Bohan".

Secretary-designee

Medicaid HCBS Services Receiving the 5% Rate Increase

- Adult day care service
- Alcohol and other drug abuse (AODA)
- AODA Day Treatment
- Assistive technology/communication aid
- Behavioral treatment services
- Care management for Care4Kids
- Care Management for Children with Medical Complexities
- Care Management in Fee For Service
- Consultative clinical and therapeutic services for caregivers
- Consumer directed supports (self-directed supports) broker
- Consumer education and training
- Counseling and therapeutic
- Environmental Accessibility Adaptations (Home modifications)
- Financial management services
- Habilitation services (daily living skills training and day habilitation resources)
- Home delivered meals
- Home Health Services
- Housing counselling
- Medication therapy management
- Mental Health Day Treatment
- Mental Health Services
- Nursing (in home)
- Occupational Therapy (in home)
- Personal Care
- Physical Therapy (in home)
- Prenatal Care Coordination
- Prevocational services
- Residential care
- Residential substance use disorder treatment.
- Respiratory Care
- Respite
- Self-directed personal care
- Skilled nursing services (RN/LPN)
- Speech and Language Pathology Services (in home)
- Supported employment - individual employment support
- Supported employment - small group employment support
- Supportive home care (SHC)
- Training services for unpaid caregivers
- Transportation (specialized transportation) - community transportation
- Transportation (specialized transportation) - other transportation
- Transportation 107.23
- Vocational futures planning and support (VFPS)