

Health and Family Services

Health Care Quality Fund

1. HCQF -- CREATE A HEALTH CARE QUALITY FUND AND FUND OVERVIEW

Governor: Create a health care quality fund (HCQF) as a separate, nonlapsible trust fund, which would consist of:

- a. All revenue the state collects from the cigarette tax that exceeds \$304,000,000 in 2007-08 and \$305,000,000 in 2008-09 and in each subsequent year;
- b. All revenue the state receives from the tobacco products tax that exceeds \$18,400,000 in 2007-08 and \$19,300,000 in 2008-09 and in each subsequent year;
- c. All moneys received from a tax on hospital gross revenues, which would be created in the bill;
- d. \$50,000,000 in each fiscal year that would be transferred from the permanent endowment fund (the fund consists of all of the proceeds from the sale of the state's right to receive payments under a tobacco settlement agreement, and investment earnings on the proceeds); and
- e. \$175,000,000 that would be transferred from the injured patients and families compensation fund in 2007-08.

In addition to this section, provisions relating to tax increases and revenue transfers that would support the fund, including the fiscal effect of these items, are summarized under "Insurance," "Permanent Endowment Fund," and "Revenue -- General Fund Taxes." Items relating to the expenditure of these funds are summarized in this section and under "Healthy Wisconsin Authority."

The fund would support several programs administered by the Department of Health and Family Services, the Health Care Quality and Patient Safety Board, and the Healthy Wisconsin Authority, including: (a) a number of new health programs; and (b) increases in funding for current programs. In addition, the bill would replace GPR base funding for several current programs with segregated revenue from the new fund.

The following table summarizes the Governor's estimates of revenue to the fund, funding that would be provided in the Governor's bill for health programs, and projected fund balances.

**Health Care Quality Fund Overview -- Revenues, Expenditures and Balances
Governor's Recommendations**

	<u>2007-08</u>	<u>2008-09</u>
Opening Balance	\$0	\$97,300,000
Revenue		
Cigarette Tax	\$257,500,000	\$249,000,000
Tobacco Products Tax	18,200,000	21,500,000
Hospital Assessment	205,532,800	212,726,500
Injured Patients and Families Compensation Fund Transfer	175,000,000	0
Permanent Endowment Fund Transfer	50,000,000	50,000,000
Total Revenue	\$706,232,800	\$533,226,500
Total Available	\$706,232,800	\$630,526,500
Expenditures		
Substitute GPR Base Funds		
Medical Assistance Funding	\$420,809,600	\$432,653,000
Tobacco Control Grants	10,000,000	10,000,000
Subtotal	\$430,809,600	\$442,653,000
Fund New Programs or Increase Funding for Existing Programs		
MA Hospital Rate Increases	\$147,623,200	\$150,976,300
Increase Funding for Tobacco Grants	20,000,000	20,000,000
Grants Distributed by the Health Care Quality and Patient Safety Board	10,000,000	10,000,000
Medical Assistance Eligibility -- Childless Adults	0	6,153,700
Healthy Wisconsin Authority Operations	500,000	500,000
Subtotal	\$178,123,200	\$187,630,000
Total Expenditures	\$608,932,800	\$630,283,000
Closing Balance	\$97,300,000	\$243,500

[Bill Sections: 678 and 698]

4. HCQF -- HEALTH CARE QUALITY AND PATIENT SAFETY COUNCIL AND GRANT PROGRAM

SEG	\$20,000,000
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Governor: Provide \$10,000,000 annually from the health care quality fund (HCQF) to fund initiatives to promote the adoption of health care quality and patient safety information technology and to develop exchanges of health information. Create a continuing appropriation in DHFS for this purpose.

Create a Health Care Quality and Patient Safety Council, attached to DHFS, which would consist of the following members: (a) the Secretary of the Department of Administration or his or her designee; (b) the Secretary of the Department of Health and Family Services or his or her designee; (c) the Secretary of Employee Trust Funds or his or her designee; (d) an employer who purchases health care for employees; (e) a representative of the Wisconsin Health and Hospital Association; (f) a physician; (g) a representative of the health insurance industry; (h) a representative of a major health care provider system; and (i) a health care consumer advocate.

All council members, except those identified in (a), (b), and (c), would be appointed by the Governor for two-year terms. The initial terms of the members identified in (d), (e), and (f) would expire on July 1, 2009, and the initial terms of the members identified in (g), (h), and (i) would expire on July 1, 2011. Specify that the DHFS Secretary would serve as the chairperson of the Council and appoint chairpersons for subcommittees on patient care, consumer interest and privacy, public health, and statewide health information exchange and interoperability.

Direct the Council, acting in an advisory capacity, to lead implementation efforts for an action plan for health care quality and patient safety by doing all of the following: (a) identifying strategies and actions necessary to attempt to achieve goals established by the Institute of Medicine of the National Academy of Sciences for health care that is safe, effective, patient-centered, timely, efficient, and equitable, and to extend health care information systems statewide so as to optimize the improvement of health care quality, safety, and efficiency within a reasonable period of time and with reasonable financial investment; and (b) considering the most cost-effective means of implementing a statewide integrated or interoperable health care information system, including assessing the benefits of an integrated or interoperable system for supporting rapid deployment of health care providers, promoting accurate and appropriate shared information about individual patients among health care providers, creating points of reference for performance indicators among health care provider organizations for organizational performance improvement, and reporting to the public on health care quality, safety, and efficiency data for consumer and purchaser decision making.

Require the Council to advise the DHFS Secretary on all of the following: (a) a communication and marketing plan; (b) recommendations, annually, to improve the committee organizational structure of the Council; (c) the distribution of funding to entities to promote the health information technology agenda of the Governor; and (d) whether a health facility or a participating health institution that seeks financial assistance from the Wisconsin Health and Educational Facilities Authority (WHEFA) demonstrates progress in improving medical information systems technology.

Require the Council by January 1, 2008, and at least annually thereafter, to report to the Legislature and to the Governor on the Council's plans, activities, accomplishments, and recommendations. Require that any subcommittee of the Council align its work with recommendations of the American Health Information Community.

Require the DHFS Secretary to determine whether a health facility or a participating health institution that seeks financial assistance from WHEFA demonstrates progress in improving medical information systems technology, and to inform WHEFA of his or her determination. In making that determination, direct the Secretary to consider as a factor the advice of the Council. Require WHEFA to inform the Secretary of any health facility or participating health institution that seeks financial assistance from WHEFA, and prohibit WHEFA from providing any such financial assistance unless the Secretary determines that the health facility or participating health institution demonstrates progress in improving medical information systems technology.

[Bill Sections: 29, 51, 400, 2871, 2872, 3022, 3023, and 9101(1)]

WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

1. REQUIRE APPROVAL OF WHEFA APPLICANTS BY THE DHFS SECRETARY

Governor: Require that the Wisconsin Health and Educational Facilities Authority (WHEFA) inform the Secretary of the Department of Health and Family Services (DHFS) of any health facility or participating health institution that seeks financial assistance. Specify that WHEFA could not provide any financial assistance to a health facility or participating health institution unless the facility or institution demonstrates progress in improving medical information systems technology, as determined by the Secretary of DHFS. Provide that these provisions would first apply to applications for financial assistance made on or after the bill's effective date.

[Bill Sections: 3022, 3023, and 9321(6)]

General Fund Taxes

15. ELECTRONIC MEDICAL RECORDS TAX CREDIT

GPR-REV - \$4,500,000

Governor: Create an electronic medical records tax credit under the individual income and corporate income and franchise taxes. The tax credit would equal 50% of the amount paid by a health care provider in a tax year for information technology hardware or software that is used to maintain medical records in an electronic form. Tax credits not entirely used to offset income and franchise taxes could be carried forward up to 15 years to offset future tax liabilities. The maximum total amount of electronic medical records tax credits that could be claimed in a tax year would be \$10,000,000, and would be allocated to claimants by the Department of Commerce.

Commerce would be required to implement a program to certify health care providers as eligible to claim the electronic medical records tax credit. After certifying health care providers as eligible, Commerce would be required to allocate tax credits to individual claimants, subject to the annual total credit limit of \$10,000,000. Commerce would have to inform DOR of every health care provider that was certified and of the amount of tax credits allocated to each provider. Commerce would be required, in consultation with DOR, to promulgate rules to administer the certification and tax credit allocation process.

Partnerships, LLCs, and tax-option corporations could not claim the tax credit, but eligibility for and the amount of the credit would be based on the entity's payment of allowable information technology costs. A partnership, LLC, or tax-option corporation would be required to compute the amount of the tax credit each of its partners, members or shareholders could claim and provide that information to them. Partners, members of LLCs, and shareholders of tax-option corporations would claim the credit in proportion to their ownership interest.

"Health care provider" would be defined under current law provisions and would mean a licensed nurse, chiropractor, dentist, physician, podiatrist, perfusionist, physical therapist, occupational therapist, occupational therapy assistant, physician assistant, respiratory care practitioner, dietician, athletic trainer, optometrist, pharmacist, acupuncturist, psychologist, social worker, marriage and family therapist, professional counselor, speech-language pathologist, audiologist, speech and language pathologist, massage therapist, bodyworker, a partnership of providers, a corporation or LLC of providers that offer health care services, an operational cooperative sickness care plan that directly provides services through salaried employees at its own facility, a hospice, a rural medical center, an inpatient health care facility, and a community-based residential facility.

DOR would administer tax credit claims and could take any action, conduct any proceeding, and act as authorized under income and franchise tax provisions relating to change of business, timely claims, assessments, refunds, appeals, collection, interest, and penalties.

The electronic medical records tax credit could first be claimed for tax years beginning after December 31, 2008.

The electronic medical records tax credit would reduce income and franchise tax revenues by an estimated \$4,500,000 in 2008-09 and \$10,000,000 annually in 2009-10 and thereafter.

Under current law, costs related to the operation of a business are deductible as business expenses if the expenses are ordinary and necessary and connected to the trade and business of the taxpayer. Business expenses are deductible in computing the taxable income of all taxpayers including sole proprietors, corporations, LLCs, partnerships, estates and trusts, and employees. Generally, the costs of computer software are amortized over three years while the costs of computer hardware are depreciated over five years.

[Bill Sections: 1948, 1989, 1991, 1994, 1997, 2022, 2059, 2063, 2066, 2115, 2119, 2483, and 3577]