Health Services

Medical Assistance -- Administration

(LFB Budget Summary Document: Page 224)

LFB Summary Items for Which an Issue Paper Has Been Prepared

Item #	Title
1	Creation of the Division of Medicaid Services (Paper #365)
2	FoodShare Employment and Training Cost-to-Continue (Paper #366)
3	MA and FoodShare Administration Contracts (Paper #367)
4	Income Maintenance Consortia Funding Allocations (Paper #368)
5	Funeral and Cemetery Aids (Paper #369)

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

April 17, 2015 | Joint Committee on Finance | Paper #365

Creation of the Division of Medicaid Services (DHS -- Medical Assistance -- Administration)

[LFB 2015-17 Budget Summary: Page 224, #1]

CURRENT LAW

The Department of Health Services (DHS) has two divisions that administer programs that are primarily funded under the state's medical assistance (MA) program -- the Division of Health Care Access and Accountability (DHCAA) and the Division of Long-Term Care (DLTC). DHCAA administers most MA-funded subprograms, including primary and acute care services, BadgerCare Plus and other major public assistance programs, such as FoodShare, SeniorCare, and state-funded supplemental security income (SSI) program benefits. DLTC administers the state's MA-supported long-term care programs, including Family Care, IRIS (Include, Respect, I Self-Direct), children's long-term care services, MA reimbursement to nursing homes, and the operation of the three state centers for persons with developmental disabilities.

GOVERNOR

Reduce funding by $588,400 (-$297,200 GPR and -$291,200 FED) in 2015-16 and increase funding by $297,200 GPR and decrease funding by $297,200 FED in 2016-17 to reflect the net effect of consolidating DHCAA with MA-funded long-term care programs administered by DLTC to create a new Division of Medicaid Services (DMS). Beginning in 2015-16, convert 6.89 FED positions, which are currently supported by the social services block grant, to GPR positions for the general program operations of DMS. The attachment identifies all of the funding and position transfers relating to this item.

Rename and renumber appropriations formerly under DHCAA and DLTC to reflect the inclusion of Medicaid-funded long-term care services in DMS appropriations. Modify statutory references to reflect appropriations that would be created, repealed, and modified under the bill.

Require DHS to submit to the State Budget Office in the Department of Administration a report on the final organization of DMS before March 31, 2016. Transfer the unencumbered balances of all appropriations that would be repealed to corresponding appropriations in DMS on the effective date of the bill. All balances encumbered by DLTC would be settled out of the appropriations under DLTC.

DISCUSSION POINTS

Program Consolidation

1. This provision would consolidate all Medicaid-funded programs under one division, the Division of Medicaid Services (DMS). If approved, all Medicaid-related programs would be transferred to, funded, and administered by DMS.

2. This proposal would simplify program budgeting in DHS. For example, both DHCAA and DLTC are currently budgeted funding to support contracted services. Under the bill, funding that would be provided to DLTC to support these contracts (approximately $14.4 million in 2015-16 and $14.7 million in 2016-17) would be transferred to a current appropriation that DHCAA uses for this purpose. In addition, DLTC currently uses several appropriations to expend moneys received from gifts and grants, fees, collections, and recoveries, which are similar or identical to appropriations currently used by DHCAA. This provision would combine these types of appropriations within DMS.

3. MA-funded long-term care services, including benefits offered under Family Care, IRIS, the legacy-waiver programs, the Program for All-Inclusive Care for the Elderly (PACE), the Wisconsin Partnership Program, and the children's long-term care support waivers, are a significant part of the MA budget. The following table shows the amount of funding for MA-supported long-term care programs that are currently administered by the DLTC under the Governor's MA cost-to-continue budget in each year of the 2015-17 biennium.

Estimated MA Benefits Funding for Selected Long-Term Care Services, Based on Current Law Governor's Recommendations

	All Funds		
	2015-16	2016-17	2015-17
Institutional Services			
Nursing Home Reimbursement	$765,147,300	$759,096,400	$1,524,243,700
State Centers for the Developmentally Disabled	125,353,800	127,410,600	252,764,400
Subtotal -- Institutional Services	$890,501,100	$886,507,000	$1,777,008,100
Community-Based Long-Term Care Services			
Family Care	$1,450,520,300	$1,544,264,100	$2,994,784,400
IRIS	419,276,800	467,259,900	886,536,700
Legacy Waiver Programs	84,606,600	82,463,400	167,070,000
Children's Waiver Programs	72,979,800	75,146,800	148,126,600
PACE and Partnership Programs	156,083,000	167,631,500	323,714,500
Subtotal -- Community-Based Long-Term Care Services	$2,183,466,500	$2,336,765,700	$4,520,232,200
Total	$3,073,967,600	$3,223,272,700	$6,297,240,300

4. The table shows that the approximately $3.1 billion in MA-supported expenditure authority would be transferred annually from DLTC to the new DMS as a part of this proposal.

5. Due to the size of these long-term care programs, policy decisions relating to these programs directly affect the MA budget. Further, there is frequently interaction between the provision of long-term cares services and other parts of the MA budget. For example, policies relating to the provision of home care services, including personal care and home health services, affect the state's long-term care programs, as both home care and long-term care services are frequently provided to the same MA enrollees.

6. Historically, the Legislature has generally deferred to the administration with respect to the internal organization of state agencies. As this proposal reflects a transfer of funding and positions and is not accompanied with programmatic changes, the Committee may wish to approve the Governor's recommendations [Alternative A1].

7. Arguments could also be offered to maintain the two current divisions. First, the size and complexity of the state's long-term care programs, as measured by the number of individuals and families they serve as well as the amount of funding the state has committed to these programs, may suggest that a single division that administers programs exclusively for elderly and disabled individuals best serves the specific needs of these populations. The only state agency with an annual budget that exceeds $3.1 billion is the Department of Public Instruction ($6.4 billion). Of that $6.4 billion, $5.2 billion is distributed as elementary and secondary school aids.

8. Second, some would argue that the types of issues relating to the state's long-term care programs are substantially different from those that relate to programs that primarily serve non-elderly, non-disabled, low-income families, such as BadgerCare Plus and FoodShare, and that

combining these program responsibilities in a single division based on a shared funding source may diminish the focus on both types of programs.

In addition, some programs that are not primarily supported by MA funding that are currently administered by the Bureau of Aging and Disability Resources in DLTC, such as programs funded by the federal Older Americans Act and services administered by the Office of the Blind and Visually Impaired and the Office for the Deaf and Hard of Hearing Services, would be transferred to DMS.

9. Finally, the administration has not assumed that any staff savings would be realized in the 2015-17 biennium by consolidating the two divisions. While it is possible that certain positions that perform primarily administrative functions could be reduced or reallocated to other activities in the future, this provision would not reduce DHS position authority or funding. For these reasons, the Committee could choose to delete the Governor's recommendation [Alternative A2].

Division of Long-Term Care Unclassified Position

10. By statute, DHS is currently authorized 13.0 unclassified positions, which include the following: (1) Secretary; (2) Deputy Secretary; (3) Assistant Deputy Secretary; (4) Chief Legal Counsel; (5) Communications Director; (6) Legislative Advisor; (7) Administrator for the Division of Enterprise Services; (8) Administrator for the Division of Health Care Access and Accountability (the state's Medicaid Director); (9), Administrator for the Division of Long-Term Care; (10) Administrator for the Division of Mental Health and Substance Abuse Services; (11) Administrator for the Division of Public Health; (12) Director of the Office of Children's Mental Health; and (13) one unclassified position that has remained vacant since January 3, 2011.

11. Under the bill, the Department would retain the unclassified position that currently serves as the Administrator for the Division of Long-Term Care. DHS indicates that this position would assist in facilitating the merger of the two divisions in the beginning of fiscal year 2016-17. The position would then serve as a senior policy advisor to the Administrator of DMS (the state's Medicaid Director), which the Department believes is necessary due to the size and complexity of the new, merged division [Alternative B1].

12. It could be argued that unclassified position authority should be reserved for individuals who have policymaking authority, such as individuals in the Secretary's Office and division administrators, rather than policy advisors. If the Committee chooses to adopt the Governor's recommendations to merge the two Divisions, it could delete the current unclassified Administrator position for the Division of Long-Term Care as a part of this consolidation of functions [Alternative B2].

13. DHS indicates that the unclassified division administrator position that has remained vacant since 2011 resulted from an oversight during the creation of the separate Department of Children and Families and Department of Health Services from the former Department of Health and Family Services. In subsequent discussions, the position was not removed to allow DHS flexibility if another reorganization occurred and the positon was needed. Given that the position has remained vacant since 2011 and could be reinstated by the Legislature during any subsequent reorganization if it is needed, the Committee could choose to eliminate this unclassified position [Alternative B3].

14. The Committee could also choose to eliminate both the Division of Long-Term Care Administrator unclassified position and the vacant unclassified position [Alternative B4].

The Committee should vote for one alternative from each of the sets of options presented.

ALTERNATIVES

A. Division Reorganization

A1. Adopt the Governor's recommendation to merge the Division of Health Care Access and Accountability and Division of Long-Term Care to create a new Division of Medicaid Services, including all statutory and funding changes in the bill.

A2. Delete provision.

ALT A2	Change to Bill	
	Funding	Positions
GPR	$0	- 6.89
FED	588,400	6.89
Total	$588,400	0.00

B. Unclassified Positions

B1. Adopt the Governor's recommendation to maintain the Department's current unclassified position authority.

B2. Modify the bill by deleting 1.0 GPR unclassified position, beginning in 2015-16, to reflect the elimination of the Administrator for the Division of Long-Term Care. Reduce funding by $165,200 GPR annually, and reduce by one the statutory number of unclassified positions for DHS.

ALT B2	Change to Bill	
	Funding	Positions
GPR	- $330,400	- 1.00

B3. Modify the bill by deleting 1.0 FED unclassified position, beginning in 2015-16, to reflect the elimination of a long-term vacant unclassified division administrator position. Reduce funding by $116,500 FED annually, and reduce by one the statutory number of unclassified positions for DHS.

ALT B3	Change to Bill	
	Funding	Positions
FED	- $233,000	- 1.00

B4. Modify the bill by deleting 2.0 unclassified positions (-1.0 GPR position and -1.0 FED position), beginning in 2015-16, to reflect the elimination of the Administrator for the Division of Long-Term Care and a long-term vacant unclassified position. Reduce funding by $281,700 (-$165,200 GPR and -$116,500 FED) annually, and reduce by two the statutory number of unclassified positions for DHS.

ALT B4	Change to Bill	
	Funding	Positions
GPR	- $330,400	- 1.00
FED	- 233,000	-1.00
Total	- 563,400	- 2.00

Prepared by: Stephanie Mabrey
Attachment

ATTACHMENT

Transfer of Funding and Positions to Create the Division of Medicaid Services

	Funding 2015-16 GPR	Funding 2015-16 FED	Funding 2015-16 PR	Funding 2016-17 GPR	Funding 2016-17 FED	Funding 2016-17 PR	Positions Beginning in 2015-16 GPR	Positions Beginning in 2015-16 FED	Positions Beginning in 2015-16 PR
Division of Medicaid Services (Formerly DHCAA)									
Contracted Services for MA, FoodShare, Resource Centers, and Other Entities Performing Resource Center Functions	$5,895,300	$8,513,700		$6,441,300	$8,243,200				
Administration -- Federal Program Operations		5,666,900			5,666,900			55.99	
Federal Program Operations -- Aging Programs		1,942,600			1,942,600			15.74	
Federal Projects Operations		4,214,400			4,214,400			9.39	
Interagency and Intra-Agency Aids			$1,783,300			$1,783,300			15.24
Administrative Services Supported by Fees			30,000			30,000			
Recovery of Costs -- Birth-to-3 Program			84,300			84,300			
Audits and Investigations Supported by Provider Assessments			19,200			19,200			0.20
Gifts and Grants; Health Care Financing			276,100			270,100			
Interpreter Services for the Hearing Impaired Supported by Fees			39,900			39,900			
Disabled Children's Support Waiver Supported by Fees, Collections and Recoveries			1,567,100			1,567,300			
County Contributions for Family Care, Birth-to-3 and the Children's Long-Term Support Program			42,904,200			42,749,000			
Third Party Administrator for Children's Long-Term Care Programs			12,165,500			12,165,500			
Community Options Programs and Long-Term Care Support Pilot Programs	24,982,000			20,443,300					
Community Options Programs and Family Care Management Organizations	59,083,400			59,877,900					
General Program Operations	9,281,200			9,281,100			62.39		
Programs for Disability and Elder Services (Formerly DLTC)									
Social Services Block Grant -- Local Assistance		1,326,600			1,258,600				
MA -- State Administration		-14,180,600			-13,910,100			-55.99	
Federal Program Operations -- Aging Programs		-1,942,600			-1,942,600			-15.74	
Social Services Block Grant -- Aids to Individuals and Organizations		-873,700			-811,700				
Social Services Block Grant -- Operations		-744,100			-744,100			-6.89	
Federal Project Operations		-4,214,400			-4,214,400			-9.39	
Interagency and Intra-Agency Programs			-1,783,300			-1,783,300			-15.24
Fees for Administrative Services			-30,000			-30,000			
Recovery of Costs for Long-Term Care Programs			-84,300			-84,300			
Gifts and Grants -- Long-Term Care			-276,100			-270,100			
Interpreter Services for the Hearing Impaired Supported by Fees			-39,900			-39,900			
Third Party Administrator for Children's Long-Term Care Programs			-12,165,500			-12,165,500			
Disabled Children's Support Waiver Supported by Fees, Collections and Recoveries			-1,567,100			-1,567,300			
Regulation of Health Services Supported by Application Fees under Chapter 150			-19,200			-19,200			-0.20
County Contributions for Family Care, Birth-to-3 and the Children's Long-Term Support Program			-42,904,200			-42,749,000			
Community Options Programs and Long-Term Care Support Pilot Programs	-24,982,000			-20,443,300					
Community Options Programs and Family Care Management Organizations	-59,083,400			-59,877,900					
Community Aids	-1,326,600			-1,258,600					
Community Aids -- Family Care Resource Centers	235,300			761,700					
General Program Operations	-14,382,400			-14,928,300			-55.50		
Net Fiscal Effect	**-$297,200**	**-$291,200**	**$0**	**$297,200**	**-$297,200**	**$0**	**6.89**	**-6.89**	**0.00**

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

April 17, 2015 Joint Committee on Finance Paper #366

FoodShare Employment and Training Cost-to-Continue (DHS -- Medical Assistance -- Administration)

[LFB 2015-17 Budget Summary: Page 226, #2]

CURRENT LAW

FoodShare is Wisconsin's name for the federal supplemental nutrition assistance program (SNAP). The program provides federally-funded benefits to individuals and families with household income under 200% of the federal poverty level to purchase food from participating retailers. In 2015, this income limit is $23,540 for an individual, $31,860 for a couple, and $40,180 for a family of three.

SNAP is administered on the federal level by the Food and Nutrition Service (FNS) in the U.S. Department of Agriculture (USDA). The state Department of Health Services (DHS) and counties are responsible for certain administrative functions, such as enrollment and eligibility management. Table 1 shows average monthly FoodShare enrollment and total benefits paid for calendar years 2010 through 2014.

TABLE 1

FoodShare Enrollment and Benefits Paid

	Enrollment	Benefits Paid
2010	743,836	$1,039,285,600
2011	816,215	1,142,135,400
2012	840,193	1,177,814,200
2013	856,177	1,188,988,300
2014	836,118	1,111,198,000

Federal law limits SNAP eligibility to three months in a three-year period for able-bodied adults without dependents (ABAWDs) who are not working or participating in employment training programs for at least 20 hours per week. States may elect to waive these ABAWD work requirements under certain circumstances. Wisconsin previously waived these requirements.

2013 Wisconsin Act 20 included statutory changes to implement the federal work requirements in Wisconsin, and provided funding for DHS to expand the FoodShare Employment and Training (FSET) program, which ABAWDs may use to comply with the work requirements. The amount of funding provided in Act 20 was based on the assumption that the work requirements would take effect in Racine, Kenosha, and Walworth counties in July, 2014, and the rest of the state in January, 2015. Consequently, the 2014-15 base budget for FSET services does not fully fund the estimated annualized costs of these services.

GOVERNOR

Provide $7,070,500 ($1,139,200 GPR and $5,931,300 FED) in 2015-16 and $29,956,000 ($16,971,700 GPR and $12,984,300 FED) in 2016-17 to support increased costs of the FSET program associated with statewide implementation of FoodShare ABAWD work requirements.

DISCUSSION POINTS

SNAP Eligibility and Work Requirements

1. To enroll in SNAP, individuals must meet certain financial eligibility requirements based on household income. Individuals must also meet certain non-financial eligibility requirements related to citizenship, residency, and prior criminal violations. In addition, federal law requires non-exempt ABAWDs to meet work requirements in order to remain eligible for SNAP after exhausting three months of time-limited benefits in a 36-month period. An individual is considered an ABAWD if he or she is: (a) age 18 to 49; (b) able to work; (c) not residing in a household with a child under age 18, regardless of the relationship to the child; and (d) not pregnant.

2. ABAWDs are exempt from the work requirements if they meet any of the following conditions: (a) are determined unfit for employment due to receipt of temporary or permanent disability benefits, mental or physical inability to work, or verified as unable to work by a statement from a health care professional or social worker; (b) are the primary caregiver for a child under age six or an incapacitated person; (c) are receiving unemployment compensation, or have applied for unemployment compensation and are complying with unemployment compensation work requirements; (d) are participating in an alcohol or other drug abuse treatment or rehabilitation program; (e) are enrolled as a student of higher education; or (f) are receiving transitional FoodShare benefits.

3. Under the SNAP work requirements, non-exempt ABAWDs are limited to three months of SNAP benefits (known as time-limited benefits) unless they work an average of 20 hours per week, participate in and comply with the requirements of a work program for 20 hours per

week, or spend 20 hours per week in any combination of work and participation in a work program. For the purposes of this policy, work includes working in exchange for money, goods, or services, completing volunteer work, or self-employment. Qualifying work programs include Wisconsin Works (W-2), Refuge Employment and Training, Children First, Refugee Cash Assistance programs, programs under section 236 of the Trade Act, a Workforce Investment Act (WIA) program, or other approved employment and training programs such as FSET.

4. Certain options are provided to states to waive these requirements, which Wisconsin used during calendar years 2002 through 2015. These options include the following: (a) certain one-time federal legislation, such as the American Recovery and Reinvestment Act (ARRA), provided exemptions for ABAWDs in all states from the work requirements; (b) the Balanced Budget Act of 1997 authorized states to exempt 15 percent of ABAWDs who would have been subject to the work requirements from the requirements; and (c) states may request a waiver of this provision for certain areas with unemployment rates above 10 percent or that lack sufficient jobs.

5. In order to request a waiver from ABAWD work requirements related to the unemployment rate in a region or regions of a state, the state must submit evidence of one of the following: (a) a recent 12-month unemployment rate above 10%; (b) a recent three-month unemployment rate above 10%; (c) that the region has been designated as a Labor Surplus Area (LSA) by the Department of Labor; (d) that the state qualified for extended unemployment benefits; (e) a 24-month average unemployment rate 20% above the national average; (f) a low and declining employment-to-population ratio; (g) a lack of jobs in declining occupations or industries; or (h) being described in an academic study or other publication as an area where there is a lack of jobs.

6. Since 2008, most states have been eligible for a waiver of the ABAWD work requirement due to receipt of Emergency Unemployment Compensation from the Department of Labor. However, this program expired in January, 2014. As a result, many states will no longer be eligible for a waiver of the ABAWD work requirements, beginning in October, 2015.

7. In federal fiscal year 2015 (October, 2014 through September, 2015), 37 states and geographic areas, including Wisconsin, were eligible for a statewide waiver of the work requirements. In that same year, 31 states and territories, including the District of Columbia, elected to implement statewide waivers, 14 states, including Wisconsin, elected to implement partial ABAWD waivers for certain areas of the state or for only a portion of the year, and eight states elected to not implement ABAWD waivers. A state must notify the regional USDA FNS office by September 1 of its plans to implement an ABAWD waiver for the following federal fiscal year, beginning on October 1.

8. Some would argue that Wisconsin should either request a statewide waiver, or request waivers for different regions of the state, to waive the ABAWD work requirements. However, it is not clear whether the state would continue to be offered a statewide exemption by FNS, given the improving national economic condition and the expiration of the Emergency Unemployment Compensation program. In particular, according to data from the U.S. Bureau of Labor Statistics, the unemployment rate for Wisconsin is 5.0% as of January, 2015, as compared with the national unemployment rate of 5.7%. Further, both of these rates have been trending downward since early 2010.

9. Because federal waivers of the work requirements are provided on a year-by-year basis, if a state qualifies in one year and does not qualify in a subsequent year, it needs to implement sufficient employment and training services to serve the ABAWD population subject to the work requirements between the time that the state is notified that it will not qualify for a waiver (late May) and the beginning of the subsequent federal fiscal year (October 1). The Department has indicated that, based on the recent phase-in of the work requirements in Racine, Kenosha, and Walworth counties and the associated expansion of the FSET program, it does not have the capacity to expand employment and training services statewide in a limited time period. Accordingly, it may be difficult for the Department to provide sufficient employment and training resources if the state chooses to exempt ABAWDs from the work requirements in one year, and then the state is no longer eligible for a statewide exemption in a subsequent year. Further, while it is likely that certain areas of the state, such as Bayfield, Door, Iron, Menominee, and Sawyer counties, would qualify for an exemption from the work requirements, it is still unclear whether the Department could implement sufficient employment and training services in counties subject to the work requirements under the time constraints described previously.

FSET Program

10. Under federal law, the state is required to offer a SNAP employment and training program to SNAP enrollees. In Wisconsin, this program is known as the FoodShare Employment and Training program (FSET). ABAWDs subject to the work requirements may participate in the FSET program as one way to meet the work requirements and maintain FoodShare eligibility beyond three months of time-limited benefits.

11. The FSET program is offered statewide. The program was previously administered by 54 county-operated income maintenance agencies and six private agencies. In light of the implementation of the ABAWD work requirements, the administration determined that the program should be offered on a regional basis based on workforce development area boundaries, with eleven FSET regions and eight tribes administering and delivering FSET services within these regions of the state.

12. When an income maintenance (IM) worker conducts an eligibility determination or renewal for FoodShare benefits, he or she must explain the FSET program, including the services that may be available to the FoodShare recipient. If an individual is determined to be a non-exempt ABAWD during the initial FoodShare eligibility determination, he or she will automatically be referred to FSET. In addition, individuals who are not ABAWDs or who meet an exemption from the ABAWD work requirements will be referred to FSET upon request. These referrals are sent from the IM agency to the FSET agency on a daily basis. It is the responsibility of the FSET agency to reach out to individuals within five days of those individuals being referred to the FSET agency to schedule an initial appointment.

During the initial FSET appointment, the participant is provided with detailed program information and assessed for strengths, needs, and preferences related to employment. Following the assessment, the FSET worker develops an employability plan with the participant, which will determine the appropriate FSET activities and related supportive services, generally referred to as components, to which the individual will be assigned. The employability plan must include a clear description of the individual's short-term and long-term employment goals, and the necessary supportive services that will be provided to achieve the intended goals. This plan must be developed within the first three weeks of enrollment in FSET and updated at least every three months for the duration of the participant's time in the program. The FSET worker is also responsible for monitoring whether the individual complies with his or her employability plans, and notifies the IM agency of non-compliance.

13. Services provided under the FSET program include the following: (a) job search services, which are activities designed to equip participants with the tools and skills needed for effective job search; (b) work experience, which offers participants the opportunity to be exposed to different kinds of employment to clarify job interests and career goals, and to develop a work reference, if needed; (c) education, which could include obtaining a General Educational Development (GED), English as a second language, adult basic education, vocational literacy, and short-term technical training, which may include enrollment in a technical or trades program if there is a direct link to employment that is in demand; (d) self-employment, which includes technical assistance to develop realistic business plans and sound financial and marketing plans, as well as assistance in obtaining financial support from grants, financial institutions, or other service providers; and (e) job retention, which may be provided for up to 90 days for employment that is obtained resulting from FSET participation, and includes participant reimbursement for initial expenses like transportation, uniforms, and childcare. The FSET handbook provides a list of services that may be provided using FSET funds, as well as activities for which FSET funds may not be used.

14. Table 2 shows FSET participation by program component in federal fiscal year 2012-13 and 2013-14. The program component categories in the table below reflect those that the Department is required to report to FNS, rather than the categories of components that DHS offers to participants and that are outlined above.

TABLE 2

FSET Participation by Component

	2012-13			2013-14		
	ABAWD	Non-ABAWD	Total	ABAWD	Non-ABAWD	Total
Education	676	335	1,011	782	509	1,291
Job Search	4,774	2,276	7,050	4,180	2,699	6,879
Job Search Training	2,465	1,216	3,681	2,570	1,682	4,252
Vocational Training	8	6	14	129	110	239
Other	1,123	460	1,583	1,776	902	2,678
Total Employment and Training Participants*	7,689	3,649	11,338	7,313	4,476	11,789

*Individual components do not sum to total because individuals may participate in more than one component.

FoodShare and FSET Enrollment Assumptions

15. Prior to implementing the ABAWD work requirements, approximately 5,436 individuals participated in the FSET program each month. Table 3 shows average monthly FSET participation for each year from calendar years 2009 through 2013, the last year for which information is available.

TABLE 3

Average Monthly FSET Participation

	Number of Participants
2009	5,120
2010	5,307
2011	5,998
2012	6,048
2013	5,441

16. Although the work requirements have been in place since July, 2014 in three counties, limited data is available that could be used to reestimate the Department's initial projections regarding FSET participation levels or program cost. In particular, while the work requirements are now in place in Kenosha, Racine, and Walworth counties and new FoodShare enrollees that are non-exempt ABAWDs are subject to the work requirements upon enrollment, non-exempt ABAWDs already enrolled in FoodShare are only required to comply with the requirements when their program eligibility is redetermined, which occurs annually for most FoodShare enrollees. Given that approximately nine months have passed since the implementation of the work requirements, it can be assumed that approximately three-quarters of ABAWDs are now required to comply with the work requirements in the three counties that are subject to the work requirements. However, non-exempt ABAWDs are permitted three months of time-limited benefits in which they do not need to comply with the work requirements and may continue to receive FoodShare benefits. Therefore, only non-exempt ABAWDs in Kenosha, Racine, and Walworth counties who enrolled or had their eligibility renewed from July, 2014 through January, 2015 would be complying with the ABAWD work requirements or disenrolled from the FoodShare program as a result of non-compliance with the work requirements at this time.

17. Table 4 identifies the administration's FSET enrollment estimates for the ABAWD population for fiscal years 2014-15 through 2016-17. These estimates reflect assumptions made during the 2013-15 biennial budget regarding total FoodShare enrollment, the percentage of FoodShare recipients that would be considered ABAWDs, the number of ABAWDs that would be subject to the work requirements, and the number of ABAWDs that would participate in the FSET program as a means by which to comply with the work requirements.

TABLE 4

DHS ABAWD Enrollment Estimates

	State Fiscal Year		
	2014-15	2015-16	2016-17
Monthly Average Number of ABAWDs (Approximately 14.8% of All FoodShare Recipients)	16,505	109,200	144,014
Less Monthly Average Number of ABAWDs Exempt from Work Requirement (Approximately 47.3% of all ABAWDs)	-7,810	-51,670	-68,143
Monthly Average Number of ABAWDs Subject to Work Requirement	8,695	57,530	75,871
Monthly Average Number of ABAWDs Participating in FSET (50% of ABAWDs Subject to Work Requirement)	4,348	28,765	37,936

18. The Department's initial projections estimated FoodShare enrollment growth of approximately 5.11% in 2015-16 and 2016-17. The 5.11% assumption represents historical average FoodShare enrollment growth in non-recessionary years. While FoodShare enrollment declined by 2.3% in calendar year 2014, likely due to the improving economy, overall FoodShare enrollment has been increasing over time. It is unclear whether the decline in program enrollment experienced in 2014-15 due to the improving economy represents a trend that will continue into 2015-16 and 2016-17, or whether enrollment will resume growing at rates experienced prior to the recession, such as at the level estimated by the Department. Accordingly, there is insufficient data to revise the administration's enrollment assumption.

19. Under the Department's assumptions regarding the FoodShare ABAWD population, which were the same as those used in the 2013-15 budget, the estimated percentage of FoodShare enrollees that would be considered ABAWDs is 14.8%. Of that, 52.7% would be subject to the work requirements, meaning that approximately 7.8% of FoodShare enrollees would be considered non-exempt ABAWDs under the Department's initial assumptions. Table 5 shows the percentage of FoodShare enrollees that were identified as "work registrants" in October, 2012 and October, 2013, as reported by DHS to FNS. A work registrant refers to someone who has not met any federal exemptions from the work requirements. However, the Department indicates that this group is not solely non-exempt ABAWDs, in that some individuals in this group may be ages 50-59 and would, therefore, qualify for an exemption from the ABAWD work requirements.

TABLE 5

Percentage of FoodShare Recipients that are Work Registrants

	Number of Work Registrants Receiving FoodShare	Total FoodShare Recipients	Percentage of FoodShare Recipients that are Work Registrants
October, 2012	163,267	849,562	19.2%
October, 2013	156,609	856,324	18.3%

These figures are supported by an FNS report issued in December, 2014 entitled, "Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2013," which indicates that approximately 21.8% of the SNAP recipients sampled in Wisconsin (19.9% nationally) were nondisabled adults ages 18-49 in childless households. The group identified in this study may include individuals who are exempt from the work requirements due to participation in alcohol or other drug treatment or rehabilitation programs, enrollment in a higher education program, receipt of transitional FoodShare benefits, or receiving certain benefits such as unemployment compensation, so it may overestimate the percentage of non-exempt ABAWDs in a similar way as Table 5.

The Department indicates that approximately 4.8% of FoodShare enrollees have been identified as non-exempt ABAWDs in calendar year 2015. However, this figure only applies to enrollment in January and February of 2015, which would represent only approximately 16.7% of the total FoodShare population. Accordingly, it is not clear if the Department's initial assumption of the percentage of non-exempt ABAWDs enrolled in FoodShare should be revised, given the limited and conflicting data from Wisconsin and relevant research.

20. Under Act 20, it was assumed that 50% of the 7.8% of FoodShare enrollees that would be considered non-exempt ABAWDs would comply with the ABAWD work requirements, or approximately 3.9% of the total number of FoodShare enrollees would participate in the FSET program.

21. As of March 15, 1,341 people have enrolled in the FSET pilot program in Kenosha, Racine, and Walworth counties. Total FoodShare enrollment in these counties equaled approximately 74,300 individuals in December, 2014, the most recent month for which data is available, meaning that approximately 1.8% of FoodShare enrollees in these counties are participating in FSET. Table 6 compares the actual enrollment in the FSET program with the Department's initial enrollment projections for these three counties.

TABLE 6

Projected and Actual FSET Enrollment by Non-Exempt ABAWDs for Kenosha, Racine, and Walworth Counties, July, 2014 through February, 2015

	Projected	Actual	Difference
2014			
July	249	153	96
August	498	356	142
September	748	545	203
October	997	757	240
November	1,246	904	342
December	1,495	1,063	432
2015			
January	1,756	1,054	702
February	2,017	1,099	918

22. On average, actual enrollment in the FSET program reflects approximately 67% of the enrollment levels initially projected by the Department. While it appears that, to date, the initial FSET enrollment has not reflected the administration's assumptions, but it is not clear that current enrollment levels will reflect long-term enrollment in the program once it has been fully phased in statewide. While arguments could be made to adjust downward the enrollment projections for the 2015-17 biennium based on the initial enrollment in FSET, it is not clear what the magnitude of this adjustment should be to more accurately reflect current enrollment in the program, while also accounting for full implementation of the program statewide and increased awareness of the FSET program over time.

23. It could be argued that the Department's initial estimates should be maintained, due to the significant publicity activities the Department has undertaken related to the FSET program among FoodShare recipients. The Department indicates that it is conducting the following activities to increase awareness of the FSET program: (a) 45 days before the renewal of a FoodShare case, a household receives a letter, separate from the letter regarding its FoodShare renewal, about the new FoodShare work requirement policy, including information about meeting the work requirement and exemptions from the work requirement; (b) the new FSET providers are participating in stakeholder trainings and have been involved in other community efforts with income maintenance offices to raise program awareness; (c) the Department provides updated information regarding the ABAWD work requirements and how FSET can help ABAWDs meet the work requirements on its website; (d) the Department has been in contact with the Department of Veterans Affairs to provide up-to-date information regarding FSET for veterans who may be receiving FoodShare benefits; and (e) IM workers provide information to all FoodShare enrollees regarding the FSET program upon enrollment, renewal, or in response to questions of FoodShare enrollees.

24. The Department cautions against making significant alterations to budgetary estimates of FSET program costs based on these initial data for the following reasons: (a) this data is self-reported from ResCare, the FSET vendor for Kenosha, Racine, and Walworth counties, and represents only approximately two-thirds of the individuals in the pilot counties that will be subject to the work requirements; (b) enrollment started slower than expected, but the Department anticipates increased growth as more individuals learn of the FSET program; and (c) the data collection methods have changed with the implementation of the statewide work requirement, and it may be too early to draw conclusions based on this data source.

FSET Cost Assumptions

25. Under Act 20, the administration projected that the estimated cost of providing services to an FSET enrollee would be approximately $125 per enrollee per month. This estimate was based on the actual monthly FSET program costs of approximately $150 per enrollee per month, combined with the assumption that economies of scale would be realized when the program was implemented statewide. Average monthly costs of serving an FSET participant in December, 2013, equaled approximately $128.55, based on 14 counties with more complete data.

26. To administer the program, DHS contracts with agencies, such as ResCare, which currently provides FSET services in Kenosha, Racine, and Walworth counties. These contracts specify the terms and conditions of service provision, and provide funding up to a specified total

dollar amount. FSET vendors may receive reimbursement from DHS on a monthly basis for invoiced costs that are eligible under the FSET program. Table 7 shows the amount that ResCare invoiced DHS for FSET services in Kenosha, Racine, and Walworth counties for July, 2014 through February, 2015.

TABLE 7

FSET Costs in Racine, Kenosha, and Walworth Counties

	Personnel	Operations	Participant Reimbursement	Job Retention	Total
2014					
July	$119,000	$68,200	$2,800	$0	$190,000
August	115,900	81,700	3,500	0	201,100
September	128,600	79,700	10,900	0	219,200
October	139,900	76,900	17,000	0	233,800
November	151,100	81,200	9,800	0	242,100
December	164,400	78,500	20,700	100	263,700
2015					
January	182,700	75,000	11,500	0	269,200
February	150,000	77,300	24,100	0	251,400
					$1,870,500

27. Based on actual enrollment and cost data as of February, 2015, the average monthly cost of providing FSET services to ABAWDs who are not exempt from the work requirements is approximately $245. However, the average cost per enrollee has been declining rapidly since the work requirements were implemented in Kenosha, Racine, and Walworth counties. The Department indicates that the anticipated economies of scale relating to administering the FSET program will not be realized until full enrollment in the program, which will occur by April, 2016. It is unclear what the actual average cost of serving each enrollee will be once the work requirements are fully implemented statewide.

28. In addition to using data from the FSET pilot counties, one may wish to draw from the experiences of other states in determining potential program costs. However, it appears that few other states have offered similar programs from which to draw conclusions about potential program enrollment and costs in Wisconsin. For example, Iowa has historically not used any waivers of the ABAWD work requirements, except for those notices from the Department of Labor Statistics that allow a state to suspend the ABAWD "clock," which would otherwise limit ABAWDs to three months of time-limited SNAP benefits in a thirty-six month period unless they comply with work requirements, during periods of high unemployment. The most recent waiver that Iowa had for this purpose expired on September 30, 2013. The state estimates that, currently, approximately 11,116 enrollees are subject to the ABAWD work requirement. Iowa offers an education component of its employment and training program, which can be used to meet work requirements. However, the program was implemented in a revised format in January, 2015, and currently has only 25 participants enrolled. Therefore, the administering agency is unable to provide an estimate of costs due to the low number of participants.

FSET Funding

29. FSET is funded from three sources: (a) state general purpose revenue (GPR); (b) local county contributions; and (c) federal funds, including a $1.5 million contribution that does not require a state or local match, matching funds for local expenditures, and matching funds for state expenditures. In addition, certain states may qualify for federal "pledge state" funding based on a commitment to reach out to ABAWDs in their third month of FoodShare time-limited benefits in a three-year period and provide employment and training services to these individuals. There is $20 million in federal funds available annually for FNS to award to pledge states, which FNS will distribute based on the number of ABAWDs in each pledge state.

30. Under Act 20, the amount of state and federal funding budgeted for FSET services for ABAWDs in 2014-15 ($22,958,400 all funds) was based on the assumption that the work requirements would take effect in Kenosha, Racine, and Walworth counties in July, 2014, three other regions by October, 2014, and the rest of the state by January, 2015. Consequently, the agency's base funding for FSET services for ABAWDs does not reflect the annualized, statewide costs of these services with work requirements fully implemented statewide.

31. Table 8 shows funding for the program based on the Governor's recommendation. As shown in the table below, the bill would provide $250,000 ($125,000 GPR and $125,000 FED) in 2015-16 and $600,000 ($300,000 GPR and $300,000 FED) in 2016-17 for program evaluation. In addition, the bill would provide $1,555,000 GPR annually for "incentive bonuses," which DHS would provide to FSET vendors to continue existing local-federal partnerships and take advantage of federal matching funds for the local dollars currently allocated to provide FSET services. The Governor's recommendation does not include any pledge state funding that the state may potentially receive.

32. The Governor's recommendation also assumes a carryover balance of approximately $9.4 million GPR from fiscal year 2014-15 for 2015-16. The Department indicates that it has already expended approximately $2.5 million on FSET services in the current fiscal year and, under the current contracts with FSET service providers, could be obligated to expend up to an additional $14.7 million from April 1, 2015 through June 30, 2015. The Department's initial assumption of a $9.4 million carryover was based on an assumption of only $12.4 million in costs for FSET services. Therefore, this carryover balance may be overestimated, and the amount of funding providing in 2015-16 insufficient, if the Department expends close to its expenditure authority under the current contracts. However, it is unlikely that the Department would expend the full amount in the contract, as this dollar amount serves as a ceiling for FSET contractor expenditures.

33. The Committee may wish to adopt the Governor's recommendation to provide full funding that reflects the annualized, statewide cost of providing FSET services, as estimated by the Department [Alternative A1].

TABLE 8

Budgeted Expenditures by Funding Source and Year
Governor's Recommendations

	GPR	County	FED	Total
2015-16				
FSET Services				
Non-Exempt ABAWDs	$21,573,800	$0	$21,573,800	$43,147,600
Voluntary Participants	671,000	1,700,000	3,871,000	6,242,000
	$22,244,800	$1,700,000	$25,444,800	$49,389,600
Non-Service Costs				
DHS Program Management	$250,000	$0	$250,000	$500,000
Program Evaluation	125,000	0	125,000	250,000
Incentive Bonuses	1,550,000	0	1,550,000	3,100,000
Amount Reserved for 2016-17	325,900	0	0	325,900
	$24,495,700	$1,700,000	$27,369,800	$53,565,500
Amounts Available				
GPR Carryover Balance from 2014-15	$9,431,200	$0	$0	$9,431,200
Base Funding	13,925,300	1,700,000	21,438,500	37,063,800
	$23,356,500	$1,700,000	$21,438,500	$46,495,000
Difference -- Funding Increase in Bill	**$1,139,200**	**$0**	**$5,931,300**	**$7,070,500**
2016-17				
FSET Services				
Non-Exempt ABAWDs	$28,451,800	$0	$28,451,800	$56,903,600
Voluntary Participants	421,100	1,700,000	3,621,000	5,742,100
	$28,872,900	$1,700,000	$32,072,800	$62,645,700
Non-Service Costs				
DHS Program Management	$500,000	$0	$500,000	$1,000,000
Program Evaluation	300,000	0	300,000	600,000
Incentive Bonuses	1,550,000	0	1,550,000	3,100,000
	$31,222,900	$1,700,000	$34,422,800	$67,345,700
Amounts Available				
GPR Carryover Balance from 2015-16	325,900	0	0	325,900
Base Funding	13,925,300	1,700,000	21,438,500	37,063,800
	$14,251,200	$1,700,000	$21,438,500	$37,389,700
Difference -- Funding Increase in Bill	**$16,971,700**	**$0**	**$12,984,300**	**$29,956,000**

34. Table 9 shows an alternative estimate of funding that may be needed for the program, which reflects actual FoodShare enrollment in 2014, which was lower than projected under the Governor's budget proposal. In addition, the table reflects a reallocation of funds between federal and GPR sources and the "Non-Exempt ABAWDs" and "Voluntary Participants" categories to more accurately reflect how the FSET program is funded. Additionally, it includes the elimination of a planned carryover balance from 2015-16 of $325,900 GPR.

35. DHS has applied for and received a pledge state funding award of approximately $6.6 million in pledge state funding for federal fiscal year 2014-15. However, the Department indicates that this amount is under review, and that it does not anticipate receiving the full amount due to the phase-in of the work requirements based on eligibility redeterminations for FoodShare, as well as the delay in implementing the statewide work requirements. It is unclear how much the Department

anticipates actually receiving in this federal fiscal year, as well as subsequent years. In its 2015-17 agency budget request, the Department produced estimates of the range of pledge state funding that the state could receive, based on estimated ABAWD populations in Wisconsin and other states, which may also receive pledge state funding. These estimates ranged from $1.9 million to $3.8 million, with the former assuming that 19 states and territories would receive pledge funding, and the latter assuming that only six states would receive such funding. It is unclear how many states would choose to implement work requirements and pledge to provide employment and training services to this population during 2015-16 and 2016-17. Accordingly, an additional $2.9 million FED for fiscal year 2015-16 has been included in the alternative budget estimate to reflect a conservative estimate of the level of pledge funding the state could receive. For fiscal year 2016-17, it is expected that additional states will qualify for pledge state funding, due to the expiration of many of the waivers that were previously utilized to waive the ABAWD work requirements. Because it is unknown how much the state could potentially receive in in federal fiscal year 2016-17, an additional $1.9 million FED has been included as a conservative estimate of the level of pledge state funding that the state would receive.

36. The Committee could choose to modify the funding in the bill to reflect the adjustments described above, including revised caseload and pledge state funding estimates. Under this option, funding in the bill would be increased by $31,800 (-$1,625,800 GPR and $1,657,600 FED) in 2015-16 and $376,600 (-$598,800 GPR and $975,400 FED) in 2016-17 [Alternative B1]. This alternative estimate is shown in Table 9.

TABLE 9

FSET Expenditures by Funding Source and Year
Alternative Estimate

	GPR	County	FED	Total
2015-16				
FSET Services				
Non-Exempt ABAWDs	$17,588,700	$1,423,700	$23,625,400	$42,637,800
Voluntary Participants	3,413,700	276,300	3,477,000	7,167,000
Subtotal -- Services	$21,002,400	$1,700,000	$27,102,400	$49,804,800
FSET Administration				
DHS Program Management	$250,000	$0	$250,000	$500,000
Program Evaluation	125,000	0	125,000	250,000
Incentive Bonus	1,550,000	0	1,550,000	3,100,000
Subtotal -- Administration	$1,925,000	$0	$1,925,000	$3,850,000
GPR Carryover from Previous Year	-$9,488,662	$0	$0	-$9,488,662
Base Funding	-13,925,300	-1,700,000	-21,438,500	-37,063,800
Updated Change to Base	-$486,600	$0	$7,588,900	$7,102,300
Governor's Recommendation	$1,139,200	$0	$5,931,300	$7,070,500
Change to Bill	**-$1,625,800**	**$0**	**$1,657,600**	**$31,800**
2016-17				
FSET Services				
Non-Exempt ABAWDs	$24,580,600	$1,481,900	$29,026,300	$55,088,800
Voluntary Participants	3,617,600	218,100	4,271,900	8,107,600
Subtotal -- Services	$28,198,200	$1,700,000	$33,298,200	$63,196,400
FSET Administration				
DHS Program Management	$250,000	$0	$250,000	$500,000
Program Evaluation	300,000	0	300,000	600,000
Incentive Bonus	1,550,000	0	1,550,000	3,100,000
Subtotal -- Administration	$2,100,000	$0	$2,100,000	$4,200,000
GPR Carryover from Previous Year	$0	$0	$0	$0
Base Funding	-13,925,300	-1,700,000	-21,438,500	-37,063,800
Updated Change to Base	$16,372,900	$0	$13,959,700	$30,332,600
Governor's Recommendation	$16,971,700	$0	$12,984,300	$29,956,000
Change to Bill	**-$598,800**	**$0**	**$975,400**	**$376,600**

37. In addition to choosing a funding level for the program (the Governor's recommendation -- Alternative A1 or an alternative estimate, as shown in Table 9 -- B1), the Committee could transfer the second year GPR funding increase (under either alternative) to the Joint Committee on Finance program supplemental appropriations, based on the current uncertainty of future FSET program costs. Under these options, DHS could request the release of these funds prior to the beginning of the 2016-17 fiscal year once additional information is available on actual FSET program costs. These options are presented as Alternatives A2 and B2.

The Committee should only choose from one of the two sets of alternatives, as the sets are mutually exclusive.

ALTERNATIVES

A. Funding Level Recommended by the Governor

1. Approve the Governor's recommended funding amounts for DHS to administer the FSET program to reflect statewide implementation of the FoodShare work requirements.

2. Approve the Governor's recommended funding for the program. However, transfer $16,971,700 GPR from DHS to the Committee's program supplements appropriation in 2016-17. Require DHS to seek the release of these funds under s. 13.10 to support FSET program costs for 2016-17 prior to July 1, 2016.

ALT A2	Change to Bill
DHS	
GPR	- $16,971,700
JFC	
GPR	$16,971,700

B. Alternative Funding Estimate

1. Increase funding in the bill by $31,800 (-$1,625,800 GPR and $1,657,600 FED) in 2015-16 and by $376,600 (-$598,800 GPR and $975,400 FED) in 2016-17 to reflect program cost estimates shown in Table 9.

ALT B1	Change to Bill
GPR	- $2,224,600
FED	2,633,000
Total	$408,400

2. Increase funding in the bill by $31,800 (-$1,625,800 GPR and $1,657,600 FED) in 2015-16 and by $376,600 (-$598,800 GPR and $975,400 FED) in 2016-17 to reflect program cost estimates shown in Table 9. Transfer $16,372,900 from DHS to the Committee's program supplements appropriation in 2016-17. Require DHS to seek the release of these funds under s. 13.10 to support FSET program costs in 2016-17 prior to July 1, 2016.

ALT B2	Change to Bill
DHS	
GPR	- $16,372,900
JFC	
GPR	$16,372,900

Prepared by: Stephanie Mabrey

Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

April 17, 2015 | Joint Committee on Finance | Paper #367

MA and FoodShare Administrative Contracts (Health Services -- Medical Assistance -- Administration)

[LFB 2015-17 Budget Summary: Page 228, #3]

CURRENT LAW

Funding that supports costs of most contracted services for programs administered by the Division of Health Care Access and Accountability (DHCAA), including medical assistance (MA), and FoodShare, is budgeted in one general purpose revenue (GPR) and one federal (FED) appropriation. These appropriations do not support MA benefits, DHS staff, or allocations to income maintenance consortia or tribes. Base funding for these appropriations total $149,027,700 ($48,816,200 GPR and $100,211,500 FED).

Funding that supports costs of most contracted services for programs administered by the Division of Long-Term Care (DLTC), including Family Care and IRIS (Include, Respect, I Self-Direct), is budgeted in that Division's general program operations appropriations. In 2014-15, DHS projects that it will expend $17,370,800 ($5,220,500 GPR, $11,004,900 FED, and $1,145,400 PR) to fund these contracts.

The GPR funding that supports these contracts is provided on a sum certain basis -- DHS cannot expend more than the amounts the Legislature budgets in these appropriations. In contrast, the FED funding reflects estimates of federal grants and federal matching funds the state will claim for administrative activities relating to these programs. These estimates may differ significantly from the federal funds that DHS actually receive or expends for these contracts, as different federal matching rates apply to different types of projects.

GOVERNOR

Provide $9,454,100 ($4,703,300 GPR and $4,750,800 FED) in 2015-16 and $10,748,000 ($6,408,200 GPR and $4,339,800 FED) in 2016-17 to fund the difference between the total estimated cost of contracted services for the administration of the state's MA, FoodShare and other public assistance programs in each year of the 2015-17 biennium and base funding for these contracts.

DISCUSSION POINTS

1. The funding change in this item reflects the net effect of numerous changes expected to affect contract costs. This section provides a brief description of the major contracts, and the primary reasons for the funding changes relating to these contracts.

Fiscal Agent Contract (HP). The fiscal agent for the MA program, currently HP Enterprise Services, processes provider claims, provides enrollment and customer services, produces summary reports, conducts program integrity functions, and owns and maintains the Medicaid Management Information System (MMIS).

The bill would provide additional funding to support higher costs for a newly-renegotiated five-year contract, including: (a) a higher "flat fee" component of the contract; (b) increased funding to support projects expected to reduce benefits costs and meet federal requirements and other program objectives; (c) inflationary increases incorporated in the contract; and (d) continuation of projects to implement provisions of the federal Affordable Care Act (ACA).

CARES (Deloitte). The Client Assistance for Re-employment and Economic Support (CARES) system assists state and county staff in determining applicants' eligibility for MA, SeniorCare, FoodShare, Wisconsin Shares, and TANF/W-2. DHS contracts with Deloitte for programming, analysis and maintenance tasks for CARES.

The bill would provide additional funding to increase the number of budgeted hours of services Deloitte will provide, from approximately 180,000 hours budgeted in 2014-15 under 2013 Act 20, to 234,000 hours in each year of the 2015-17 biennium to support current operations, maintenance and reporting requirements, new projects to meet federal requirements, and to implement state initiated program changes. In 2014-15, DHS expects to purchase approximately 270,600 hours of services from Deloitte, using funding carried over from the 2013-14 contracts appropriations.

The funding increase in the 2015-17 budget bill also reflects a provision in the current contract that increases the hourly rate DHS pays for these services, from $104 to $109 per hour, beginning in 2016, and $115 per hour, beginning in 2017. In addition, it is anticipated that a greater portion of these services will be for maintenance (for which the state receives 75% federal funding), rather than development services (for which the state receives 90% federal funding), resulting in an increase in GPR and a corresponding reduction of FED needed to support the contract.

Minor funding changes are recommended for other CARES-related costs, including hosting and data storage charges DHS pays to the Department of Administration's Division of Enterprise Technology.

Other Contracts (Various Entities). DHS contracts with several other entities to provide administrative services to the MA program, including rate-setting for hospitals, actuarial services, assistance in claiming federal funds for MA-eligible school-based medical services and services provided by counties, and consulting services. The bill would make minor funding changes for these contracts.

Division of Long-Term Care Contracts. The Division of Long-Term Care funds contracted services such as a share of the state's fiscal agent contract, actuarial services, nursing home rate-setting, quality review, and external advocacy services. The bill would increase funding by $724,900 ($674,900 GPR and $50,000 FED) in 2015-16 and $1,000,300 ($1,220,800 GPR and -$220,500 FED) in 2016-17 to fund these contracts.

Under a separate item, the bill would consolidate funding and positions in the DHCAA and the DLTC to create a new Division of Medicaid Services. Under that item, $14,409,000 ($5,895,300 GPR and $8,513,700 FED) in 2015-16 and $14,684,500 ($6,441,300 GPR and $8,243,200 FED) in 2016-17 would be transferred from DLTC appropriations to the current appropriations that support contracted services in DHCAA to consolidate funding for all MA-related contracts.

2. The following summarizes the total funding that would be budgeted for these contracted services and compares these amounts with the base funding amounts in the two divisions, which is the basis for the funding change in the bill.

Summary of Governor's Budget Recommendations
Medical Assistance and FoodShare Administrative Contracts

	2015-16		2016-17	
	GPR	FED	GPR	FED
Base Funding				
Division of Health Care Access and Accountability	$48,816,200	$100,211,500	$48,816,200	$100,211,500
Division of Long-Term Care	5,220,500	11,004,900	5,220,500	11,004,900
Total	$54,036,700	$111,216,400	$54,036,700	$111,216,400
Total Estimated Costs of Contracts				
Division of Health Care Access and Accountability*	$53,319,500	$96,680,500	$54,478,400	$96,315,200
Division of Long-Term Care	5,895,300	11,055,000	6,441,300	10,784,400
Total	$59,214,800	$107,735,500	$60,919,700	$107,099,600
Adjustments				
Hospital Assessment Offset to Replace GPR	-$700,000	$0	-$700,000	$0
Net Budgeted Expenditures	$58,514,800	$107,735,500	$60,219,700	$107,099,600
Difference Between Base Funding and Net Expenditures	$4,478,100	-$3,480,900	$6,183,000	-$4,116,800
Funding Increase in Bill	$4,703,300	$4,750,800	$6,408,200	$4,339,800
Difference (Funding Adjustment -- Alternative 2)	-$225,200	-$8,231,700	-$225,200	-$8,456,600

*Excludes $2,500,000 GPR and $22,250,000 FED annually for MMIS development, design and implementation.

The table shows that the funding increase that would be provided in the bill exceeds the amounts needed to support the costs the Governor intended to fund by $225,200 GPR and $8,231,700 FED in 2015-16 and by $225,200 GPR and $8,456,600 FED in 2016-17. The difference reflects: (a) the deletion of funding provided for an evaluation of the FoodShare Employment and Training Program (FSET), for which funding is provided under a separate item in the bill; and (b) a correction to the base federal funding budgeted for these contracts. Consequently, an adjustment could be made to delete the surplus funding from the bill and still fund all of the costs that the Governor recommends be funded (Alternative 2).

DHCAA is currently funding some contracts for MA-related costs from its general program operations appropriations, rather than from its contracts appropriations. These contracts include funding for Deloitte to implement federally required health information technology (HIT) provisions, funding for HP to enable the state to claim federal MA funds to support certain inpatient hospital services for inmates, and a portion of the costs DOA Division of Hearings and Appeals relating to MA cases. Under the bill, $530,600 GPR and $2,737,900 FED annually would be budgeted for these contracted services from the Division's general program operations appropations in the 2015-17 biennium. Funding for these contracts should be transferred to the contracts appropriations, which is incorporated into Alternative 2.

3. As previously indicated, some of the GPR cost increases in this item are due to factors over which the agency has little control, such as provisions in current contracts that provide modest automatic inflationary increases (generally between 1% and 2% per year), and a shift in the types of projects Deloitte would conduct. In addition, several of the IT development projects are either a continuation of projects already initiated by the Department, or are required for DHS to comply and implement state and federal law or policy.

4. The bill does not include funding DHS believes it will incur to fund the design, development and installation of a new Medicaid Management Information System (MMIS). Federal law requires each state's MA program to operate a MMIS to meet certain objectives and standards, including systems mechanization, mechanized claims processing, and information retrieval, and permits a state's contracted fiscal agent (in Wisconsin, HP), to operate the state's MMIS.

The Department's contract with HP, which currently owns the state's MMIS, expires in November, 2018. DHS indicates that a new fiscal agent and MMIS contract will need to be secured three years prior to that date to ensure a successful transition to the new MMIS. In May, 2014, DHS entered into a contract with CSG Government Solutions to provide services relating to the fiscal agent procurement, including recommendation for modifications to the current MMIS.

DHS estimates that the total cost to purchase a new MMIS would range from $75 to $100 million, which would be funded over a three -year period. As these costs would be eligible for 90% federal cost-sharing, the estimated GPR costs would be approximately $7.5 million to $10 million over this period. However, the costs would be less if DHS selects HP to continue as the state's fiscal agent (and continues to operate the MMIS), as funding would be needed to make improvements to the current system, rather than to purchase a new system with the features recommended by the procurement consultant. Although DHS expected to incur these costs in the 2015-17 biennium, it did not include funding for these items in its 2015-17 budget submission. As funding for these costs is not included in the Governor's bill, DHS would be required to absorb any costs relating to MMIS changes by reprioritizing funding for the planned contracted services.

Based on a review of supplementary materials DHS submitted to this office regarding these contracts, the funding increases (with the adjustments described in Discussion Point 2) in the Governor's bill appear reasonable, but will require DHS to reprioritize funding to support MMIS-related project costs. Further, the estimates reflect judgements by DHS staff who are directly involved in administering complex programs about what, and how much, contracted services are needed to comply with state and federal law, and to implement changes that may result in reduced MA benefits costs or improve services. For these reason, the Committee could adopt the Governor's funding recommendations (Alternative 1 or 2).

5. However, in light of GPR budget constraints, the Committee may wish to consider several options that would reduce the additional GPR costs for these contracts, as described below and offered as options under Alternative 3.

6. *Fiscal Agent Contract -- Projects to Reduce MA Benefits Costs or Improve Quality.* The bill would provide $7.2 million ($2,808,000 GPR and $4,392,000 FED) annually for HP to work on a number of projects that DHS believes will reduce MA benefits costs or improve program performance. In general, these projects require one-time changes to the MMIS before DHS can implement them. These projects, which are currently in design or implementation stages, include systems changes that will:

(a) Change reimbursement methodology for end state renal disease services so that payments would be based on the type and severity of services provided to ensure compliance with federal policy and generate savings;

(b) Provide reports and data extracts to the University of Wisconsin Pharmacy School as part of the Wisconsin Pharmacy Quality Collaborative (a goal of which is to increase the number of pharmacists who provide medication therapy management (MTM) services to MA enrollees); and permit pharmacists to submit to DHS documentation and outcomes relating to MTM;

(c) Modify the DHS chronic disease payment system to permit DHS to increase federal claims by identifying services managed care organizations provide to individuals eligible for enhanced federal funds under the federal children's health insurance program (CHIP);

(d) Transfer data from the Department of Children and Families to assist in the implementation of the Care4Kids program, the "medical home" for children in foster care.

(e) Implement Pay for Performance for hospital reimbursement, under which DHS withholds 1% of payments to hospitals, which hospitals can "earn" back by meeting performance standards;

(f) Improve reporting of non-emergency medical transportation services provided by the state's transportation broker (currently, Medical Transportation Management); and

(g) Standardize measures of the total cost of care relating to MA populations.

In addition, this item would fund 2.0 HP employees to work with the DHS Bureau of Fiscal Management to support managed care rate setting initiatives and 2.0 HP employees to work with the Bureau of Benefits Management to improve compliance with managed care contracts.

In 2013-14, DHS expended $4,147,800 ($1,371,200 GPR and $2,776,600 FED) for similar projects HP provided to DHS. However, as DHS expects to expend $7,262,800 ($2,985,000 GPR and $4,277,800 FED) on these types of projects in 2014-15, the $7.2 million ($2,808,000 GPR and $4,392,000 FED) that would be budgeted for these projects in 2015-16 and 2016-17 is comparable to planned spending in the current year. The Committee could reduce funding in the bill for these projects by 10% (Alternative 3A2) or 20% (Alternative 3A3) to more closely budget funding for these types of projects at the 2013-14 level, in which case DHS would be required to reprioritize work on these and other planned projects performed by HP.

7. *Enrollment Broker.* Automated Health Services currently serves as the Department's HMO enrollment broker, which provides outreach, education, and enrollment services to BadgerCare Plus members who enroll in HMOs. These services are provided through a call center in Milwaukee County.

In 2013-14, DHS expended $2,160,000 ($1,039,300 GPR and $1,120,700 FED) for this contract, and expects to expend $2,340,000 ($1,170,000 GPR and $1,170,000 FED) for this contract in 2014-15. The bill would budget $2,000,000 ($1,000,000 GPR and $1,000,000 FED) in 2015-16 and $2,340,000 ($1,170,000 GPR and $1,170,000 FED) in 2016-17 to support this contract. DHS expects some decrease in workload in 2015-16, compared to 2014-15, as indicated in the recommended funding decrease. However, the bill would budget funds for this contract in 2016-17 at the 2014-15 level. The Committee could budget funding for this contract in fiscal year 2016-17 at the same level as 2015-16, resulting in a funding decrease of $340,000 (-$170,000 GPR and -$170,000 FED) in 2016-17 (Alternative 3B2).

8. *CARES (Deloitte) -- Standard Maintenance and Operations.* The bill would provide DHS with funding to purchase 234,000 hours of services in each year from Deloitte. DHS indicates that approximately half of these hours will be for operations, maintenance and reporting activities, while the remainder relate to development projects to enable DHS to meet federal requirements and implement state policy changes.

Examples of current projects include: (a) real time verification of recipients' earned income, using information from the federal data hub; (b) compliance with federal security requirements, such as data encryption, and security information and event monitoring, and disaster recovery; (c) enrollee access to notices through online accounts, as required by CMS; (d) implementation of new work requirements for FoodShare recipients who are able bodied adults without dependents; (e) compliance with language requirements for correspondences with FoodShare recipients; and (f) "real-time" eligibility results for individuals and families who apply for MA.

9. The 2013-15 biennial budget act included funding for DHS to purchase 180,000 hours annually from Deloitte. The Governor's 2015-17 budget would provide funding for 54,000

additional hours per year, a 30% increase in the annual number of hours budgeted in Act 20. However, DHS believes that additional hours in excess of the recommended 234,000 per year are needed to complete all current planned projects. Further, the current contract with Deloitte is based on an assumption that the state will purchase 300,000 hours per year in services. While recognizing that the state is not committed to purchasing this number of hours from Deloitte, Deloitte may request to renegotiate the current rates if the state chooses to purchase fewer hours from that vendor.

10. The Committee could choose to increase the number of contracted hours for Deloitte, compared to the Act 20 budgeted number of hours, by 20%, rather than by 30%, as recommended by the Governor (Alternative 3C2). Under this option, 216,000 hours of contracted work would be budgeted for Deloitte in each year of the 2015-17 biennium, at a cost of $23,004,000 (all funds) in 2015-16 and $24,192,000 (all funds) in 2016-17.

ALTERNATIVES

1. Approve the Governor's recommendations.

2. Modify the Governor's recommendations by: (a) reducing funding by $225,200 GPR and $8,231,700 FED in 2015-16 and by $225,200 GPR and $8,456,600 FED in 2016-17 to reflect reestimates of the funding needed to support contracted services recommended by the Governor; and (b) transferring $530,600 GPR and $2,737,900 FED annually from the DHCCA general program operations appropriations to the appropriations that fund contracted services to consolidate funding for contracts in these appropriations.

ALT 2	Change to Bill
GPR	- $250,400
FED	- 16,688,300
Total	- $17,138,700

3. In addition to Alternatives 1 or 2, adopt one alternative listed under A, B, and C.

A. Funding for Planned Projects for the Fiscal Agent

1. Adopt the Governor's recommendations.

2. Reduce funding by $720,000 (-$280,800 GPR and -$439,200 FED) annually to reduce by 10% the amount of funding budgeted for the state's fiscal agent to conduct projects described in Discussion Point 4.

ALT 3A2	Change to Bill
GPR	- $561,600
FED	- 878,400
Total	- $1,440,000

3. Reduce funding by $1,440,000 (-$561,600 GPR and -$878,400 FED) annually to reduce by 20% the amount of funding budgeted for the state's fiscal agent to conduct projects described in Discussion Point 4.

ALT 3A3	Change to Bill
GPR	- $1,123,200
FED	- 1,756,800
Total	- $2,880,000

B. Funding for Enrollment Broker

1. Adopt the Governor's recommendations.

2. Reduce funding by $340,000 (-$170,000 GPR and -$170,000 FED) in 2016-17 to fund the enrollment broker contract in 2016-17 at the same level as 2015-16 ($2,000,000 per year).

ALT 3B2	Change to Bill
GPR	- $170,000
FED	- 170,000
Total	- $340,000

C. Funding for Contracted Hours for CARES

1. Adopt the Governor's recommendations.

2. Reduce funding by $1,917,000 (-$644,600 GPR, -$60,800 PR and -$1,211,600 FED) in 2015-16 and by $2,016,000 (-$682,300, -$60,800 PR and -$1,272,900 FED) in 2016-17 to fund 216,000 hours of contracted work for CARES modifications per year, a 20% increase from the number of contracted hours budgeted in the 2015-17 biennium (180,000 hours per year), rather than a 30% increase (234,000 hours per year), as recommended by the Governor.

ALT 3C2	Change to Bill
GPR	- $1,326,900
FED	- 2,484,500
PR	- 121,600
Total	- $3,933,000

Prepared by: Charles Morgan

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

April 17, 2015 | Joint Committee on Finance | Paper #368

Income Maintenance Consortia Funding Allocations (DHS -- Medical Assistance -- Administration)

[LFB 2015-17 Budget Summary: Page 230, #4]

CURRENT LAW

"Income maintenance" (IM) refers to the eligibility and caseload management functions for several federal and state programs, including medical assistance (MA), FoodShare, and Wisconsin Shares. In Milwaukee County, these services are provided by Department of Health Services (DHS) staff in Milwaukee Enrollment Services (MilES). In the rest of the state, county employees perform these functions as part of multi-county IM consortia, and tribes perform these services for their members. There are currently 10 multi-county consortia and nine tribes performing IM services.

Each regional consortium and tribe is responsible for program eligibility determinations, application processing, operating and maintaining a call center, conducting ongoing case management, and performing lobby services such as responding to questions, facilitating access to interpreter services, and making informational publications available. The IM consortia and tribes cooperate with DHS to provide other administrative functions, such as conducting subrogation and benefit recovery efforts, participating in fair hearings, and conducting fraud prevention and identification activities.

Each year, DHS allocates state general purpose revenue (GPR) and federal funds (FED) to support the IM work of the consortia and tribes. The FED funding is matching funding the state receives for eligible state- and locally-funded administrative services under the MA and FoodShare programs. Funding for MilES is budgeted as part of the DHS Division of Health Care Access and Accountability's general program operations budget.

Base funding for IM allocations to tribes and counties is $22,731,800 GPR and

$37,081,600 FED. The FED funding base includes federal funds claimed for county-funded IM services.

GOVERNOR

Provide $10,836,600 (-$3,021,600 GPR and $13,858,200 FED) in 2015-16 and $9,079,300 (-$1,379,900 GPR and $10,459,200 FED) in 2016-17 to support services performed by IM consortia and tribes for the administration of the MA and FoodShare programs.

The funding changes reflect several factors.

First, DHS would maintain base contract funding amounts for consortia and tribes ($27,883,800 all funds) through calendar year (CY) 2017. However, the funding in the bill reflects the administration's assumption that the state will claim and receive enhanced federal matching funds for base allocations and supplemental funds for IM consortia to implement the federal Affordable Care Act (ACA), equal to approximately 60% of costs, rather than the regular 50% rate applicable to these functions, through CY 2015. Under the ACA, states may receive enhanced federal matching funds to support 75% of the cost of certain eligibility work. Based on workload and time reporting, the administration estimated that the resulting "blended" matching rate for IM functions would be 60% through CY 2015.

Second, beginning in CY 2016, DHS would reduce supplemental funding the agency provided to IM consortia budgeted in 2013 Wisconsin Act 20 (the 2013-15 biennial budget act) to meet workload relating to additional responsibilities for IM agencies to implement the (ACA), including anticipated increases in BadgerCare Plus enrollment, from $9,814,800 (all funds) in CY 2015 to $4,907,400 (all funds) in CY 2016 to $2,453,700 (all funds) in CY 2017. However, no base funding for the supplement would be deleted from the DHS budget. Instead, the GPR and FED savings resulting from the phase down of the ACA supplemental funds would be placed in unallotted reserve ($1,192,200 GPR and $1,174,500 FED in 2015-16 and $3,069,100 GPR and $3,069,100 FED in 2016-17).

Third, the bill would maintain annual supplemental funding ($4,730,100 all funds) through CY 2017 to support workload relating to work requirements for FoodShare recipients who are able-bodied adults without dependent children (ABAWDs).

Finally, the funding change under this item reflects a change in the allocation of state fiscal year funds to support county IM consortia calendar year allocations. Under Act 20, DHS was budgeted funding to enable it to pay three months of calendar year IM expenses in the first half of the calendar year and the remaining nine months of calendar year IM expenses in the second half of the calendar year (from the next fiscal year's appropriation), creating a one-time savings in state funds. The funding in the Governor's 2015-17 biennial budget bill would enable DHS to return to the previous practice of paying IM consortia 50% of the state fiscal year funding in the first half of one calendar year and 50% of the next fiscal year funding in the second half of the same calendar year.

The following table summarizes actual 2015 (all funds) IM allocations to the consortia and tribes and CY 2015, 2016, and 2017 allocations under the Governor's budget recommendations.

TABLE 1

Budgeted Calendar Year Income Maintenance Allocations (All Funds)*

	Actual 2014	Governor's Recommendations 2015	2016	2017
Base Allocation	$27,674,500	$27,883,800	$27,883,800	$27,883,800
Affordable Care Act Supplement	18,060,000	9,814,800	4,907,400	2,453,700
FoodShare Work Requirement Supplement	725,500	4,730,100	4,730,100	4,730,100
Total	$46,460,000	$42,428,700	$37,521,300	$35,067,600

*Excludes county-funded costs and federal match the state claims for county-funded costs and potential increases to the ACA supplement from moneys budgeted in unallotted reserve.

DISCUSSION POINTS

A. Base Allocations and ACA Supplemental Funding

1. The bill would maintain funding for IM base allocations for CYs 2016 and 2017 at the CY 2015 level ($27,883,800). However, the bill would phase out the funding supplement counties and tribes received in 2015 to meet workload relating to the ACA and related BadgerCare Plus eligibility changes, based on the administration's concern that the base funding currently budgeted for IM activities, including funding from the ACA supplement, may not accurately reflect ongoing IM agency costs of meeting the ACA-related workload.

2. In the past, DHS has used a workload model to assign times and weights to various tasks to estimate costs and savings of specific policy changes. As the model is not based on current time studies, DHS did not use this model as a means of estimating IM costs for the 2015-17 biennium. Instead, DHS intends to use DHS area administrative staff and a contracted consultant to analyze current IM workload and to make recommendations to improve the efficiency of IM operations. These results could be used in determining IM funding allocations for the 2017-19 biennium.

3. To address the current uncertainty of ongoing costs, the savings from the phase-down of the ACA supplemental funding would not be deleted from the DHS budget. Instead, these funds would be placed in unallotted reserve. This would provide DHS the option to increase IM allocations above planned allocations for CY 2016 and CY 2017 (reflecting the phase-down of the ACA supplemental funding) if DHS determines that increases are warranted to address ongoing workload. The administration has not made any recommendations regarding the ACA supplement beyond CY 2017.

4. Increases in some types of initial IM workload relating to these changes occurred over

a period of months, as current BadgerCare enrollees' eligibility was renewed, and IM agencies continued to enroll newly eligible adults without dependent children. However, DHS cites several factors that have affected IM workload and will likely continue, or increase future workload, including the following:

- The open enrollment periods for private insurance coverage in the ACA health insurance Marketplace increase the number of telephone calls IM consortia receive, as the federal healthcare.gov website encourages MA-eligible individuals to seek assistance from state MA agencies.

- Individuals call the IM agencies to obtain information they need relating to their MA coverage for tax filing purposes.

- DHS anticipates additional future projects and changes, beyond managing higher caseloads, including (but not limited to): (a) researching, documenting and processing accounts for certain individuals who applied for coverage between October, 2013 and December, 2013 and applications for individuals who were initially denied both Marketplace-based and MA coverage; (b) helping recipients understand the new income thresholds and the tax treatment of their health care coverage; (c) implementing new policies relating to renewals submitted up to three months late and permitting recipients electronic access to correspondences with the program; and (d) implementing "real time" eligibility for applicants to reduce delays between the submission of a complete and verifiable application and the response to the applicant regarding the eligibility decision.

5. Some changes enacted as part of Act 20 resulted in program simplification, and may reduce IM-related workload. For example, as a result of the changes in income eligibility standards enacted as part of Act 20 and the conditions of the current waiver agreement under which BadgerCare Plus operates, the only adults who are currently required to pay monthly premiums are certain non-pregnant, non-disabled adults who are in "extension groups" (individuals who remain eligible for limited periods after their income increases above the current maximum limits). Previously, the program required the payment of premiums for most non-disabled, non-pregnant adults with income greater than 133% of the FPL (adults that are no longer eligible for the program).

In addition, Act 20 eliminated the state's MA "benchmark" plan (a plan offered to certain groups that had more limited benefits) so that currently all BadgerCare Plus recipients are enrolled in the same plan.

6. Table 2 identifies several monthly workload measures for IM agencies for the period January 1, 2013 through February, 2015.

TABLE 2

IM Agencies -- Selected Average Monthly Workload Measures, by Calendar Year

		Change from Previous Year	
	Number	Number	Percent
Total Cases			
2013	662,277		
2014	699,783	37,506	5.7%
2015 (thru February)	714,299	14,516	2.1
Number of Applications			
2013	53,354		
2014	59,773	6,419	12.0
2015 (thru February)	59,564	-209	-0.3
Calls Received by Call Centers			
2013	203,077		
2014	227,457	24,380	12.0
2015 (thru February)	240,899	13,442	5.9

The table shows that, in general, the average monthly number of cases, applications and calls received by IM call centers increased from calendar year 2013 to 2014, and has continued to increase.

7. Some of the workload IM agencies have incurred as a result of the BadgerCare Plus eligibility changes is not reflected in Table 2. For example, some individuals have sought assistance from IM agencies in enrolling in qualified private health plans offered in the Marketplace. However, IM agencies are not required to report the number of individuals who have received this type of assistance, or costs associated with this activity.

8. The ACA supplement totaled 65% of the base allocation (excluding local costs and the federal match on local funds) for CY 2014 and 35% of the base allocation for CY 2015. Under the bill, the amount budgeted for the supplement would decrease to 18% and 9% of the base allocation in CY 2016 and CY 2017, respectively, although funding would be available, from the amounts in unallotted reserve for DHS to increase initial ACA supplemental allocations.

9. The funding in the bill is based on the assumption that the state will receive enhanced funding for certain ACA-related activities through December 31, 2015. The federal Centers for Medicare and Medicaid Services (CMS) has extended the period of enhanced match for eligible ACA-related IM activities to December, 2016. Consequently, the state could qualify for enhanced match for one additional year, resulting in additional GPR savings for these IM allocations and eligible MilES activities.

10. In September, 2014, DHS requested that CMS extend the enhanced federal matching rate for eligible IM activities through December 31, 2016. For the period October 1, 2014, through December 31, 2014, the state obtained this enhanced rate.

Although DHS has applied for the available enhanced match for CY 2015 and expects to do so for CY 2016, DHS has not yet received final approval for enhanced funds available for CY 2015. Further, DHS does not know whether costs incurred beginning in January, 2015, would be reimbursed at the enhanced match, or costs incurred following CMS approval. However, as previously indicated, the state has already received the enhanced match for the first quarter of federal fiscal year 2014-15, and the Governor's budget assumed that enhanced match would be available for CY 2015. For this reason, the Committee could budget funding for IM allocations based on the assumption that the enhanced match would be available in CY 2015 (as assumed by the administration) and also for CY 2016 costs.

11. Several options, in addition to the Governor's recommendations (Alternative A1), are offered for the Committee's consideration, including: (a) adopting the Governor's policy recommendations including retaining GPR funding in unallotted reserve for the ACA supplement (Alternative A2); (b) adopting the Governor's recommendations, but transferring the GPR funding provided in unallotted reserve to the Joint Finance Committee's program supplements appropriation for release by the Committee if DHS requests the release of these funds and the Committee determines that ACA workload warrants the release of these funds to the IM consortia and tribes (Alternative A3); (c) adopting the Governor's recommendations, but deleting the funding that would be budgeted in unallotted reserve (Alternative A4); and (d) maintaining the base allocations, but eliminating the ACA supplemental funding, beginning in CY 2016 (Alternative A5).

Reestimates of the amount of funding needed to support each of these options have been incorporated into each alternative, including (a) the assumption that enhanced federal match would be available through CY 2016; (b) the deletion of federal funding that would be placed in unallotted reserve under the bill (-$1,174,500 FED in 2015-16 and -$3,069,100 FED in 2016-17); and (c) minor changes to more accurately reflect the fiscal effect of this item.

B. FoodShare Work Requirement for ABAWDs -- Funding Supplement

12. 2013 Wisconsin Act 20 established work requirements for certain able-bodied adults, ages 18 through 49, without dependent children (ABAWDs) as a condition of receiving FoodShare benefits. Individuals may generally meet these requirements by working, or participating in a work program, for a minimum of 80 hours per month.

An ABAWD may be exempt from the work requirements for several reasons, such as if the person is unfit for employment, responsible for the care of a child under age six, caring for an incapacitated person, receiving unemployment compensation benefits, a student, or regularly participates in an alcohol or other drug addiction (AODA) treatment or rehabilitation program. Non-exempt ABAWDs may receive three months of time-limited FoodShare benefits in a 36-month period in which the ABAWD is subject to, but not complying with, the work requirement.

13. These requirements were implemented in Kenosha, Racine and Walworth Counties in July, 2014, and all remaining counties in April, 2015. This change affects IM workload because IM workers will spend more time processing and reviewing FoodShare cases to determine who is an ABAWD, whether each ABAWD qualifies for an exemption from the work requirement, and whether participating ABAWDs are meeting work requirements. IM workers must process

eligibility changes for ABAWDs who do not meet the work requirement, re-enroll compliant individuals, and track various periods of eligibility and ineligibility for FoodShare benefits.

14. In developing the 2013-15 budget provisions relating to the work requirements for ABAWDs, the administration used the DHS IM workload model to estimate the annualized statewide cost to all IM agencies of implementing the work requirements. Based on its model, DHS estimated that the total annualized costs would be approximately $6.6 million (all funds). Under Act 20, the additional funding provided to support IM functions relating to the FoodShare work requirement was allocated between MilES (to support state IM positions) and the consortia and tribes to reflect the estimated distribution of non-exempt ABAWDs in Milwaukee County and the rest of the state.

15. 2013 Wisconsin Act 20 increased funding for IM agencies and tribes by $3,219,500 ($1,674,100 GPR and $1,545,400 FED) in 2014-15 to meet anticipated IM-related workload relating to the FoodShare work requirements. In addition, the bill provided $1,143,000 ($594,400 GPR and $548,600 FED) in 2014-15 to support 32.0 additional state positions at MilES to meet anticipated workload relating to the work requirements. The FoodShare work requirement supplement IM agencies and tribes received in CY 2015 totaled $4,730,100 (all funds).

16. As the work requirements for ABAWDs receiving FoodShare benefits have only been recently implemented on a statewide basis, the actual costs the IM consortia, tribes, and MilES will incur resulting from this change is not known. However, the additional workload for IM agencies to implement the ABAWD work requirements is likely to continue, rather than decrease, even though the need to maintain the annualized amount of additional funding provided as part of Act 20 for 2014-15 cannot be assessed at this time. For this reason, the Committee could maintain the CY 2015 FoodShare work requirement supplement for CYs 2016 and 2017, as recommended by the Governor (Alternative B-1).

17. Alternatively, the Committee could maintain the amount of funding in the bill recommended by the Governor for the FoodShare work requirement supplement, but budget the funding that would be provided in 2016-17 as one time-funding so that it would be removed as a standard budget adjustment as part of the 2017-19 budget (Alternative B-2) . Under this option, the Governor and the Legislature would consider the need to provide this supplement as part of the next biennial budget, after DHS completes its planned study of IM costs.

C. MilES Staff

18. State employees in Milwaukee Enrollment Services (MilES) conduct IM functions for residents in Milwaukee County. MilES is currently authorized 470.0 positions (234.54 GPR positions, 235.17 FED positions, and 0.29 PR positions). The 2013-15 budget act provided 70.0 additional positions (35.0 GPR positions and 35.0 FED positions), beginning in 2015-16, to meet anticipated workload increases resulting from the ACA, based on the same model and assumptions DHS used to estimate additional funding that would be needed for the IM consortia and tribes. Similar to the IM consortia and tribes, MilES workload has increased with the enactment of ACA, but, the ongoing staffing needs for MilES are not known.

19. As MilES staff perform the same activities as IM consortia staff, it could be argued that any potential decrease in workload for the IM consortia would also occur for MilES.

20. Currently, there are 59.0 vacant positions in MilES (30.63 GPR positions and 28.37 FED positions), which is approximately 12.6% of the total number of authorized positions for MilES. DHS indicates that these positions are vacant for several reasons.

First, from February, 2014 through November, 2014, the MilES Director position was vacant, resulting in delayed recruitment and hiring efforts.

Second, some positions provided in Act 20 to implement new work requirements for FoodShare recipients who are ABAWDs have not been filled because the work requirements took effect in Milwaukee County (and statewide) on April 1, 2015.

Third, DHS has determined that it needs to retain 16.0 vacant positions to fund quarterly IM worker training courses. MilES trains groups of 40 IM workers for about six weeks every quarter.

Fourth, 3.0 positions that have been vacant for more than 12 months would be deleted as part of another initiative in the 2015-17 budget bill to delete positions in all state agencies that have been vacant for more than 12 months. DHS maintained these vacancies with the expectation that this initiative would be approved by the Legislature.

21. In 2014-15, DHS reclassified and reallocated positions from MilES to other bureaus in the Division of Health Care Access and Accountability to meet other income maintenance-related workload demands, and permitted several "pool coded" positions to expire, resulting in a total reduction of 11.0 full-time equivalent (FTE) positions. Pool coded positions are positions that the administration creates on a temporary basis to meet short-term staffing needs.

22. Based on the administration's arguments that some of the positions authorized in Act 20 are no longer available and uncertainty regarding future MilES workload, the Committee could maintain the current number of authorized staff in MilES (Alternative C-1)

23. In light of the Governor's recommendation to budget for reductions in the ACA supplement for IM agencies (while retaining funding in unallotted reserve for potential supplements), the Committee could also reduce staffing for MilES.

First, the Committee could delete all 59.0 current vacant positions in MilES, except the following: (a) 32.0 positions provided in Act 20 to implement the ABAWD work requirements; (b) 16.0 positions to support IM worker training; and (c) 3.0 positions that would be deleted under a separate item in the bill relating to the deletion of long-term vacancies. Under this option, 8.0 positions (-5.13 GPR positions and -2.87 FED positions), would be deleted and funding would be reduced by $448,800 (-$287,800 GPR and -$161,000 FED), beginning in 2016-17 (Alternative C-2).

Second, the Committee could delete 25% of the 70.0 additional positions that were provided in Act 20 to support ACA-related workload (-17.50 positions) and delete $981,600 (-$510,500 GPR and -$471,200 FED), beginning in 2016-17 (Alternative C-3).

ALTERNATIVES

A. ACA Supplemental Funding

1. Adopt the Governor's recommendations.

2. Adopt the Governor's recommendation, but reduce funding by $1,716,000 (-$1,755,000 GPR and $39,000 FED) in 2015-16 and by $3,070,100 ($8,800 GPR and -$3,078,900 FED) in 2016-17 to reflect reestimates of the funding needed for this purpose, including the assumption that enhanced funding would be available for costs through CY 2016, and the deletion of federal funding budgeted in unallotted reserve.

ALT A2	Change to Bill
GPR	- $1,746,200
FED	- 3,039,900
Total	- $4,786,100

3. Modify the Governor's recommendation by reducing funding in the bill to reflect reestimates of the funding needed for this purpose (-$1,755,000 GPR and $39,000 FED in 2015-16 and $8,800 GPR and -$3,078,900 FED in 2016-17), including the assumption that enhanced funding would be available for costs through CY 2016, and the deletion of federal funding budgeted in unallotted reserve.

In addition, transfer $1,192,200 GPR in 2015-16 and $3,069,100 GPR in 2016-17 from amounts budgeted in unallotted reserve in DHS to the Joint Committee on Finance program supplements appropriation and direct DHS to seek the release of this funding from the Committee under s. 13.10 of the statutes to supplement funding allocations to IM consortia and tribes if DHS determines that there is a need to supplement budgeted IM allocations to meet ACA-related workload costs.

ALT A3	Change to Bill
GPR	- $1,746,200
FED	- 3,039,900
Total	- $4,786,100

4. Modify the Governor's recommendation by: (a) deleting GPR funding that would be budgeted in unallotted reserve (-$1,192,200 in 2015-16 and -$3,069,100 in 2016-17); and (b) reducing funding in the bill to reflect reestimates of the funding needed for this purpose (-$1,755,000 GPR and $39,000 FED in 2015-16 and $8,800 GPR and -$3,078,900 FED in 2016-17), including the assumption that enhanced funding would be available for costs through CY 2016, and the deletion of federal funding budgeted in unallotted reserve.

ALT A4	Change to Bill
GPR	- $6,007,500
FED	- 3,039, 900
Total	- $9,047,400

5. Modify the Governor's recommendation by deleting all funding that would be provided for the ACA supplement, beginning in calendar year 2016. Reduce funding by $5,361,900 (-$3,928,700 GPR and -$1,433,200 FED) in 2015-16 and by $9,819,800 (-$4,890,500 GPR and -$4,929,300 FED) in 2016-17 to reflect reestimates of the funding needed for this purpose including the assumption that enhanced funding would be available for costs through CY 2016.

ALT A5	Change to Bill
GPR	- $8,819,200
FED	- 6,362,500
Total	- $15,181,700

B. FoodShare Work Requirement Supplement

1. Adopt the Governor's recommendation to maintain funding for the FoodShare work requirement supplement in CYs 2016 and 2017 at the CY 2015 level ($4,731,100).

2. Modify the Governor's recommendation by budgeting all GPR funding for the FoodShare work requirement supplement for 2016-17 ($2,365,000) in one-time funding so that it would be removed as a standard budget adjustment as part of the 2017-19 budget.

C. MilES Funding and Positions

1. Adopt the Governor's recommendation to maintain the current position authority for MilES to perform IM services.

2. Modify the Governor's recommendations by deleting 8.0 positions (-5.13 GPR positions and -2.87 FED positions) in MilES, beginning in 2016-17, to reflect anticipated phase-down of workload associated with implementing the ACA and BadgerCare Plus eligibility requirements. Reduce funding in the bill by $448,800 (-$287,800 GPR and -$161,000 FED) in 2016-17-16 to reflect this change.

ALT C2	Change to Bill	
	Funding	Positions
GPR	- $287,800	- 5.13
FED	- 161,000	- 2.87
Total	- $448,800	- 8.00

3. Modify the Governor's recommendations by deleting 17.5 positions (-9.10 GPR positions and -8.40 FED positions) in MilES, beginning in 2016-17, to reduce by 25% the number of additional positions provided in Act 20 to DHS to meet workload relating to the ACA and BadgerCare Plus eligibility requirements. Reduce funding in the bill by $981,700 (-$510,500 GPR and-$471,200 FED) in 2016-17 to reflect this change.

ALT C3	**Change to Bill**	
	Funding	Positions
GPR	- $510,500	- 9.10
FED	- 471,200	- 8.40
Total	-$448,800	- 17.50

Prepared by: Charles Morgan

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

April 17, 2015 | Joint Committee on Finance | Paper #369

Funeral and Cemetery Aids
(DHS -- Medical Assistance -- Administration)

[LFB 2015-17 Budget Summary: Page 230, #5]

CURRENT LAW

Wisconsin's funeral and cemetery aids program (WFCAP) reimburses funeral homes, cemeteries, and crematories for eligible services they provide to certain deceased individuals who were medical assistance (MA) or Wisconsin Works participants at the time of their death. Approximately 95% of the individuals for whom financial assistance is provided qualify for MA based on elderly, blind and disabled (EBD) eligibility criteria. DHS may accept reimbursement requests only from funeral homes, cemeteries and crematories -- family members and other non-providers may not submit reimbursement requests. Providers must submit itemized statements of goods and services within 12 months of the date of death, and may appeal payment determinations through the Department of Administration's Division of Hearings and Appeals.

The program provides this assistance when estates of the decedents are insufficient to pay qualifying costs. The statutes require the state to pay: (a) the lesser of $1,000 or the cemetery expenses that are not paid by the estate of the deceased or other persons, if the total cemetery expenses for the recipient do not exceed $3,500; and (b) the lesser of $1,500 or the funeral and burial expenses not paid by the estate of the decedent or other persons if the total funeral and burial expenses do not exceed $4,500.

The Department of Health Services (DHS) centrally administers WFCAP for residents in all areas of the state other than Milwaukee County, where the program is administered by DHS staff in Milwaukee Enrollment Services (MilES).

Base funding for the program is $10,804,900 GPR.

GOVERNOR

Provide $20,800 GPR in 2015-16 and $138,600 ($306,600 GPR, $242,000 FED, and -$410,000 PR) in 2016-17 and increase estimated revenue to the general fund by $242,000 in 2016-17 to reflect the following items relating to the program.

Cost-to-Continue Reestimate. Provide $382,900 GPR in 2015-16 and $862,600 GPR in 2016-17 to fund projected increases in the cost of reimbursing funeral homes, cemeteries, and crematories for eligible expenses, based on current law.

Coverage of Reimbursable Expenses under Life Insurance Policies. Provide that, if a recipient, the recipient's spouse, or another person owns a life insurance policy insuring the recipient's life and the face value of the policy is more than $3,000, any amount that DHS is obligated to pay under WFCAP would be reduced by one dollar for every dollar by which the face value of the policy exceeds $3,000. Reduce funding by $362,100 GPR in 2015-16 and by $724,100 GPR in 2016-17 to reflect estimates of the reduction in reimbursable costs that would result from this change.

Recovery of Funeral and Cemetery Aids Payments from the Decedent's Estate and Estate of Surviving Spouse. Require DHS to pursue recovery of WFCAP payments provided on behalf of a decedent by making a claim in the decedent's estate and the estate of the decedent's spouse. Create references to WFCAP in the current estate recovery provisions. However, unlike other benefits for which DHS pursues recoveries, DHS would pursue recoveries for funeral and cemetery aids benefits even if the decedent on whose estate the claim is made has a surviving spouse or a surviving child who is under the age of 21 or disabled. Further, DHS could not waive recovery of funeral and cemetery benefits if the agency determined that recovering the amount paid on the decedent's behalf would constitute an undue hardship.

Increase estimated revenue to the general fund by $242,000 in 2016-17 to reflect the administration's estimates of amounts that would be recovered under this provision. However, almost all amounts recovered under WFCAP would reduce amounts that would otherwise be recovered under the MA estate recovery program. Consequently, increase funding for MA benefits by $168,100 GPR and $242,000 FED in 2016-17 to replace funding that would otherwise be available from these recoveries. Reduce MA benefits funding supported by MA recoveries by $410,000 PR in 2016-17.

Provide that all the statutory changes would first apply to individuals receiving funeral and cemetery aids benefits who die on the bill's general effective date.

DISCUSSION POINTS

A. Reestimate of Current Program Costs

1. The administration's projections of program costs in the 2015-17 biennium are based on historical trends in the total number of individuals whose funeral and burial costs could qualify for assistance (as measured by estimates of the number of individuals who will qualify for EBD

MA), the number of annual deaths in this population, the number of requests for cemetery and funeral reimbursements, and the average amount of reimbursable costs.

2. WFCAP is an entitlement program budgeted in a GPR sum certain appropriation. If the amount budgeted for the program exceeds actual reimbursements payments, funding lapses to the general fund. If the amount of funding budgeted for the program is insufficient to pay eligible reimbursement claims, DHS must request additional expenditure authority from the Legislature. In July, 2013, DHS requested the Joint Committee on Finance to authorize the transfer of $2,262,100 GPR in 2012-13 from surplus funding budgeted for SeniorCare benefits to fund a shortfall the WFCAP program incurred in the 2011-13 biennium. The Committee approved the DHS request.

3. Table 1 shows the assumptions DHS used to estimate the additional funding that will be needed to support projected program costs in the 2015-17 biennium.

TABLE 1

WFCAP Cost to Continue Estimate
2015-17 Biennium

	State Fiscal Year	
	2015-16	2016-17
Total Estimated Number of WFCAP Eligible Deaths	20,462	20,991
Cemetery Reimbursements		
Total Requests for Reimbursement	4,964	5,153
Average Reimbursement Amount	$925	$934
Subtotal	$4,591,500	$4,814,500
Funeral Reimbursements		
Total Requests for Reimbursement	4,556	4,730
Average Reimbursement Amount	$1,448	$1,449
Subtotal	$6,596,275	$6,852,982
Total Estimated Costs	$11,187,800	$11,667,500
Base Funding	$10,804,900	$10,804,900
Difference -- Governor's Recommendations (GPR)	$382,900	$862,600

4. Table 2 identifies total WFCAP reimbursement payments for state fiscal years 2005-06 through 2013-14 and the administration's estimates for fiscal years 2014-15 through 2016-17.

TABLE 2

WFCAP Total Reimbursement Payments
Fiscal Years 2005-06 through 2016-17 -- Administration's Estimates

Year	Total	Change from Previous Year Amount	Change from Previous Year Percent
2005-06	$6,045,300		
2006-07	6,008,600	-$36,700	-0.6%
2007-08	7,727,100	1,718,500	28.6
2008-09	7,366,600	-360,500	-4.7
2009-10	7,919,500	552,900	7.5
2010-11	8,296,200	376,700	4.8
2011-12	8,694,000	397,800	4.8
2012-13	9,966,600	1,272,600	14.6
2013-14	8,443,900	-1,522,700	-15.3
2014-15 (est.)	10,727,900	2,284,000	27.0
2015-16 (est.)	11,187,800	459,900	4.3
2016-17 (est.)	11,667,500	479,700	4.3

Fiscal Effect of Administration's Reestimate

	2015-16	2016-17	2015-17
Base	$10,804,900	$10,804,900	$21,609,800
Estimated Reimbursement Costs	$11,187,800	$11,667,500	$22,855,300
Change to Base (Funding Change in Bill)	$382,900	$862,600	$1,245,500

Based on a review of the program's funding history through fiscal year 2012-13 and the method DHS used to project future program costs, the administration's cost to continue estimates appear reasonable. For this reason, the Committee could adopt the Governor's recommendation to increase base funding by $382,900 GPR in 2015-16 and by $862,600 GPR in 2016-17 to fund projected reimbursement payments, based on current law (Alternative A1).

5. Recent changes in the program have made it more difficult to predict future program costs. After the administrative responsibility for the program changed from counties to the state in 2012 as part of broad changes to income maintenance functions, DHS acquired direct knowledge of the claiming process and was able to improve standardization of reimbursement policies. As part of this transition, DHS paid approximately 14 months of program costs in state fiscal year 2011-12, resulting in higher than average costs. In 2013-14, total program costs decreased, due to a reduction in claims requests and a reduction in the average cost per claim. DHS attributes the reduction in average claims costs in that year to a change in the reimbursement claims form that eliminated errors in reporting expenses by funeral home directors, and stricter policy enforcement by DHS.

6. Through February, 2015, DHS has paid approximately $5.8 million in reimbursement

claims from the amount budgeted in 2014-15 ($10,804,900), or an average of $725,000 per month. As this figure represents eight months of claims, if these months were representative of average claim costs for the entire year, total reimbursements in 2014-15 could be estimated to be approximately $8.7 million, rather than $10,727,900, as the administration's model currently projects.

7. By using the more recent information on program costs, one could produce an alternative estimate of future program costs. One method would be to assume a 10% annual growth in total reimbursement costs for the period from 2009-10 through 2016-17, as shown in Table 3.

TABLE 3

WFCAP Total Reimbursement Payments
Fiscal Years 2009-10 through 2016-17 -- Alternative Estimate

		Change from Previous Year	
Year	Total	Amount	Percent
2009-10	7,919,500	552,900	7.5
2010-11	8,296,200	376,700	4.8
2011-12	8,694,000	397,800	4.8
2012-13	9,966,600	1,272,600	14.6
2013-14	8,443,900	-1,522,700	-15.3
2014-15 (est.)	9,288,300	844,400	10.0
2015-16 (est.)	10,217,100	928,800	10.0
2016-17 (est.)	11,238,800	1,021,700	10.0

Fiscal Effect of Alternative Estimate

	2015-16	2016-17	2015-17
Base	$10,804,900	$10,804,900	$21,609,800
Estimated Reimbursement Costs	$10,217,100	$11,238,800	$21,455,900
Change to Base	-$587,800	$433,900	-$153,900
Change to Bill	-$970,700	-$428,700	-$1,399,400

8. Based on these assumptions, estimated reimbursements would total $10,217,100 GPR in 2015-16 and $11,238,800 GPR in 2016-17. If the Committee wished to adopt this alternative estimate, funding in the bill could be reduced by $970,700 GPR in 2015-16 and $428,700 GPR in 2016-17 (Alternative A2). However, as the program is an entitlement program, if the amount of funding budgeted for the program in the bill is insufficient to fully fund eligible reimbursement requests, DHS would be required to seek additional expenditure authority from the Joint Committee on Finance or the Legislature.

B. Coverage of Reimbursable Expenses under Life Insurance Policies

9. Under the bill, if a recipient, the recipient's spouse, or another person owns a life insurance policy insuring the recipient's life and the face value (the "death benefit") of the policy is more than $3,000, any amount that DHS is obligated to pay under WFCAP would be reduced by the amount by which the face value of the policy exceeds $3,000. This provision would first apply to individuals receiving WFCAP program benefits who die on the bill's general effective date. Under current law, coverage under such policies is not considered when determining whether an individual has assets that could be used to fund funeral and cemetery costs.

10. To estimate the potential cost savings to the state of this proposal, DHS reviewed records of approximately 3,300 recipients in counties other than Milwaukee County for whom claims were submitted in CY 2013. Of these individuals, approximately 17% of recipients had life insurance policies, and 9% had life insurance policies with face value of $3,000 or more. By reviewing the face value of these policies and applying the estimate to also include claims for Milwaukee County, DHS estimated annual costs could be reduced by approximately $724,000 annually. The administration assumed that half of these savings ($362,100) would be realized in 2015-16. The annualized estimated savings of $724,000 represents approximately 6.2% of the total that DHS anticipates would be spent in 2016-17 without program changes ($11,667,500).

11. In order to qualify for EBD MA, an individual may only have countable assets of $2,000 or less. Whole life insurance policies are considered countable assets if their face value exceeds $1,500, while term life insurance policies (policies which require continued premium payments) are not considered countable assets.

12. This proposal would be expected to reduce state costs by funding a greater portion of WFCAP eligible costs with life insurance benefits that would otherwise be provided to the decedent's family at the time of death.

13. As an example, the proposed dollar-for-dollar reduction would result in a decedent with a policy with a face value of $4,000 receiving a maximum benefit of $1,500, rather than a maximum benefit of $2,500 ($1,000 for cemetery expenses and $1,500 for funeral services), as under current law. DHS would administer this provider by prorating the dollar-for-dollar reduction across the two reimbursement caps. Therefore, for an individual with a total maximum benefit of $1,500 (a 40% reduction from the current total maximum benefit of $2,500), the maximum reimbursement for cemetery expenses would be $600, while the maximum reimbursement for funeral expenses would be $900. To reduce potential disputes with providers with respect to this policy, the bill could be amended to direct DHS to use this methodology to establish lower maximum reimbursements limits in these cases (Alternative B-2).

14. Alternatively, the Committee could delete the provision in the bill and increase funding for the program by $362,100 GPR in 2015-16 and $724,100 GPR in 2016-17, to reflect that the savings the administration assumed would result from this provision would not be realized (Alternative B-3).

C. Recovery of WFCAP Payments

15. The bill would require DHS to pursue recovery of WFCAP payments provided on behalf of a decedent. As all WFCAP reimbursement costs are funded with GPR, all recoveries would be deposited to the state's general fund. This treatment of recoveries differs from the current treatment of amounts recovered under the MA estate recovery program, under which the state may only retain the state's share of MA-eligible costs recovered under the program (currently, approximately 42%) and return the federally-funded share (approximately 58%) to the federal government. From the state's share, DHS pays 5% of the amount recovered to the county or tribal governing body that made the decedent's last determination of MA eligibility. Consequently, there is a fiscal incentive for the state to recover 100% GPR-supported WFCAP reimbursement costs first and then, if moneys remain in the estate, recover any MA-funded costs.

16. DHS estimated the annual amount that could be recovered by this change by reviewing reimbursement requests filed in the first half of calendar year 2013, which indicated that approximately 55% of individuals who benefited from WFCAP reimbursements had also received MA-funded long-term care services, which are subject to estate recovery. By applying the percentage of MA recipients for whom funds are recovered (approximately 36%) and the average WFCAP reimbursement ($1,881), and discounting projected collections to reflect that the WFCAP population may have fewer resources, on average, than other former EBD-MA eligible recipients for whom recoveries are pursued, the administration estimated that approximately $410,100 could be recovered annually with this change, beginning in 2016-17.

17. Pursuing recoveries for reimbursements made under the WFCAP program would reduce amounts available for recovery under the MA estate recovery program. For this reason, the bill would increase MA benefits funding by $168,100 GPR and $242,000 FED to offset an anticipated reduction of MA benefits funded from estate recovery collections (-$410,000 PR). However, the administration assumed general fund collections would total $242,000 in 2016-17, rather than $410,000. If the Committee approves this proposal, estimated general fund revenue should be increased by $168,000 in 2016-17 to reflect estimates of total recoveries (Alternative C-1).

18. The administration has requested several clarifying statutory changes to this provision to better reflect the Governor's intent.

Definition of "Nonclient Surviving Spouse." As introduced, the bill would define a "nonclient surviving spouse," for purposes of benefits recovery, to mean any person who was married to a client while the client was receiving, or when the client received services or aid for which the cost may be recovered and who survived the client. The administration has requested that this definition be clarified to reflect that any marriage ends in the death of a spouse, and therefore no benefits under WFCAP are provided while the decedent is married.

The administration requests that the definition of "nonclient surviving spouse" in the bill be revised to mean any person who was married to a client while the client was receiving, or when the client received services or aid for which the costs may be recovered, or benefits that the client eligible for aid provided under the program for which the costs may be recoverable and who survived the client.

Undue Hardship Claims -- WFCAP Exemption. As introduced, the bill includes a reference to a wrong subsection with respect to hardship cases. The administration requests that the bill be amended to clarify that the Department's rule making authority for determining whether a recovery would work an undue hardship is limited to recoveries for benefits provided under the Wisconsin chronic disease program, not for recoveries for benefits provided under WFCAP.

Recoveries of Nonprobate Properties. As introduced, the bill references recoveries pursued under s. 49.682 of the statutes, which relates to recoveries made by filing claims in estates that are being administered under court supervision. The administration requests that this provision be amended to permit DHS to pursue recoveries of non-probate property and estates that are administered by transfer by affidavit, so that both methods of recovery would apply.

ALTERNATIVES

A. Cost to Continue Current Program

A1. Approve the Governor's recommendation to provide $382,900 GPR in 2015-16 and $862,600 GPR in 2016-17 to fund projected increases in the cost of reimbursing funeral homes, cemeteries, and crematories, based on current law.

A2. Reduce funding in the bill by $970,700 GPR in 2015-16 and by $428,700 GPR in 2016-17 to reflect an alternative estimate of funding that will be required to fund program costs in the 2015-17 biennium, based on current law.

ALT A2	Change to Bill
GPR	- $1,399,400

B. Coverage of Reimbursable Expenses under Life Insurance Policies

B1. Approve the provisions in the bill to provide that, if a recipient, the recipient's spouse, or another person owns a life insurance policy insuring the recipient's life and the face value of the policy is more than $3,000, any amount that DHS is obligated to pay under WFCAP would be reduced by one dollar for every dollar by which the face value of the policy exceeds $3,000. Approve the Governor's recommendation to reduce base funding for the program by $362,100 GPR in 2015-16 and by $724,100 GPR in 2016-17 to reflect estimates of the reduction in reimbursable costs that would result from this change.

B2. Modify the bill to require DHS to administer this provision by prorating the dollar-for-dollar reduction across the reimbursement cap for cemetery expenses and the reimbursement cap for funeral and burial costs.

B3. Delete provision.

ALT B3	Change to Bill
GPR	$1,086,200

C. Estate Recovery of WFCAP Benefits

C1. Approve all of the statutory changes in the bill relating to the recovery of WFCAP payments through claims in the decedent's estate and the estate of the decedent's spouse. In addition, increase estimates of general fund revenues that would result from these claims by $168,000 in 2016-17 to reflect a reestimate of the revenue that would be collected. Finally, incorporate the administration's requested modifications, as described in Discussion Point 18, into the bill.

ALT C1	Change to Bill
GPR-REV	$168,000

C2. Delete provision. Reduce GPR-Revenue estimates by $242,000 in 2016-17. Reduce funding for MA benefits by $168,000 GPR and $242,000 FED in 2016-17 and increase funding for MA benefits supported by estate recovery revenues by $410,000 PR in 2016-17.

ALT C2	Change to Bill
GPR-REV	- $242,000
GPR	- $168,000
FED	- 242,000
PR	410,000
Total	$0

Prepared by: Charles Morgan

HEALTH SERVICES

Medical Assistance -- Administration

LFB Summary Items to be Addressed in a Subsequent Paper

Item #	Title
6	Federal Match for Board on Aging and Long-Term Care Ombudsman Positions
7	FoodShare Employment and Training (FSET) Drug Testing