

Fiscal Estimate Narratives

DHFS 7/20/2006

LRB Number	05-3809/1	Introduction Number	AB-1168	Estimate Type	Original
Description Imposing a tax on the sale of soft drinks, creating a dental access trust fund, creating grants for dental public health and dental education projects, and making appropriations					

Assumptions Used in Arriving at Fiscal Estimate

AB 1168 creates an excise tax on the sale of wholesale soft drinks sold in Wisconsin. The bill also creates a dental access trust fund for Medical Assistance (MA) dental services and a dental access trust fund for dental public health and education projects, using the proceeds of the excise tax. Under the bill, the funds deposited into the dental access trust funds are to be used to (1) supplement reimbursement for dentists' services provided to Medicaid recipients and (2) to fund grants from the Department for dental public health and dental education projects.

The Department of Revenue (DOR) estimates that this tax will result in additional revenue of \$83.6 million SEG annually. These funds, less the amount needed for DOR administrative expenses (estimated to be \$44,700), will be deposited in the two dental trust funds appropriations. The bill specifies that funds not appropriated for the purpose of increasing MA reimbursement to dentists are to be deposited in the trust fund for dental public health projects.

The bill directs the Department to ensure that dentists who provide services to MA patients are reimbursed at the 75th percentile of fees specified by the American Dental Association fee schedule for the east north central region. The cost of this provision would depend in part on the degree to which the increase expands access to dental services, and, as a result, expands MA clients' utilization of dental services. The Department has calculated that an increase in Medicaid dental fees to the 75th percentile will increase utilization 25% in the first year and 25% in the second year over current levels. The increase will apply both to fee-for-service (FFS) Medicaid rates and to managed care Medicaid rates. The increase for fee-for-service Medicaid rates is estimated to be \$66.7 million in the first year and \$102.0 million in the second year. Of this, \$40.9 million in the first year and \$40.9 million in the second year would be attributable to the actual fee increase and \$25.8 million in the first year and \$61.1 million in the second year to the utilization increase. The increase for managed care MA rates is estimated to be \$2.9 million AF in the first year and \$3.6 million AF in the second year. Of this, \$1.3 million in the first year and \$1.3 million in the second year would be attributable to the actual fee increase and \$1.6 million in the first year and \$2.3 million in the second year to the utilization increase. The total cost of increasing Medicaid dental rates according to the provisions of this bill would be \$69.6 million AF in the first year and \$105.6 million AF in the second year.

In SFY 07, Medicaid costs will be funded 42.48% by state funds and 57.52% by federal funds. There will also be some increased costs to the Badger Care program, which in SFY 07 will be funded 29.74% by state funds and 70.26% by federal funds. The total cost of raising dental fees to the 75th percentile for MA and Badger Care recipients would be approximately \$28.4 million SEG and \$41.2 million FED in the first year and \$43.1 million SEG and \$62.5 million FED in the second year. It may be that utilization after these two years will increase by more than 25%, but it is uncertain what this subsequent increase will be.

AB 1168 specifies that funds not needed for the fee increase are to be used for dental public health and education projects. Based on DOR revenue estimates, there will be approximately \$55.2 million available in the first year and \$40.5 million available in the second year for this purpose as a result of this bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$	\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations	146,114,600		
TOTAL State Costs by Category	\$146,114,600		\$
B. State Costs by Source of Funds			
GPR			
FED	62,559,300		
PRO/PRS			
SEG/SEG-S (83,555,300)	83,555,300		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED	62,559,300		
PRO/PRS			
SEG/SEG-S (83,600,000)	83,600,000		
TOTAL State Revenues	\$146,159,300		\$
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$146,114,600	\$	
NET CHANGE IN REVENUE	\$146,159,300	\$	
Agency/Prepared By		Authorized Signature	Date
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