

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-3307/1	Introduction Number AB-791
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Description
 Execution of a declaration to physicians, also known as a living will, by a Medical Assistance recipient

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
1. <input checked="" type="checkbox"/> Increase Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory		
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	s.20.435 (4)(bm) and (4)(n)

Agency/Prepared By DHFS/ Ellen Hadidian (608) 266-8155	Authorized Signature Andy Forsaith (608) 266-7684	Date 11/30/2005
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Fiscal Estimate Narratives
DHFS 11/30/2005

LRB Number 05-3307/1	Introduction Number AB-791	Estimate Type Original
Description Execution of a declaration to physicians, also known as a living will, by a Medical Assistance recipient		

Assumptions Used in Arriving at Fiscal Estimate

This bill requires the Department, county, and tribal governing body employees who administer Medicaid (MA) to discuss an advanced declaration to physicians (living will) with individuals who are (a) eligible for MA and admitted to a long-term care facility and (b) residents of a long-term care facility who become eligible for MA.

There will be increased one-time costs for the Department as a result of this bill. The Department will be required to make changes to CARES, the automated Medicaid eligibility system, estimated at \$250,000 AF. There will also be an estimated one-time cost of \$250,000 AF to train income maintenance workers in the tasks required by AB 791. One-time costs for the Department for these changes will be \$500,000 AF (\$250,000 GPR and \$250,000 FED).

This bill will primarily result in increased costs for local agencies, because this new activity will be conducted by local agency maintenance (IM) workers who currently determine Medicaid eligibility for the majority of the target population. Local agency workers will be required to discuss the execution and filing of a declaration to physicians with the target population and to encourage individuals in the target group to execute such a declaration.

It is not clear whether the measures in this bill are intended to apply to the estimated 34,742 current Medicaid residents of long-term care facilities. As drafted, the provisions in AB 791 apply to individuals in category (a) and (b) on or after the bill's effective date. An individual's Medicaid eligibility must be reviewed each year and eligibility redetermined. As a result, it could be argued that the provisions of AB 791 apply to current residents during their annual reviews.

If the provisions of this bill are intended to apply only to the 4,023 new applicants for Medicaid long-term care who become eligible annually, IM workers will be required to provide this assistance at an individual's initial Medicaid application. Individuals eligible for Medicaid by virtue of their eligibility for Supplemental Security Income (SSI) would require a special contact because their Medicaid eligibility is not determined by local agency IM workers.

For members of the target population that are determined to be Medicaid eligible, the IM worker must send a letter communicating the requirements of AB 791 at the time of the Medicaid application, review, or reported change in living situation. The actual discussion of these requirements would take place by telephone, in a face-to-face interview at the individual's residence, or in an interview at the local IM agency. Upon request, the IM worker would assist individuals who desire to execute and file an advanced declaration. As a matter of policy, a brief annual follow-up contact would be conducted to determine whether or not relevant circumstances had changed.

AB 791 provides that the advanced directive to be discussed is the declaration to physicians specified under subch. II of chapter 154 of the statutes. This declaration can only be executed by a person of sound mind over age 18. An estimated 16% of the target population residing in nursing homes is not competent to execute an advanced declaration (guardians are acting on behalf of these residents) and would be excluded from the provisions of this bill. Because this fact would be known to the IM worker at the time of application or review, no further contact would be required relative to AB 791.

Cost for current recipients: If this bill is intended to apply to current MA recipients in long term care, contact from the IM worker would be required for the 30,886 individuals who are assumed competent to execute an advanced declaration.

The average cost of an IM worker is \$40/hour, including salary, benefits, and overhead costs. Assuming this rate, the costs of AB 791 to local agencies are estimated as follows:

- The cost of the initial contact letter to 30,886 recipients will be \$103,000 AF (five minutes per recipient, at a cost of \$40/hour).
- The cost of contacting 30,886 recipients (30 minutes per recipient) to determine who has a declaration and arranging for subsequent appointments will be \$617,700 AF.
- Of those contacted, 59% will not have an advanced declaration (18,223) and two-thirds of this population (12,027) will accept an appointment to discuss one.
 - 25% of these recipients (3,007) will schedule a face-to-face meeting at the agency (60 minutes), at a cost of \$120,300 AF.
 - 25% of these recipients (3,007) will schedule a phone discussion (45 minutes), at a cost of \$90,200 AF.
 - 50% of these recipients (6,014) will schedule a residence visit by the IM worker (105 minutes), at a cost of \$420,900 AF.
- 50% of those who have a discussion with an IM worker (6,014) will decide to execute an advanced declaration and 90% of these (5,412) will request assistance from the IM worker in filing the declaration (30 minutes) at a cost of \$ 108,200 AF.
- The cost of IM workers' case documentation for the 30,886 cases affected by this bill will be \$205,900 AF.

Total first year costs of this bill are estimated to be \$1,666,200 AF (\$833,100 GPR and \$833,100 FED).

In summary, one-time costs, including IT systems changes and training costs, would be \$2,166,200 (\$1,083,100 GPR and \$1,083,100 FED).

In the second year of implementation, the 12,027 recipients who had been contacted in the first year would require only a brief follow-up (15 minutes) at a cost of \$120,300 AF. The cost of case documentation for these 12,027 recipients would be \$80,200 AF.

The annual cost of providing the services specified above to the estimated 4,023 recipients who will enter the long term care system each year is estimated to be \$187,100 AF. In sum, the total annual local agency costs of this bill, if its provisions are administered to the existing Medicaid long-term care caseload, are estimated to be \$387,600 AF (\$193,800 GPR and \$193,800 FED).

Costs for new recipients: If the provisions of this bill are intended to apply only to new recipients, and the same assumptions are used regarding the types of contact with recipients which IM workers will make, the total annual cost of this bill will be \$187,100 (\$93,550 GPR and \$93,550 FED). There will also be one-time state costs of \$500,000 (\$250,000 GPR and \$250,000 FED) for CARES changes and training.

It is assumed that the state would have to provide funding for the provisions in this bill, because local agencies would be reluctant to assume responsibility for this program without funding.

This estimate assumes that federal matching funding will be provided at the current Medicaid administrative rate of 50%. However, there is a possibility that these costs may not be allowable MA administrative expenses. Federal statute and regulations require Medicaid long-term care facilities, among other types of MA providers, to provide written information to patients about an individual's rights under state law to formulate advanced directives. States are required to enforce these requirements as conditions of MA certification of these providers. Since these federal requirements are already in place, the federal government may not provide funding for a parallel system of informing Medicaid recipients of their right to an advanced directive.

Long-Range Fiscal Implications

The bill could result in changes in end-of-life care for Medicaid recipients, because of increased use of living wills. It is not possible to determine whether there would be any long term savings to Medicaid.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
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 Corrected
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LRB Number 05-3307/1		Introduction Number AB-791	
Description Execution of a declaration to physicians, also known as a living will, by a Medical Assistance recipient			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): One-time costs to train IM staff, revise CARES, and carry out the provisions in this bill for the current Medicaid long-term care caseload will be \$1,083,100 GPR and \$1,083,100 FED.			
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	387,600		
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$387,600		\$
B. State Costs by Source of Funds			
GPR	193,800		
FED	193,800		
PRO/PRS			
SEG/SEG-S			
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			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$387,600		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By		Authorized Signature	Date
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