Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2005 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **05-2260/1**	Introduction Number **SB-128**

Subject

Increasing AODA coverage limits

Fiscal Effect

State:

☐ No State Fiscal Effect
☒ Indeterminate
- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☐ Decrease Existing Revenues
- ☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
- ☐ Decrease Costs

Local:

☐ No Local Government Costs
☒ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory

5. Types of Local Government Units Affected
☐ Towns ☐ Village ☐ Cities
☒ Counties ☐ Others
☐ School Districts ☐ WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Agency/Prepared By	Authorized Signature	Date
DHFS/ Donna Dunkel-Moore (608) 266-8156	Andy Forsaith (608) 266-7684	4/18/2005

Fiscal Estimate Narratives

DHFS 4/18/2005

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Assumptions Used in Arriving at Fiscal Estimate

Senate Bill 128 increases the statutory minimum coverage limits that must be provided under group health insurance policies for the treatment of nervous or mental disorders and AODA problems. The bill increases the limits by the amount of increase in the U.S. Department of Labor's consumer price index for medical care since the current law limits were enacted. In addition, Senate Bill 128 requires the Department of Health and Family Services (DHFS) to annually report to the Governor and the Legislature on revising the coverage limits based on the Department of Labor's consumer price index for medical costs.

Senate Bill 128 would affect the following Department of Health and Family Services programs:

Health Insurance Risk Sharing (HIRSP) Program

The HIRSP program currently provides coverage for mental health and AODA treatment with the following limits: inpatient AODA treatment is limited to 30 days per calendar year; inpatient mental health is limited to 60 days per calendar year; outpatient AODA and mental health treatment is limited to a total of $3,000 per calendar year; and transitional AODA and mental health treatment is limited to a total of $3,000 per calendar year. Senate Bill 128 would require the HIRSP program to increase the limits on the annual expenditures for outpatient services from $3,000 to $3,100 and transitional services from $3,000 to $4,700.

Funding for the HIRSP program is provided by policyholder premiums, assessments to the insurance industry, and assessments to health care providers in the form of provider discounts in a 60/20/20 split respectively.

In calendar year 2004, approximately 21 HIRSP enrollees received inpatient mental health treatment with none meeting the current benefit maximum of 60 days. Approximately 64 HIRSP enrollees received inpatient AODA treatment with two meeting the current benefit maximum of 30 days. Approximately 2,068 HIRSP enrollees received outpatient AODA and mental health treatment with 84 of these individuals reaching the $3,000 outpatient limit. Also, approximately 6 HIRSP enrollees received transitional AODA and mental health treatment with two of these enrollees' expenditures exceeding $3,000. Therefore, although the exact cost is indeterminate, due to the low number of participants who reach the current limits, the fiscal impact of Senate Bill 128 on the HIRSP program is expected to be minimal, and the bill would have no impact on GPR.

Community Aids

Community Aids are state and federal funds distributed by DHFS to counties on a calendar year basis to support community social, mental health, developmental disabilities and substance abuse services. The majority of community aids funds are allocated to counties through the basic county allocation. Counties have discretion in determining which types of services will be provided with funds from the basic county allocation. In addition, Community Aids provides five categorical allocations that must be expended on specified services. Counties are required to provide matching funds of 9.89% for funding from the basic county allocation. Nearly all counties contribute substantially more in county funds than the required match rate for these programs. If private payors, through insurance coverage, are required to provide increased coverage for mental health and substance abuse services, services for some individuals currently funded with Community Aids or county funds may instead by funded with private insurance. However, the department anticipates that any savings realized would be used by the county to provide services to individuals still on waiting lists for social services.

Mental Health Institutes

The department administers two mental health institutes. The Department sets rates, which are paid by counties for civilly-committed clients, based on the actual costs of providing services (including costs incurred for prescription drugs and diagnostic testing) and the availability of third-party revenues such as Medicare and

Medicaid. If private payors, through insurance coverage, are required to provide increased coverage, it may be possible to realize savings for counties and the State Medicaid Program through higher insurance reimbursements. Likewise, state revenues for forensic patients at the mental health institutes could increase if private payors through insurance coverage are required to provide increased coverage. It is not possible to calculate the magnitude of the possible savings to the counties or to the state.

Long-Range Fiscal Implications