

Fiscal Estimate Narratives

DHFS 11/8/2005

LRB Number	05-2576/2	Introduction Number	SB-388	Estimate Type	Original
Description Establishing a publicly financed health care system for residents of this state, creating the Department of Health Planning and Finance, Health Policy Board, and regional consumer health councils, granting rule-making authority, and making appropriations					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a Department of Health Planning and Finance (DHPF), a Health Policy Board, and six Regional Health Councils to administer a universal health care plan, available to all Wisconsin residents. By July 1, 2007, DHPF, the Health Policy Board and the six Regional Health Councils would be required to begin planning implementation of a universal health plan. The bill requires the universal health care plan to be established beginning on July 1, 2008, but the bill allows the plan to be phased in for a number of groups. Therefore, any fiscal effect of this bill would not occur before FY 08.

The proposed universal health plan would provide to all residents a broad and comprehensive range of services including a full prescription drug benefit, community long-term care services and nursing home care with few restrictions on covered services (e.g., orthodontia, cosmetic procedures). Under the bill, individuals receiving health care covered under current public health care plans such as Medicaid and Medicare would become covered under the universal health plan. The bill also creates new coverage for all uninsured Wisconsin residents. Residents may, in addition to receiving state administered universal health care, purchase private health care coverage. The proposed universal plan would be the payer of last resort. DHPF is required to establish provider payment rates, taking into consideration regional variations and conditions of payments. Finally, the bill requires DHPF to provide job retraining and placement for workers in private health insurance companies and funds these activities with a GPR appropriation.

This bill's significant fiscal effect is in providing a universal health care benefit in Wisconsin. This bill does not appropriate funding to plan, implement, or provide universal health care. However, this bill directs DHPF to seek the use of federal, state, and local funds that would have been used for health care administration and benefits to Wisconsin residents under current programs. This bill transfers administration of Medical Assistance from the Department of Health and Family Services to DHPF.

The bill also directs DHPF to consider seeking an increase in personal income taxes and employer wage taxes, equal to the amount employers and individuals would have paid for health care, to pay for universal health care. Cost sharing through co-payments or deductibles would be prohibited under this bill. Costs not covered with public funds currently used to pay for health care could be covered with a new employers and personal income tax.

It is possible, under this bill, that increased state costs for providing universal health care could be offset by increased revenue from employers, individuals, the federal government and local municipalities and by savings created through economies of scale possible in a state-wide, centralized, system of health care delivery. However, the bill only briefly identifies the mechanism under which the state could capture additional revenue to cover the costs of a universal health plan. It is unclear, given the complexity of the proposed plan, whether the state could implement the necessary regulations, taxes, and possible Medicaid, Medicare or other federal waivers to increase state revenue to cover increased costs.

In addition, it is uncertain whether the proposed mechanism for capturing federal funding currently used to pay health care costs for individuals enrolled in Medical Assistance or Medicare could be waived by the federal government. Due to the uncertainty of claiming federal funds and implementing necessary regulations and waivers to cover costs under the plan, this bill's state fiscal effect is indeterminate.

This bill's local fiscal effect is also indeterminate. Local municipalities currently pay for health care plans for employees and some health care for residents without the means to pay for themselves (indigent care). Counties are currently responsible for providing mental health, substance abuse and developmental disability services. Counties use Community Aids and local funds to fund these programs. Counties will realize a savings if the state assumes responsibility for these services as proposed under this bill, unless the state implements a mechanism to capture all the local funds currently used for these services. Under this

bill, DHPF could seek legislation to capture local funds spent in employee health care programs, in state administered health care programs to pay for a universal health plan, and in services provided by local health departments. With the exception of the relief block grant, the bill does not direct DHPF to seek legislation to capture other forms of health care funding currently provided to counties.

Long-Range Fiscal Implications

Health care costs in the state and nationwide have been increasing significantly faster than the rate of inflation. Although universal health care may achieve some efficiencies in providing health care in Wisconsin, the state would bear the full burden of growth in health costs in the future.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Establishing a publicly financed health care system for residents of this state, creating the Department of Health Planning and Finance, Health Policy Board, and regional consumer health councils, granting rule-making authority, and making appropriations			
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		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	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		-7,600,000
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$-7,600,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$	\$0
	NET CHANGE IN REVENUE	\$-7,600,000	\$7,600,000
Agency/Prepared By		Authorized Signature	
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		Date	
		11/7/2005	