

Fiscal Estimate Narratives

DHFS 7/20/2006

LRB Number	05-4864/1	Introduction Number	SB-698	Estimate Type	Original
Description Creating a health care plan to cover all individuals employed in the state, requiring every employer in the state to pay an assessment for the costs of the health care plan, creating a Wisconsin Health Care Plan Board, requesting waivers of federal law, requiring the exercise of rule-making authority, and making appropriations					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates the Wisconsin Health Care Plan (WHCP) and the Wisconsin Health Care Plan board which must develop and administer WHCP. The board is attached to the Office of the Commissioner of Insurance (OCI) and the Commissioner will be the nonvoting chairperson of the board. The bill covers all workers and does not exclude those on Medicaid or BadgerCare. Only Medicare recipients and those over 65 are excluded.

Under the bill, OCI must seek waivers of federal Medicaid law to allow those who are eligible for Medicaid, BadgerCare, or any other healthcare program other than Medicare that is funded at least in part with federal funds, to be covered under WHCP. However, OCI does not have standing to request waivers of federal Medicaid law from the Centers for Medicare and Medicaid Services (CMS). Only the Department of Health and Family Services (DHFS) can request waivers from CMS, since it is Wisconsin's designated Medicaid agency.

Since the WHCP program would be administered by the Office of the Commissioner of Insurance, this fiscal note does not attempt to estimate the costs of the total program, but instead focuses on the impact on costs related to serving Medicaid and BadgerCare recipients.

Until waivers are approved, the state stands to lose a significant amount of federal Medicaid funding as BadgerCare and Medicaid recipients are transferred into WHCP because federal Medicaid law requires Medicaid/BadgerCare to be the payer of last resort. Only services not covered by WHCP could be claimed under Medicaid without a waiver. Until a waiver is approved to allow Medicaid funding to be used to support WHCP service costs for Medicaid eligibles, federal matching funds for these recipients will be lost on services provided under the WHCP. Approximately 93% of BadgerCare recipient households, 17% of AFDC recipient households, and 83% of Healthy Start recipient households have at least one adult employed. All these Medicaid and BadgerCare recipients who are employed would receive coverage for themselves and their dependents from the WHCP. No health services provided by the WHCP would be eligible for federal matching funds until federal waivers are obtained. The bill allows Medicaid benefits to wrap around the WHCP with regard to health care benefits not provided under WHCP. These benefits would still be eligible for federal matching funds even without a waiver. Using the federal matching rate of 57.47% and assuming a 90% loss in federal funds since the state can still claim federal funds for Medicaid services not covered under WHCP, the loss in federal matching funds is estimated at \$268,106,000 annually until federal waivers are obtained.

Even if federal waivers can be obtained for federal matching funds for the cost of WHCP services provided to Medicaid and BadgerCare recipients, there could still be an increased cost to the state since provider reimbursement rates under Medicaid and BadgerCare would probably be lower than provider reimbursement rates under the WHCP. These additional costs are uncertain but could be significant.

As Medicaid and BadgerCare recipients are transferred into the WHCP program, administrative costs for Medicaid and BadgerCare may be affected. However, since these individuals would still be eligible for wrap around services, Medicaid and BadgerCare administrative costs may not be reduced as much as might be expected. Also, if a Medicaid waiver is approved to provide federal funding for WHCP costs, there may be new administrative requirements for monitoring and oversight. It is unclear what the net effect would be.

Long-Range Fiscal Implications