

Fiscal Estimate Narratives

DHFS 7/25/2007

LRB Number	07-1890/1	Introduction Number	AB-0237	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 237 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 and BadgerCare 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 \$51,400), 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 (ADA) 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 Medicaid and BadgerCare 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/BadgerCare rates and to managed care Medicaid/BadgerCare rates. The total increase in Medicaid/BadgerCare expenditures is estimated to be \$72.7 million in the first year and \$100.7 million in the second year. Of this, \$50.3 million in the first year and \$50.3 million in the second year would be attributable to the actual fee increase and \$22.4 million in the first year and \$50.4 million in the second year to the utilization increase.

In SFY 09, Medicaid costs will be funded 41.84% by state funds and 58.16% by federal funds. In SFY 09, BadgerCare costs will partially be funded 29.77% by state funds and 70.23% by federal funds and partially at the regular MA rate. The total cost of raising dental fees to the 75th percentile for MA and BadgerCare recipients would be approximately \$29.4 million SEG and \$43.3 million FED in the first year and \$40.8 million SEG and \$59.9 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 237 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 \$54.1 million available in the first year and \$42.8 million available in the second year for this purpose as a result of this bill.

Long-Range Fiscal Implications

Because this bill requires the Department to reimburse participating dentists at a rate equal to the 75th percentile of fees specified in the most recent ADA fee schedule for the east north central region, it may be necessary to update the rates periodically as these fees change. Over the long term, the cost of this proposal may increase as fees charged by dentists in Wisconsin and other states in the east north central region increase and if utilization continues to increase.

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-1890/1		Introduction Number AB-0237	
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			
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	143,441,900		
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$143,441,900		\$
B. State Costs by Source of Funds			
GPR			
FED	59,893,300		
PRO/PRS			
SEG/SEG-S (83,548,600)	83,548,600		
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	59,893,300		
PRO/PRS			
SEG/SEG-S (83,600,000)	83,600,000		
TOTAL State Revenues	\$143,493,300		\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS	\$143,441,900		\$
NET CHANGE IN REVENUE	\$143,493,300		\$
Agency/Prepared By			
DHFS/ Ellen Hadidian (608) 266-8155		Authorized Signature	
		Andy Forsaith (608) 266-7684	
			Date
			7/24/2007