

### Fiscal Estimate - 2013 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>13-1142/3</b>	<b>Introduction Number</b> <b>AB-0078</b>	
<b>Description</b> Income and franchise tax credit for workplace wellness programs, granting rule-making authority, and requiring the exercise of rule-making authority		
<b>Fiscal Effect</b>		
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input 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		
<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
<b>Agency/Prepared By</b> DHS/ Elizabeth Hartjes (608) 266-9363	<b>Authorized Signature</b> Andy Forsaith (608) 266-7684	<b>Date</b> 4/4/2013

## Fiscal Estimate Narratives

DHS 4/4/2013

LRB Number	13-1142/3	Introduction Number	AB-0078	Estimate Type	Original
<b>Description</b> Income and franchise tax credit for workplace wellness programs, granting rule-making authority, and requiring the exercise of rule-making authority					

### Assumptions Used in Arriving at Fiscal Estimate

The bill would create an income and franchise tax credit for small business employers who provide a workplace wellness program for their employees in Wisconsin. The credit would be equal to 30 percent of the amount that a small business employer pays in the taxable year to provide a workplace wellness program to any of their employees who are employed in this state, not including any amount paid to acquire, construct, rehabilitate, remodel, or repair real property. Under this bill, the Department of Health Services (DHS), in consultation with the Department of Revenue (DOR), is required to certify workplace wellness programs developed by a business or independent provider as eligible for the credit. The DOR would then determine the amount of credits to allocate to the small businesses providing workplace wellness programs. This fiscal estimate assumes that the maximum \$3,000,000 per fiscal year tax credit will be pro-rated for purposes of distribution among applicants.

This bill defines a workplace wellness program as a health or fitness program that provides one or more of the following programs or services: chronic disease prevention, weight management, stress management, worker injury prevention programs, health screenings, nutrition education, health or fitness incentive programs, vaccinations, and employee physical examinations. In addition to providing one of the aforementioned programs or services, a workplace wellness program is also required to provide health risk assessments. A health risk assessment is a computer-based health-promotion tool that consists of: 1) a questionnaire; 2) a biometric health screening to measure vital health statistics; 3) a formula for estimated health risks; 4) an advice database; and 5) a means to generate reports.

### Fiscal Effect

The level of additional workload for the Department depends on how much the workplace wellness tax credit is promoted and how many small businesses apply for certification. Using the most recent data from the U.S. Census Bureau, Wisconsin is estimated to have 37,000 small businesses with between 4 and 50 employees. It is assumed that employers offering health insurance would be most likely to establish wellness programs. Based on data from the Kaiser Family Foundation's 2012 Employer Health Benefits Annual Survey, 61% of small firms (3-199 workers) offer health insurance. Using these statistics, it is estimated that 22,500 small businesses in Wisconsin may offer health insurance to their employees. A smaller proportion of these businesses are expected to offer a sufficiently comprehensive workplace wellness program to meet the new requirements for certification. It is also assumed that not all businesses will be aware of the tax credit opportunity. Therefore, the exact percentage of businesses that would seek the credit is unknown.

The calculations below illustrate the number of small businesses that could apply for the credit under three possible scenarios.

- a)  $5\% \times 22,500 = 1,130$  applicants
- b)  $10\% \times 22,500 = 2,250$  applicants
- c)  $20\% \times 22,500 = 4,500$  applicants

This estimate assumes the Department would perform desk review of certification applications without an on-site visit. Under this bill, the Department will need to verify that each workplace wellness program offers a comprehensive health risk assessment tool in addition to at least one of the wellness programs listed in the bill. This estimate assumes an average 6 hour verification process per application, including responding to inquiries about the certification process, reviewing materials, and notifying applicants.

If 1,130 small businesses apply, DHS would require 3.9 FTE to process applications and complete the certification. The Department would have annual administrative costs for certification of the workplace wellness programs of \$272,600 for 3.9 FTE including salary, fringe, supplies, and services.

If 2,250 small businesses apply, DHS would require 7.80 FTE to process applications and complete the certification. The Department would have annual administrative costs for certification of the workplace wellness programs of \$518,600 for 7.8 FTE including salary, fringe, supplies, and services.

If 4,500 small businesses apply, DHS would require 15.7 FTE to process applications and complete the certification. The Department would have annual administrative costs for certification of the workplace wellness programs of \$1,010,400 for 15.7 FTE including salary, fringe, supplies, and services.

In preparing this fiscal estimate, the Department considered whether the tax credit would result in improved health outcomes for Medicaid (MA)/BadgerCare Plus (BC+) recipients and therefore cost savings for the MA program. MA participants could accrue health benefits if they work for small business employers that offer workplace wellness programs. From October through December 2012 there were 174,000 BC+ employed adults in 153,100 BC+ cases where at least one adult was employed. This represents 57% of the total BC+ caseload of 269,140 cases.

It is unknown how many employed MA/BC+ recipients work for a small business employer who would be participating in the tax credit wellness program. It is unknown the extent to which participation in an employer-sponsored program would reduce any health risk factors for this population which in turn would reduce the amount of MA paid.

The Department estimates enactment of this bill would show no immediate MA savings, and any long term MA savings cannot be estimated.

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 13-1142/3		<b>Introduction Number</b> AB-0078	
<b>Description</b> Income and franchise tax credit for workplace wellness programs, granting rule-making authority, and requiring the exercise of rule-making authority			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$424,600		\$
(FTE Position Changes)	(7.8 FTE)		
State Operations - Other Costs	94,000		
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$518,600</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	518,600		
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$518,600	\$	
NET CHANGE IN REVENUE	\$	\$	
<b>Agency/Prepared By</b>			
DHS/ Elizabeth Hartjes (608) 266-9363		<b>Authorized Signature</b>	<b>Date</b>
		Andy Forsaith (608) 266-7684	4/4/2013