Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2013 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **13-3678/1**	Introduction Number **AB-0001 (DE3)**

Description
Delaying eligibility changes to BadgerCare Plus and BadgerCare Plus Core and delaying other changes to the Medical Assistance program; and extending coverage under, and the deadline for the dissolution of, the Health Insurance Risk-Sharing Plan

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
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 12/2/2013

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Description Delaying eligibility changes to BadgerCare Plus and BadgerCare Plus Core and delaying other changes to the Medical Assistance program; and extending coverage under, and the deadline for the dissolution of, the Health Insurance Risk-Sharing Plan		

Assumptions Used in Arriving at Fiscal Estimate

This fiscal estimate pertains only to the provisions of the bill that are related to the income and franchise tax credit for the Health Insurance Risk Sharing Plan (HIRSP) Assessment Credit.

Under current law HIRSP is funded through three sources: (a) premiums paid by members; (b) assessments paid by Wisconsin health insurance companies; and (c) reductions in reimbursement to HIRSP-certified health care providers. In general, premiums fund 60% of HIRSP costs, with insurer assessments and provider discounts each funding 20% of plan costs.

All health insurance companies that do business in Wisconsin pay the HIRSP assessment. The amount of each participating insurer's assessment is based on the insurer's share of aggregate Wisconsin health insurance premiums for all participating insurers during the preceding calendar year. Insurers that pay the assessment can claim a tax credit, which is limited to $5 million in each year.

In response to the enactment of the federal Affordable Care Act, 2013 Act 20 included provisions to dissolve HIRSP, and terminate HIRSP coverage on January 1, 2014, the effective date for health plans available on the health benefit exchange. Act 20 contains provisions that specify how the dissolution of HIRSP would occur in the 2013-15 biennium.

Under current law, for taxable years beginning after December 31, 2005, and before January 1, 2014, insurance companies may claim a state income and franchise or insurance premiums tax credit equal to the amount of the assessment under the HIRSP program that the claimant paid in the claimant's taxable year, multiplied by a percentage determined by the Department of Revenue (DOR) and the Office of the Commissioner of Insurance (OCI).

DOR, in consultation with OCI, must determine the credit percentage for each claimant for each taxable year. The percentage must be equal to $5 million divided by the aggregate HIRSP assessment on all insurers. OCI must provide to each claimant that participates in the cost of administering the plan the aggregate assessment at the time that it notifies the claimant of the claimant's assessment. The aggregate amount of the credit for all claimants participating in the cost of administering HIRSP may not exceed $5 million in each fiscal year.

Under the bill, the credit would be extended by one year, to taxable years beginning before January 1, 2015. In addition, the maximum amount of credit for tax year 2014 would be reduced from $5 million to $1.25 million.

Fiscal Estimate

Because the credit is based on the amount of the HIRSP assessment that a claimant pays, the bill would only have a fiscal effect if there is an assessment in calendar year 2014.

Based on an analysis of tax year 2008 to 2010 income and franchise tax returns that claimed the HIRSP assessment credit, approximately 56% of the total available HIRSP credit is claimed against the income and franchise tax, with the remainder presumably being claimed against the insurance premiums fees administered by OCI. Assuming there is a HIRSP assessment of at least $1.25 million in calendar year 2014, it would result in claims of $700,000 ($1.25 million x 56%). It is assumed that claimants would have sufficient tax liability to use the entire $700,000 to offset income and franchise taxes due. Therefore the fiscal effect would be a reduction in income and franchise tax revenue of an estimated $700,000 in FY 2015.

The fiscal effect would be less to the extent that any HIRSP assessment made in CY 2014 is less than $1.25 million.

Long-Range Fiscal Implications

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Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

If there is a HIRSP assessment of at at least $1.25 million for CY 2014, the bill would result in a decrease in income and franchise tax revenue of an estimated $700,000 in FY 2015.

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, ets.)

	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$	$
NET CHANGE IN REVENUE	$	$

Agency/Prepared By	**Authorized Signature**	**Date**
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