

Fiscal Estimate - 2013 Session

Original Updated Corrected Supplemental

LRB Number 13-3687/1	Introduction Number SB-001 (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:		
<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 checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local:		
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations		
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
Agency/Prepared By DOR/ Michael Oakleaf (608) 261-5173	Authorized Signature Michael Wagner (608) 266-6785	Date 12/2/2013

Fiscal Estimate Narratives

DOR 12/2/2013

LRB Number	13-3687/1	Introduction Number	SB-001 (DE3)	Estimate Type	Original
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

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 13-3687/1		Introduction Number SB-001 (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			
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 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, etc.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Michael Oakleaf (608) 261-5173		Michael Wagner (608) 266-6785	12/2/2013