

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-3906/1	Introduction Number SB-350
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Description
 eliminating administrative rule limitation on recovery of birth costs

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input checked="" type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs
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Local:

No Local Government Costs
 Indeterminate

1. <input checked="" type="checkbox"/> Increase Costs <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input checked="" type="checkbox"/> Increase Revenue <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	s. 20.435(4)(b), (im), and (o)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DHS 9/6/2019

LRB Number	19-3906/1	Introduction Number	SB-350	Estimate Type	Original
Description eliminating administrative rule limitation on recovery of birth costs					

Assumptions Used in Arriving at Fiscal Estimate

County child support agencies (CSAs) are responsible for establishing paternity and recovering birth related expenses for unmarried mothers enrolled in Medicaid. As of July 1, 2018, DCF 150 prohibits birth cost recoveries in new cases where the alleged father is a member of an intact family and the alleged father's income (if any) contributes to the support of the child. AB 103 repeals this provision of DCF 150, thereby increasing the number of fathers who will be subject to recoveries.

Fathers of children born to unmarried mothers on Medicaid are responsible for the lower of (1) 5% of the father's monthly income over a 36-month period, (2) half the regional average amount for birth costs, or (3) half the actual birth costs up to the full regional average amount. The local CSA works with the courts to establish and collect the recoveries.

The CSA then retains 15% of the federal share of the recoveries as specified under s. 49.89(7)(b) and 42 CFR 433.153 and 154. DHS receives the remaining 85% to offset ongoing costs of the Medicaid program. DHS uses the state share to offset GPR expenses in the appropriation under s. 20.435(4)(b) and uses the remaining federal share to offset federal funds that would otherwise be drawn in the appropriation under s. 20.435(4)(o). The federal share is set by the federal Medicaid participation (FMAP) rate. (The FMAP rate used is the FMAP rate at the time at which the costs were recovered.) Over the period from September 2015 through February 2019, FMAP for birth cost recoveries averaged 58.55%.

Over that same period, recoveries varied considerably from month to month as much of the recoveries are likely obtained through tax intercepts; however, each year, on average, counties retained \$2,154,400 and DHS received \$13,220,400 PR in the appropriation under s. 20.435(4)(im). Of the average annual amount received by DHS, \$6,456,700 offset GPR expenses, and \$6,763,700 offset FED expenses.

A comparison between recoveries before and after the change to DCF 150 is incomplete because it compares 34 months of recoveries to 8 months of recoveries. Most importantly, the data on recoveries since the change to DCF 150 took effect do not include March 2019 through May 2019 when tax intercept recoveries would be expected to be highest.

With these considerations in mind, annualized collections over the period from June 2018 through November 2018 were about \$316,300 (4.7%) lower than annualized collections over the period from June 2017 through December 2017. This \$316,300 statewide total breaks out to \$47,400 local funds, \$157,500 GPR, and \$111,400 FED; however, it is possible that the state's low unemployment rate and other factors have partially obscured the impact of the change to DCF 150. Furthermore, it will likely take three years before the impact of the change is fully realized since the change to DCF 150 was only for new cases.

While this legislation will increase the number of births subject to recovery, there is not enough data available to provide an accurate estimate of the state and local impact of this proposal at this time.

Long-Range Fiscal Implications