

# Health Services

## Medical Assistance and FoodShare Administration

(LFB Budget Summary Document: Page 272)

### LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	Medical Assistance and FoodShare Administration -- Contracts (Paper #350)
2	Income Maintenance Workload (Paper #351)
5 & 6	FoodShare Healthy Eating Incentive Pilot and EBT Processing Equipment for Farmers Markets and Direct-Marketing Farmers (Paper #352)
7	FoodShare Employment and Training Program Reestimate (Paper #353)

### LFB Summary Items Removed From Budget Consideration

<u>Item #</u>	<u>Title</u>
4	Medical Assistance Recoveries -- Qui Tam Claims





## **Legislative Fiscal Bureau**

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

---

June, 2021

Joint Committee on Finance

Paper #350

### **Medical Assistance and FoodShare Contracts (Health Services -- Medical Assistance and FoodShare Administration)**

[LFB 2021-23 Budget Summary: Page 272, #1]

---

#### **CURRENT LAW**

The Department of Health Services (DHS) has numerous administrative responsibilities relating to the medical assistance (MA) program, Wisconsin's supplemental nutrition assistance program (FoodShare), and other public assistance programs. Under the MA program, these duties include fiscal management, rate setting, eligibility determinations, fraud investigations, recovery of improper payments, claims processing, provider enrollment, rule development, the production of various reports, as well as policy development and implementation. With respect to FoodShare, DHS contracts with Fidelity Information Services, LLC (FIS) to provide electronic benefit transfer (EBT) services to participating FoodShare families, while state staff are responsible for general program management functions, including monitoring performance of its contracted entities and ensuring that the state complies with state and federal law and policies.

Some administrative activities relating to the state's public assistance programs are conducted by state staff in the Division of Medicaid Services (DMS) and the Office of the Inspector General (OIG), while others are performed by private firms under contract. DXC Technology (DXC) is the Medicaid program's fiscal agent, which conducts several business functions such as processing claims submitted by providers and reviewing prior authorization requests. DXC is the contract vendor for the state's Medicaid Management Information System (MMIS). In addition, some services are performed by other state agencies. For example, DHS purchases hardware hosting, network, and mainframe services for the Client Assistance for Reemployment and Economic Support (CARES) system from the Department of Administration's Division of Enterprise Technology.

Most eligibility management functions for these programs are performed by county staff on a regional basis through income maintenance (IM) consortia and by tribes. In Milwaukee County, state employees in Milwaukee Enrollment Services (MiES) perform IM services. The costs of IM service contracts are budgeted separately from costs of other DMS contracts.

Funding for most DMS contracted services (excluding IM contracts) is budgeted in two appropriations -- a biennial sum-certain GPR appropriation, and a federal appropriation that reflects an estimate of funding the state will receive for DMS contracted services, primarily through MA and FoodShare administrative matching funds. Base funding for these appropriations totals \$251,370,300 (\$75,396,100 GPR and \$175,974,200 FED).

## **DISCUSSION POINTS**

1. Every two years, as part of the Department's biennial budget request, DMS reviews the costs of its service contracts, and projects costs for these contracts in the next biennium. This exercise includes: (a) updating costs of current contracts, often to reflect inflationary increases specified in several of the larger contracts; (b) developing cost estimates and work plans for priority projects that may be necessary for the agency to comply with state and federal requirements; (c) establishing schedules and cost estimates for completing multi-year projects; and (d) developing proposals for new projects that could result in program improvements.

2. Following this review, the Department creates a spending plan that itemizes the projected cost of each contract, by fund source. With limited exceptions, DHS claims federal matching funds to partially support the costs of these contracts. The federal share of these costs range from 50% for most administrative costs, to 90% for costs of projects that improve the functionality of the Medicaid Management Information System (MMIS).

3. The Department's proposed 2021-23 budget for these contracts is summarized by major category and fund source in Table 1. This spending plan would be fully funded under the Governor's 2021-2023 budget recommendations.

TABLE 1

**Summary of Medicaid and FoodShare Administrative Contracts GPR and FED Funding  
Governor's Recommendations**

	2021-22			2022-23		
	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>Total</u>
FoodShare Electronic Benefit Contract	\$1,221,600	\$1,221,600	\$2,443,200	\$1,221,600	\$1,221,600	\$2,443,200
FoodShare Employment and Training Program Evaluation	225,000	225,000	450,000	225,000	225,000	450,000
Fiscal Agent -- Main Contract	32,280,100	90,695,000	122,975,100	33,223,900	76,165,000	109,388,900
MMIS Modules and Related Contracts	3,721,400	23,602,600	27,324,000	2,573,600	9,877,500	12,451,100
CARES Maintenance and Programming	29,802,400	55,025,900	84,828,300	30,933,000	57,610,300	88,543,300
Other Major and Minor Contracts	14,450,100	26,766,600	41,216,700	14,450,100	26,766,600	41,216,700
General Services	<u>2,075,000</u>	<u>2,052,500</u>	<u>4,127,500</u>	<u>2,106,100</u>	<u>2,087,100</u>	<u>4,193,200</u>
Subtotal -- Expenditures	\$83,775,600	\$199,589,200	\$283,364,800	\$84,733,300	\$173,953,100	\$258,686,400
Adjustments						
Costs Allocated to Other Appropriations	-\$3,500,000	\$0	-\$3,500,000	-\$3,500,000	\$0	-\$3,500,000
Other Items in DHS Request	<u>145,800</u>	<u>1,187,300</u>	<u>1,333,100</u>	<u>145,800</u>	<u>0</u>	<u>145,800</u>
Net Expenditures	\$80,421,400	\$200,776,500	\$281,197,900	\$81,379,100	\$173,953,100	\$255,332,200
2020-21 Base Funding	\$75,396,100	\$175,974,200	\$251,370,300	\$75,396,100	\$175,974,200	\$251,370,300
Difference (Change to Base)	\$5,025,300	\$24,802,300	\$29,827,600	\$5,983,000	-\$2,021,100	\$3,961,900

4. Several factors contribute to the projected cost increases from base funding in the administration's 2021-23 spending plan.

*Inflation Adjustments -- MMIS.* Most costs relating to the MMIS, other than enhancements and postage costs, are increased by 3% in 2021-22 and an additional 3% in 2022-23 from the 2020-21 cost projection. The inflationary adjustments increase projected MMIS costs by \$2,694,500 (\$816,000 GPR and \$1,878,500 FED) in 2021-22 and by \$5,469,000 (\$1,656,500 GPR and \$3,813,400 FED) in 2022-23.

*CARES Programming Rate Increase.* DHS contracts with Deloitte to provide programming services for the CARES system. The cost of programming will increase from \$128 to \$145 per hour, effective January 1, 2023. Under the DHS plan, DHS would continue to purchase the same number of programming hours from Deloitte in 2021-22 and 2022-23 as it plans to purchase in 2020-21 (approximately 421,500 hours). However, the estimated additional cost of funding this rate increase for the six-month period in 2022-23 is \$3,583,100 (\$1,085,700 GPR and \$2,497,400 FED).

*Continue MMIS Modulation Process.* The DHS workplan increases funding for MMIS modules and related contracts by \$9,539,100 (\$1,942,900 GPR and \$7,596,200 FED) in 2021-22 and reduces funding by \$5,333,700 (\$795,100 GPR and -\$6,128,800 FED), compared to the 2020-21 cost projections. The funding increase is primarily due to the estimated costs of a contract to

create an enterprise data warehouse and data analytics reporting module, as required by the MMIS plan approved by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS).

*2020-21 Projected Spending Exceeds GPR Base Funding.* DHS anticipates spending \$77,126,100 GPR in 2020-21 from its contracts appropriation, which is \$1,730,000 GPR more than the 2020-21 adjusted base funding for the appropriation (\$75,396,100). Since GPR funding for contracts is supported from a biennial appropriation, the unexpended balance in 2019-20 is carried over to 2020-21 and is available to support contract costs in that year. Consequently, to maintain GPR-funded costs in the 2021-23 biennium at the projected 2020-21 level, an additional \$1,730,000 GPR is needed in each year of the 2021-23 biennium.

Together, these four factors account for GPR increases totaling \$4,488,900 in 2021-22 and \$5,267,300 in 2022-23, or approximately 89% of the biennial GPR funding increase recommended by the Governor (\$11,008,300) to support contracts.

DHS has some ability to manage contract costs to stay within the budget established by the Legislature. However, if the Committee chooses not to fund the cost increases of current contracts, DHS would be required to reduce funding for, or eliminate current contracts, which would adversely affect the agency's ability to serve providers and recipients, meet federal program quality standard and reimbursement and reporting requirements, and prevent overuse of services and fraud.

### **New Contract -- FSET Evaluation**

5. The Governor's bill would provide \$450,000 (\$225,000 GPR and \$225,000 FED) annually for DHS to contract for an evaluation of the FoodShare employment and training (FSET) program. During each of the past four years, DHS has used information provided by the University of Wisconsin Institute for Research on Poverty, internal data, and information maintained in CARES to create a federally-required annual report that contains several data elements FNS uses to compare the performance of states' SNAP education and training programs. The information FNS requires states to report include:

- The number and percent of current and former participants in unsubsidized employment during the second quarter and fourth after completion of participation in the state's SNAP education and training (E&T) program;
- The median quarterly earnings of current and former participants during the second quarter after completion of participation in the state's E&T program;
- The number and percent of current and former participants who completed a training, educational or work experience, or an on-the-job training component;
- Certain characteristics of current and former participants, such as voluntary and mandatory participants, participants who received a high school degree prior to participating in the E&T program, participants who were able-bodied adults without dependents, participants who

speak English as a second language, and the ages and gender of program participants.

In addition to these national reporting measures, states are required to report components that are unique to their E&T programs.

The most recent report DHS submitted to FNS, indicating FSET measures for federal fiscal year 2019-20, is provided as an attachment to this paper.

6. There are limitations on what the current federally-required reporting reveals about the effectiveness of the programs administered by FSET vendors. For example, currently, it is difficult to demonstrate the extent to which participation in the FSET program, or certain activities offered by the vendors, is responsible for improving outcomes for program participants, as measured by subsequent employment, future earnings, or educational attainment.

7. The administration proposes to contract with a neutral third-party to conduct ongoing comprehensive evaluations of the program that would include policy and performance reviews, and provide recommendations to DHS and the contracted vendors to improve program performance. DHS anticipates that the evaluators would have full access to information maintained by the FSET vendors, assuming that appropriate contract and memoranda of understanding are in effect.

8. In state fiscal year 2019-20, DHS paid vendors \$30.3 million (all funds) to provide FSET services. Based on the funding commitment the state has made to provide education and training services to FoodShare recipients, funding an ongoing evaluation that could be used to determine program effectiveness and make program improvements, the Committee could approve funding the evaluation [Alternative 1]. Alternatively, the Committee could choose to not include funding for this ongoing evaluation from the budget [Alternative 2a].

### **New Contract -- OIG Prepayment Review**

9. The Governor's bill would provide \$619,800 (\$309,900 GPR and \$309,900 FED) in 2021-22 and \$826,400 (\$413,200 GPR and \$413,200 FED) in 2022-23 to create a new five-person unit in DXC to conduct prepayment reviews of claims submitted by MA providers that are at high risk of submitting fraudulent claims.

Currently, 34 auditors and nursing consultants in the DHS Office of the Inspector General (OIG), conduct audits of Medicaid claims submitted by providers for which payment has already been made (post-payment audits). In calendar year 2020, these staff initiated 1,340 post-audit reviews. These audits have resulted in significant payment recoveries for the Medicaid program. In fiscal years 2015-16 through 2019-20, DHS established "accounts receivable" from these audits totaling \$32.6 million, of which \$26.8 million had been collected.

10. Under the administration's proposal, OIG would create a unit of 5.0 DXC contracted staff managed by one (current) DHS employee to assist participating MA providers in correctly submitting claims, reducing the need to investigate and recover improper claims after the claims have been paid.

11. CMS has created risk level classifications for Medicaid providers, which Wisconsin's Medicaid program has adopted. Among those providers that CMS categorizes as at a high risk of submitting improper claims are home health and personal care agencies, medical equipment vendors, prenatal and child care coordination providers, and specialized medical vehicle providers. The new unit would focus on claims submitted by these high-risk providers.

12. Providing additional auditing staff for OIG could reduce future MA benefits costs by preventing improper claims payments that may otherwise not be recovered through post-claims reviews.

13. The estimated cost of contracted positions for this unit is \$826,400 (all funds) annually or \$165,200 per positions. It is estimated that the cost of providing 5.0 state positions in OIG to conduct this work would be \$587,500 (all funds) annually, or \$117,500 per position. If the Committee wished to fund additional prepayment audits with state staff, rather than DXC contract staff, it could instead provide \$440,600 (\$220,300 GPR and \$220,300 FED) in 2021-22 and \$587,500 (\$293,800 GPR and \$293,700 FED) in 2022-23 and 2.50 positions (2.50 GPR positions and 2.50 FED positions), beginning in 2021-22, for this purpose.

## ALTERNATIVES

1. Increase funding for DMS contracted services by \$29,827,600 (\$5,025,300 GPR and \$24,802,300 FED) in 2021-22 and by \$3,961,900 (\$5,983,000 GPR and -\$2,021,100 FED) in 2022-23.

ALT 1	Change to Base
GPR	\$11,008,300
FED	<u>22,781,200</u>
Total	\$33,789,500

2. Adopt one or more of the components of the spending plan under Alternative 1.

a. *Cost to Continue Current Contracts.* Increase funding by \$28,757,800 (\$4,490,400 GPR and \$24,267,400 FED) in 2021-22 and by \$2,685,500 (\$5,344,800 GPR and -\$2,659,300 FED) to fund estimated costs of current DMS contracts in the 2021-23 biennium.

ALT 2a	Change to Base
GPR	\$9,835,200
FED	<u>21,608,100</u>
Total	\$31,443,300

b. *FSET Evaluation.* Increase funding by \$450,000 (\$225,000 GPR and \$225,500 FED) annually to fund an ongoing evaluation of the FSET program.



<b>ALT 2b</b>	<b>Change to Base</b>
GPR	\$450,000
FED	<u>450,000</u>
Total	\$900,000

c. *OIG Prepayment Reviews -- Contracted Staff.* Provide \$619,800 (\$309,900 GPR and \$309,900 FED) in 2021-22 and \$826,400 (\$413,200 GPR and \$413,200 FED) in 2022-23 to fund 5.0 contracted positions in OIG to conduct prepayment reviews of Medicaid claims.

<b>ALT 2c</b>	<b>Change to Base</b>
GPR	\$723,100
FED	<u>723,100</u>
Total	\$1,446,200

d. *OIG Prepayment Reviews -- State Staff.* Provide \$440,600 (\$220,300 GPR and \$220,300 FED) in 2021-22 and \$587,500 (\$293,800 GPR and \$293,700 FED) in 2022-23 to fund 5.0 positions (2.50 GPR positions and 2.50 FED positions), beginning in 2021-22, for OIG to conduct prepayment reviews of Medicaid claims.

<b>ALT 2d</b>	<b>Change to Base</b>	
	<b>Funding</b>	<b>Positions</b>
GPR	\$514,100	2.50
FED	<u>514,000</u>	<u>2.50</u>
Total	\$1,028,100	5.00

3. Take no action.

Prepared by: Charles Morgan  
Attachment



## ATTACHMENT 1

### SNAP E&T Annual Report – Federal Fiscal Year 2019-2020

#### National Reporting Measures

Reporting Measure	Data Source and Time Period	Value	Numerator	Denominator
1. Unsubsidized employment in 2 <sup>nd</sup> quarter after completion of participation in E&T	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	60.81%	10,734	17,651
2. Median Quarterly Wages in 2 <sup>nd</sup> quarter after completion of participation in E&T	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	\$3,774	N/A	N/A
3. Unsubsidized employment in 4 <sup>th</sup> quarter after completion of participation in E&T	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	60.80%	10,671	17,552
4. Completion of an educational, training, work experience, or an on-the-job training component	FNS-583 Q4	40.00%	5,288	13,220

#### National reporting measures disaggregated characteristics

Submit summary data that disaggregate the national reporting measures by the following characteristics:

Reporting Measure	Characteristic	Data Source and Time Period	Value	Numerator	Denominator
5. Unsubsidized employment in 2 <sup>nd</sup> quarter after completion of participation in E&T	a. Voluntary Participant	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	100.00%	10,734	10,734
	b. Mandatory Participant	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	0.00%	0	10,734
	c. Received high school diploma or equivalency prior to participation in E&T	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	68.32%	7,333	10,734
	d. Received high school diploma or equivalency prior to participation in E&T – education level unknown	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	0.00%	0	10,734

Reporting Measure	Characteristic	Data Source and Time Period	Value	Numerator	Denominator
	e. ABAWD	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	41.63%	4,469	10,734
6. Median Quarterly Wages in 2 <sup>nd</sup> quarter after completion of participation in E&T	a. Voluntary	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	\$3,774	N/A	N/A
	b. Mandatory	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	N/A	N/A	N/A
	c. Received high school diploma or equivalency prior to participation in E&T	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	\$3,945	N/A	N/A
	d. Received high school diploma or equivalency prior to participation in E&T – education level unknown	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	N/A	N/A	N/A
	e. ABAWD	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	\$3,905	N/A	N/A
7. Unsubsidized employment in 4 <sup>th</sup> quarter after completion of participation in E&T	a. Voluntary	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	100.00%	10,671.00	10,671
	b. Mandatory	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	0.00%	0.00	10,671
	c. Received high school diploma or equivalency prior to participation in E&T	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	67.84%	7,239.00	10,671
	d. Received high school diploma or equivalency prior to participation in E&T – education level unknown	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	0.00%	0.00	10,671
	e. ABAWD	Wisconsin UI Wage Records, FFY2019Q3+Q4, FFY2020Q1+Q2	40.52%	4,324.00	10,671
8. Completion of an educational,	a. Voluntary	FNS-583 Q4	100.00%	5,288	5,288
	b. Mandatory	FNS-583 Q4	0.00%	0	5,288

Reporting Measure	Characteristic	Data Source and Time Period	Value	Numerator	Denominator
training, work experience, or an on-the-job training component	c. Received high school diploma or equivalency prior to participation in E&T	FNS-583 Q4	47.69%	2,522	5,288
	d. Received high school diploma or equivalency prior to participation in E&T – education level unknown	FNS-583 Q4	52.31%	2,766	5,288
	e. ABAWD	FNS-583 Q4	33.74%	1,784	5,288

### **Participant characteristics**

Provide percentage and number for the following six characteristics of all E&T participants served in the reporting fiscal year:

Characteristic	Characteristic Detail	Percentage	Total Number
9. Voluntary vs. Mandatory	Voluntary Participants	100.00%	13,220
	Mandatory Participants	0.00%	0
10. Education	Received high school diploma or equivalency (HSE) prior to participation in E&T	49.82%	6,586
	Did not receive HSE prior to participation	21.72%	2,872
	Unknown	28.46%	3,762
11. ABAWD	Has ABAWD status at the start of participation in E&T	26.13%	3,454
12. Speak English as a second language	English language learners	1.41%	187
	Unknown	98.59%	13,033
13. Gender	Male	44.34%	5,862
	Female	55.66%	7,358
	Unknown	0.00%	0
14. Age	Between 16-17	0.45%	60
	Between 18-35	51.00%	6,742
	Between 36-49	33.78%	4,466
	Between 50-59	11.88%	1,570
	60 or older	2.89%	382

### **ABAWD Pledge State Reporting**

States that commit to offering all at-risk ABAWDs a slot in a qualifying activity and have received an additional allocation of funds must include the following information.

Reporting Requirement	Detail
15. The monthly average number of individuals in the State who meet the conditions of an at-risk ABAWD	6,469

Reporting Requirement	Detail
16. The monthly average number of individuals to whom the State offered a position in a qualifying E&T activity or workfare program	6,469
17. The monthly average number of individuals who participated in such programs	395
18. A description of the types of employment and training programs the State agency offered to at-risk ABAWDs and the availability of those programs throughout the State	All FSET activities are available to at-risk ABAWDs, including assessment, education and training, work experience, job search, and workfare. Additionally, supportive services are available to at-risk ABAWDs.

### **State Component Detail Measures**

The State will include the components and reporting measures as indicated in its approved E&T State Plan.

Component	Measure	Value
Job Search	Total Job Search participants	<b>8,964</b>
	Number and percent of total job search participants who obtained unsubsidized employment within the reporting period	<b>4,071 (45.41%)</b>
	The top barrier facing job search participants, and the number and percent of total job search participants facing this barrier	<u>No Vehicle</u> <b>2,844</b> <u>No Driver's License</u> <b>2,804</b> <u>Staying w/ Family/Friends</u> <b>2,761</b>
Job Retention	Total Job Retention participants	<b>4,550</b>
	Number and percent of total job retention participants who obtained unsubsidized employment within the reporting period	<b>3,772 (82.90%)</b>
	The top barrier facing job retention participants, and the number and percent of total workfare participants facing this barrier	<u>No Vehicle</u> <b>1,406</b> <u>No Driver's License</u> <b>1,374</b> <u>Staying w/ Family/Friends</u> <b>1,343</b>
Workfare	Total Workfare participants	<b>76</b>
	Number and percent of total workfare participants who obtained unsubsidized employment within the reporting period	<b>23</b>
	The top barrier facing workfare participants, and the number and percent of total workfare participants facing this barrier	<u>No Vehicle</u> <b>36</b> <u>Staying w/ Family/Friends</u> <b>33</b> <u>No Driver's License</u> <b>30</b>
Work Experience	Total Work Experience participants	<b>100</b>
	Number and percent of total work experience participants who obtained	<b>37</b>

	unsubsidized employment within the reporting period	
	The top barrier facing work experience participants, and the number and percent of total work experience participants facing this barrier	<u>Work History Gap</u> <b>49</b> <u>Usually Have Access to Reliable Car</u> <b>39</b> <u>Mental Health/PTSD/Depression</u> <b>37</b>
Self-Employment	Total Self-Employment participants	<b>109</b>
	Number and percent of total self-employment participants who obtained unsubsidized employment within the reporting period	<b>36</b>
	The top barrier facing self-employment participants, and the number and percent of total self-employment participants facing this barrier	<u>General or Physical Health</u> <b>37</b> <u>Usually Have Access to Reliable Car</u> <b>37</b> <u>Staying w/ Family/Friends</u> <b>30</b>
Education	Total Education participants	<b>542</b>
	Number and percent of total education participants who obtained unsubsidized employment within the reporting period	<b>221</b>
	The top barrier facing education participants, and the number and percent of total education participants facing this barrier	<u>No Driver's License</u> <b>308</b> <u>No Vehicle</u> <b>236</b> <u>Staying w/ Family/Friends</u> <b>174</b>
All components	Total Enrollees	<b>25,649</b>
	Number and percent of FSET enrollees that were assigned each of the following numbers of components during FFY 2020  **Includes Enrollment	<b>1: 442</b> <b>2: 3,303</b> <b>3: 8,041</b> <b>4: 5,376</b> <b>5: 6,225</b> <b>6: 2,051</b> <b>7: 210</b>  ** 1 case was found to have 0 components
Top combinations of co-component participation	Number and percent of total FSET enrollees that were assigned these combinations of components at some point during the reporting period	
	Education and Job Search	<b>7,461 (29.1%)</b>
	Education, Job Search, Employment, and Job Retention	<b>3,144 (12.3%)</b>
	Employment, Job Search, and Job Retention	<b>5,690 (22.2%)</b>







## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

---

June, 2021

Joint Committee on Finance

Paper #351

### **Income Maintenance Workload (Health Services -- Medical Assistance and FoodShare Administration)**

[LFB 2021-23 Budget Summary: Page 273, #2]

---

#### **CURRENT LAW**

Income maintenance (IM) refers to the eligibility determination and management functions for several federal and state public assistance programs, including MA, FoodShare, and Wisconsin Shares. Prior to calendar year 2012, DHS contracted with each county to perform these activities. However, due to changes enacted in 2011 Wisconsin Act 32, counties, other than Milwaukee County, are required to form multi-county consortia to administer IM programs. Tribes may elect to administer income maintenance programs or have DHS administer IM functions for their tribal members.

Each multi-county consortium is contractually responsible for: (a) operating and maintaining a call center; (b) conducting application processing and eligibility determinations; (c) conducting ongoing case management; and (d) providing "lobby services," such as responding to questions from applicants, offering publications regarding public assistance programs, scheduling appointments, and accepting verification forms and other documentation. In addition, the consortia administer the fraud prevention and investigations program, using local agencies and contracted investigators.

In 2021, there are 10 multi-county consortia and nine tribes providing IM services. Milwaukee County's IM program is administered by DHS staff employed by Milwaukee Enrollment Services (MiES). The IM consortia account for approximately 70% of the statewide IM workload, while MiES and tribes account for approximately 29% and 1%, respectively.

DHS provides state and federal funds to support the operations of the IM consortia and tribes. The state (GPR) funding available to the consortia is a sum certain amount authorized as

part of the state budget. Counties contribute local funds to supplement the state and federal funds they receive from DHS to support their income maintenance activities. State and tax-levy supported contributions are matched with federal funds to support these services. The costs of Medicaid-related IM functions are generally funded 25% with state and local funds and 75% with federal matching funds, while IM services related to FoodShare are funded 50% with state and local funds and 50% with federal matching funds. In calendar year 2019, the (blended) matching rate for these IM functions was 62.4%.

Base funding for county and tribal IM costs is \$75,499,500 (\$15,132,500 GPR and \$60,367,000 FED).

## DISCUSSION POINTS

1. Table 1 shows IM costs borne by the state (GPR), counties, and federal matching funds for calendar years 2014 through 2019, the most recent year for which information is available. The table shows the amounts in the year the costs were incurred and for which the federal funds were claimed. (In practice, the state claims federal funds for expenses counties incurred in a calendar year months after the end of the calendar year has ended.)

**TABLE 1**

### **Income Maintenance Consortia Cost, By Funding Source\***

Calendar Year	GPR	Local	Federal Matching Funds			Total Costs (All Funds)
			Based on GPR	Based on Local	Total	
2014	\$10,786,000	\$22,494,000	\$16,849,000	\$29,150,000	\$45,999,000	\$79,279,000
2015	12,418,000	21,573,000	16,355,000	28,412,000	44,767,000	78,758,000
2016	13,193,000	21,080,000	22,253,000	35,557,000	57,810,000	92,083,000
2017	12,609,000	23,761,000	20,975,000	39,044,000	60,019,000	96,389,000
2018	13,519,000	24,265,000	22,625,000	40,610,000	63,235,000	101,019,000
2019	13,581,000	26,042,000	22,549,000	43,240,000	65,789,000	105,412,000

### **Percent of Income Maintenance Consortia Costs, by Revenue Source**

2014	13.6%	28.4%	21.3%	36.8%	58.0%	100.0%
2015	15.8	27.4	20.8	36.1	56.8	100.0
2016	14.3	22.9	24.2	38.6	62.8	100.0
2017	13.1	24.7	21.8	40.5	62.3	100.0
2018	13.4	24.0	22.4	40.2	62.6	100.0
2019	12.9	24.7	21.4	41.0	62.4	100.0

\*Based on the year the expenses were incurred, rather than the year in which funds were received.

As shown in the table, between 2014 and 2019, the consortia's total IM costs have increased by

approximately 33%. During the past three years, the percentage of the consortia's costs paid by the state (13%), counties and (25%) and the federal government (62%) has remained fairly constant. The table also shows that county costs have increased by nearly \$5.0 million from 2016 to 2019.

2. The state, counties, and the federal government share in the costs of funding most human services programs administered by counties and tribes, such as child welfare, child support enforcement, and behavioral health programs. As with other human services programs, the effective delivery of income maintenance services benefits both the residents of the county or tribe in which these services are provided, and the state, which must ensure compliance with federal law and policy as a condition of receiving federal funds that support these services.

3. DHS uses three primary measures of IM consortia workload -- total caseloads, the number of calls, and the number of applications IM agencies receive. With respect to caseloads, the number of Medicaid and FoodShare participants do not correspond on a one-to-one basis to IM caseloads. All FoodShare members within a given household are part of a single FoodShare case. Medicaid eligibility cases can also represent households with multiple Medicaid members. Further, a household that is enrolled in multiple public benefit programs is usually counted as a single case.

4. Table 2 provides information on IM workload using these three measures for calendar years 2014 through the first three months of 2021.

**TABLE 2**  
**Average Monthly Caseload, Calls and Applications**

<u>Calendar Year</u>	<u>Average Monthly Caseload</u>	<u>Average Monthly Calls</u>	<u>Average Monthly Applications</u>
2014	488,559	157,893	18,555
2015	487,475	155,912	15,746
2016	478,284	153,676	15,851
2017	474,459	148,540	15,643
2018	472,513	140,735	14,993
2019	470,351	134,421	14,990
2020	493,723	114,513	15,565
2021 (thru March)	547,110	72,619	25,087

5. As shown in Table 2, the average monthly caseloads and applications for public assistance programs managed by the IM consortia increased significantly in 2020, and have continued to increase in the first three months of 2021. The growth in caseloads is due to several factors, including the economic downturn resulting from the COVID-19 pandemic and the provision in the federal Families First Coronavirus Response Act that Medicaid provide continuous coverage to all enrollees for the duration of the federal public health emergency period, as a condition of receiving enhanced federal matching funds. When the continuous coverage period ends, all of these cases will need to be reprocessed, which will increase workload for the IM agencies in the 2021-23 biennium.

Since the national public health emergency is likely to continue through calendar year 2021, caseloads are likely to continue to increase at least until 2022. The administration projects that Medicaid and FoodShare enrollment will be higher through the 2021-23 biennium than it was prior to the beginning of the COVID-19 pandemic. However, it is uncertain when caseloads will begin to level off, and how quickly the caseloads may decrease once the national public health emergency ends.

6. The Governor's 2021-23 budget would provide \$3,613,200 (\$1,445,300 GPR and \$2,167,900 FED) in 2021-22 and \$5,292,400 (\$2,117,000 GPR and \$3,175,400 FED) in 2022-23 to fund projected workload increases for income maintenance (IM) consortia and tribal IM agencies in the 2021-23 biennium.

The funding increase reflects the administration's fall, 2020 estimates, that total caseloads would increase from an estimated average monthly caseload of 520,876 in 2020-21 to 557,271 in 2021-22 and 579,117 in 2022-23. The recommended funding increase is intended to maintain the same level of state support per case in the 2021-23 biennium as the administration estimates the state provided in calendar year 2020 (\$75.72 per case). This recommendation includes funding increases for tribal IM agencies that are proportional to the funding increases that would be provided to support the county IM consortia.

7. Table 3 summarizes the administration's estimates relating to this item.

**TABLE 3**  
**Summary of Governor's Budget Recommendations**

<b>State Fiscal Year</b>	<b>Avg. Monthly Caseload</b>	<b>Avg. Cost per Case</b>	<b>Total Costs</b>
2019-20	475,489	\$75.72	\$36,002,000
2020-21	520,876	75.72	39,438,500
2021-22	557,271	75.72	42,194,200
2022-23	579,117	75.72	43,848,200
Base (CY 2021)			\$38,635,200
<b>Funding</b>			
<b>Change to Base -- Consortia</b>			
2021-22	\$1,423,600	\$2,135,400	\$3,559,000
2022-23	2,085,200	3,127,800	5,213,000
<b>Change to Base -- Tribes</b>			
2021-22	\$21,700	\$32,500	\$54,200
2022-23	31,800	47,600	79,400
<b>Total Change to Base</b>			
2021-22	\$1,445,300	\$2,167,900	\$3,613,200
2022-23	2,117,000	3,175,400	5,292,400

8. Actual IM caseloads through March, 2021, are greater than those projected by the administration at the time of the DHS 2021-23 budget submission. For example, in September, 2020, DHS projected IM consortia caseload would total 431,814. The March, 2021, caseload for the IM consortia was 474,873.

9. The administration's proposal to use actual and projected caseload increases as the basis of providing additional funding to IM consortia and tribes appears reasonable, since the actual costs the consortia and tribes will incur in providing IM services in the 2021-23 biennium will not be known until months after the close of each calendar year. Based on recent increases in caseloads and the likelihood that IM caseloads will remain higher in the 2021-23 biennium than they were in the previous biennium, the Committee could adopt the proposed funding increase for the IM consortia and tribes (Alternative 1).

10. On the other hand, recent program history suggests that caseloads do not appear to be a major factor in determining IM costs. As shown in Table 1, from 2014 through 2019, total costs borne by the IM consortia increased by approximately 33%. During the period, the average monthly number of cases managed by the IM consortia decreased from 488,559 in calendar year 2014 to 470,351 in 2019 (-3.7%). Other factors, including increases in salary and fringe benefit costs of county personnel, have increased the consortia's costs. Further, recent changes in state and federal policy regarding eligibility determinations and redeterminations, together with increased efforts to reduce and prevent program fraud, have likely contributed to the consortia's and tribes' cost increases.

11. If, by providing additional state funds, counties and tribes increase their spending on IM functions, DHS would claim additional federal funds to support approximately 60% of the total increase in eligible costs. However, counties could potentially use some of the additional state funding to reverse the recent increases in property tax support for the consortia.

12. The federal American Rescue Plan Act of 2021 provided \$1.135 billion as grants to states to support expenses of administering the supplemental nutrition assistance program (SNAP, FoodShare in Wisconsin). This funding will be available to support eligible costs incurred in federal fiscal years (FFYs) 2020-21, 2021-22, and 2022-23. In a March 12, 2021, guidance memorandum to state agencies, the U.S. Department of Agriculture, Food and Nutrition Services (FNS) indicated that in FFY 2020-21 and 2021-22, FNS will allocate \$445 million to state agencies and in FFY 2022-23, FNS will allocate \$245 million to state agencies. As required by the Act, for each fiscal year, 75 percent will be allocated based on each state's respective share of households that participate in SNAP for the most recent 12-month period for which data are available. The remaining 25 percent will be allocated based on the increase in the number of households that participate over the most recent 12-month period for which data are available. These allocations will be adjusted for participation in disaster SNAP programs as specified by the Act.

13. FNS has not yet notified Wisconsin of its FFY 2020-21 grant award, nor has the agency indicated what SNAP administrative costs can be supported with these grants. However, FNS has indicated that states will not need to provide any state matching funds as a condition of receiving these grants. Federal Funds Information for States estimates that Wisconsin's allocation of these funds will total \$18.7 million for the three-year period. It is likely that some FoodShare-related IM costs incurred by the IM consortia and tribes will be eligible for 100% federal funding, supported from these grants.

14. If the Committee wishes to provide additional funding to support local IM functions in the 2021-23, it could consider several options to increase base GPR funding by a percent increase, as shown in the Table 4.

**TABLE 4**  
**Alternative Funding Proposals -- IM Consortia and Tribes**

	2021-22			2022-23		
	<u>GPR</u>	<u>FED</u>	<u>All Funds</u>	<u>GPR</u>	<u>FED</u>	<u>All Funds</u>
Increase Base by 3%, Beginning in 2021-22	\$454,000	\$681,000	\$1,135,000	\$454,000	\$681,000	\$1,135,000
Increase Base by 5%. Beginning in 2021-22	756,600	1,134,900	1,891,500	756,600	1,134,900	1,891,500
Increase Base by 3% in 2021-22 and 6% in 2022-23	454,000	681,000	1,135,000	908,000	1,362,000	2,270,000
Increase Base by 5% in 2021-22 and 10% in 2022-23	756,600	1,134,900	1,891,500	1,513,300	2,270,000	3,783,300

15. If no additional state funding is provided to support the IM functions of the consortia and tribes, any increases in the cost of providing IM services in the 2021-23 biennium would be funded from local funds and federal funds. The federal funding could include a portion of the state grants for SNAP administration the state will receive under ARPA.

## ALTERNATIVES

1. Provide \$3,613,200 (\$1,445,300 GPR and \$2,167,900 FED) in 2021-22 and \$5,292,400 (\$2,117,000 GPR and \$3,175,400 FED) in 2022-23 to maintain the estimated average calendar year 2020 state support per IM case, based on the administration's IM caseload projections through the 2021-23 biennium.

<b>ALT 1</b>	<b>Change to Base</b>
GPR	\$3,562,300
FED	<u>5,343,300</u>
Total	\$8,905,600

2. Provide \$1,135,000 (\$454,000 GPR and \$681,000 FED) annually to increase base funding for the IM consortia and tribes by 3%, beginning in 2021-22.

<b>ALT 2</b>	<b>Change to Base</b>
GPR	\$908,000
FED	<u>1,362,000</u>
Total	\$2,270,000

3. Provide \$1,891,500 (\$756,600 GPR and \$1,134,900 FED) annually to increase base funding for the IM consortia and tribes by 5%, beginning in 2021-22.

<b>ALT 3</b>	<b>Change to Base</b>
GPR	\$1,513,200
FED	<u>2,269,800</u>
Total	\$3,783,000

4. Provide \$1,135,000 (\$454,000 GPR and \$681,000 FED) in 2021-22 and \$2,270,000 (\$908,000 GPR and \$1,362,000 FED) in 2022-23 to increase base funding for the IM consortia and tribes by 3%, in 2021-22 and by 6% in 2022-23.

<b>ALT 4</b>	<b>Change to Base</b>
GPR	\$1,362,000
FED	<u>2,043,000</u>
Total	\$3,405,000

5. Provide \$1,891,500 (\$756,600 GPR and \$1,134,900 FED) in 2021-22 and \$3,783,300 (\$1,513,300 GPR and \$2,270,000 FED) in 2022-23 to increase base funding for the IM consortia and tribes by 5% in 2021-22 and by 10% in 2022-23.

<b>ALT 5</b>	<b>Change to Base</b>
GPR	\$2,269,900
FED	<u>3,404,900</u>
Total	\$5,674,800

6. Take no action.

Prepared by: Charles Morgan







## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

---

June, 2021

Joint Committee on Finance

Paper #352

### **FoodShare Healthy Eating Incentive and EBT Equipment Funds (Health Services -- Medical Assistance and FoodShare Administration)**

[LFB 2021-23 Budget Summary: Page 275, #5 and #6]

---

#### **CURRENT LAW**

*Healthy Eating Pilot.* 2017 Act 266 provided \$425,000 in 2017-18 on a one-time basis to fund a pilot program to provide discounts on fresh produce and other healthy foods to FoodShare recipients. Under the Act, the Department of Health Services (DHS) was required to establish and implement a 10-month pilot program to provide 2,000 households that are eligible for FoodShare benefits in both urban and rural areas with discounts on fresh produce and other healthy foods at the point-of-sale at participating retailers. Further, DHS was required to obtain and review proposals to administer the program under the Department's request-for-proposal procedures and according to criteria developed by the Department. After reviewing the applications submitted, the Act required DHS to select an applicant and enter into a contract with that applicant to administer the healthy eating pilot. At a minimum, the selected applicant must: (a) manage all financial transactions between and among participants, retailers, food manufacturers, and DHS; and (b) establish an adequate network of participating retailers to effectively conduct the pilot.

Subsequently, DHS was required to contract with an independent research entity to conduct a study of the program and to identify a statistically significant number of participants in the pilot program to provide food purchase, nutritional, and health data to the independent research entity. Finally, the research entity was required to analyze the efficacy of the pilot program in affecting food purchases and the health of participating families. However, this program was never implemented and the funding was never expended or encumbered.

*EBT Equipment- Funding for Farmers and Farmers Markets.* The federal Agricultural Act of 2014 requires that supplemental nutrition assistance program (SNAP or FoodShare in Wisconsin) retailers purchase their own electronic benefit transfer (EBT) processing equipment.

However, states have the option to provide no-cost, EBT point of sale processing equipment to certain farmers markets and direct-marketing farmers that can be exempt from the federal requirement.

In federal fiscal year 2019, the U.S. Department of Agriculture, Food and Nutrition Service provided states an opportunity to obtain funding to provide farmers markets and direct-marketing farmers with equipment that can be used to process SNAP transactions. Twenty-nine states, including Wisconsin, applied for and received funding. Wisconsin received \$187,500 on a one-time basis. The administration indicates that this funding must be spent before the end of federal fiscal year 2021 (September 30, 2021) and anticipates having expended the full amount by that date.

## **DISCUSSION POINTS**

1. The federal supplemental nutrition assistance program (SNAP), called FoodShare in Wisconsin, provides federally-funded benefits to low-income individuals and families to buy food from participating retailers. In March, 2021, approximately 784,000 individuals, representing approximately 13% of Wisconsin's total population, lived in approximately 415,900 assistance groups (broadly households) that received FoodShare benefits.

2. The program is administered jointly by the federal, state, and local governments. At the federal level, the Food and Nutrition Service (FNS) in the U.S. Department of Agriculture (USDA) funds benefit payments, monitors state compliance with federal program rules, and oversees participating retailers. At the state level, DHS defines program policy within the bounds of federal regulatory guidance, oversees local agency operations, and conducts internal quality assurance activities.

3. SNAP benefits can be used to purchase foods including fruits and vegetables; meat, poultry, and fish; dairy; breads and cereals; other foods such as snacks and non-alcoholic beverages; and, seeds and plants, which produce food for the household to eat. Examples of what cannot generally be purchased with SNAP benefits include: beer, wine, liquor; vitamins, supplements, and medicines; prepared foods fit for immediate consumption; hot foods; or non-foods such as cigarettes, tobacco, cleaning supplies, or hygiene items.

## **Healthy Eating Pilot**

4. USDA can give a state permission to conduct a pilot to test new ideas, such as restrictions on certain foods or incentives for certain foods. However, historically, USDA has raised a number of concerns regarding proposals to limit what SNAP benefits can be spent including concern regarding: how to determine what foods are healthy as opposed to unhealthy; the complexity and cost involved in implementing and administering such requirements; as well as a lack of evidence to suggest that restricting certain foods will result in better health outcomes and not simply shift those purchases to other payment forms.

5. In 2016, USDA conducted a study examining point-of-sale food purchase data to

determine for what foods SNAP households have the largest expenditures, including both SNAP benefits and other resources, and how their expenditures compare to those made by non-SNAP households.

6. Similar to most American households, USDA found that: "approximately 40 cents of every dollar of food expenditures by SNAP households was spent on basic items such as meat, fruits, vegetables, milk, eggs, and bread; another 20 cents out of every dollar was spent on sweetened beverages, desserts, salty snacks, candy, and sugar; and the remaining 40 cents were spent on a variety of items such as cereal, prepared foods, dairy products, rice, and beans." In conclusion, USDA found that "there were no major differences in the expenditure patterns of SNAP and non-SNAP households, no matter how the data were categorized."

7. USDA has historically been more interested in programs that incentivize healthy eating, for example through programs that double the purchase value of SNAP benefits if spent on fresh fruits or vegetables. The administration indicates that the goal of the health eating incentive is to increase access to healthy food options, including fruits and vegetables, for FoodShare participants.

8. A 2020, meta-analysis (a statistical analysis that combined the results of multiple previous studies) of fruit and vegetable incentive programs for SNAP participants, published in *Nutrients* [a peer-reviewed research journal published by the Multidisciplinary Digital Publishing Institute], stated that "eating sufficient amounts of fruits/vegetables (FV) is vital for a healthy dietary pattern associated with a lower risk of cardiovascular disease and certain cancers." Further, "among Americans, lower income groups consume less FV than higher income groups, and this is a key socioeconomic disparity in overall dietary quality. Thus, it is important that low-income participants in federal food assistance programs in the United States, such as the Supplemental Nutrition Assistance Program (SNAP), have access to these foods."

9. The analysis goes on to note that "for SNAP participants specifically, it has been demonstrated that the cost of healthy foods is a barrier for improving dietary quality. Incentives expand the financial resources participants have available to purchase healthy foods, and thus address the barrier that the cost of these food poses to dietary quality."

10. As such, the Committee could repeal the provision that prohibits DHS from expending funds from the appropriation that was created to fund the pilot program after December 31, 2019. This would allow the Department to implement and evaluate the healthy eating incentive pilot using the existing one-time funding [Alternative A1]. No additional funding would be needed, as the budget authority for the pilot program remains unexpended as a continuing balance in the appropriation.

11. However, the meta-analysis notes that while healthy eating incentive programs are successful in improving program participants' perceptions of their health, none of the studies under review measured BMI or other health measures. The study concludes in part that "no longitudinal studies of the impact of incentive programs have been performed" and that "additional research is required to determine the long-term impact of these programs."

12. In order to provide the Department with an opportunity to address some of these lacking data points and to provide additional benefits under the healthy eating incentive pilot beyond the initial

10 months required under 2017 Act 266, the Committee could choose to fund the pilot on an ongoing basis. Under this alternative the Committee could choose to provide \$425,000 GPR annually beginning in 2022-23, since the first year of the pilot could be funded with existing funds if the Committee repealed the time restriction on those funds under Alternative A1 [Alternative A2].

13. On the other hand, the Committee could view the lack of data regarding long-term changes in behavior and health improvement measures beyond self-reporting, as a reason to only adopt Alternative A1 but not Alternative A2, which would allow the Department to implement and evaluate the healthy eating incentive pilot, as intended under 2017 Act 266, using the existing one-time funding prior to committing to ongoing funding.

14. As recommended by the administration, current changes to the healthy eating pilot would prohibit DHS from spending more than \$425,000 per fiscal year for the pilot program. However, there is no limit on how little DHS could choose to spend on the pilot once the Department has met its statutory obligation to conduct one 10-month pilot program under this provision.

15. As such, the Committee may wish to combine a decision under A2 with statutory changes to require that a minimum, not a maximum, of \$425,000 be spent on the healthy eating incentive pilot per fiscal year [Alternative A3].

16. Finally, the Committee could repeal all of the provisions relating to the pilot program and lapse the balance in the appropriation to the general fund in 2021-22 [Alternative A4].

### **EBT Equipment- Funding for Farmers and Farmers Markets**

17. As previously mentioned, the federal Agricultural Act of 2014 requires SNAP retailers to purchase their own EBT processing equipment, with some allowable exceptions including certain farmers markets and direct-marketing farmers.

18. As such, the Governor's budget would provide \$187,500 GPR annually to supply EBT processing equipment to farmers markets and direct-marketing farmers to participate in the FoodShare program. The administration indicates that providing such equipment to farmers markets and direct-marketing farmers will improve access to healthy foods for FoodShare participants. The funding amount is based on a current one-time federal grant of \$187,500 to fund such equipment through the end of federal fiscal year 2021. Prior to receiving the federal grant of \$187,500, the Department had not been providing any funds for this purpose.

19. State administrative costs for SNAP are typically shared 50/50 between SNAP state agencies and the federal government. In response to the COVID pandemic, the Consolidated Appropriations Act (CAA) provided \$100 million in federal funding for federal fiscal year 2021, for SNAP administrative expenses. This is 100% federal funding and does not require a match. The provision allocates the funds according to a formula that considers primarily the state's share of SNAP households and secondarily the increase in the state's SNAP participation over 12 months. Of the funding provided under the CAA, Wisconsin is anticipated to receive \$1,648,000.

20. Subsequently, the American Rescue Plan Act (ARPA) provided an additional \$1.15

billion to the CAA funding for SNAP administrative expenses. The funding is to be obligated in federal fiscal years 2021, 2022, and 2023. Of the funding provided under ARPA, Wisconsin is anticipated to receive \$21,768,000. However, USDA has not yet issued guidance regarding allowable uses of these administrative funds.

21. Beyond the general administrative funding, the CAA provided \$5 million to be split among three purposes: (1) additional support for FNS to test systems and provide technical assistance to retailers; (2) cooperative agreements or grants to provide assistance to direct-marketing farmers and farmers' markets; and (3) issuance innovation and technology improvement support (this includes development work regarding the mobile technologies projects authorized by the 2014 farm bill and testing methods to modernize EBT). ARPA provided \$25 million to USDA, available through federal fiscal year 2026, for four purposes: (1) to make technological improvements to SNAP online purchasing, (2) to modernize EBT technology, (3) to support mobile technology projects, and (4) to provide specified technical assistance to retailers.

22. In order to encourage farmers markets and direct-marketing farmers to participate in the FoodShare program, thereby increasing access to healthy foods for FoodShare recipients, the Committee may wish to provide \$187,500 GPR annually to supply EBT processing equipment to farmers markets and direct-marketing farmers to participate in the FoodShare program [Alternative B1].

23. However, due to the current uncertainty regarding allowable uses, and potential availability, of federal funds provided by the CAA and ARPA, the Committee may wish to provide \$187,500 GPR in each year of the biennium in the Committee's program supplements appropriation in the event DHS determines that it cannot support the costs of purchasing EBT processing equipment in the 2021-23 biennium using one-time federal funding the state will receive [Alternative B2].

24. In an April 23, 2021, letter to the Committee Co-Chairs, the Department of Administration indicated that the Governor intended to provide for the use of all forms of payment at farmers markets or farmers who sell food directly to the public and requested that the allowable uses of the grant funds include the purchase of credit and debit card processing equipment as well as FoodShare EBT processing equipment. It is unclear how this change would improve access to healthy foods specifically for FoodShare participants [B3].

25. Finally, the Committee could choose to take no action on this item [Alternative B4].

## **ALTERNATIVES**

### **A. Healthy Eating Pilot**

1. Repeal the current statutory provision that prohibits DHS from expending funds from the appropriation that was created to fund the healthy eating incentive pilot program after December 31, 2019.

2. Provide \$425,000 GPR annually, beginning in 2022-23, to fund an ongoing healthy

eating incentive pilot program.

<b>ALT A2</b>	<b>Change to Base</b>
GPR	\$425,000

3. In addition to Alternative A2, require a minimum, rather than maximum, expenditure of \$425,000 in each fiscal year funds are provided for the healthy eating incentive pilot.

4. Repeal all current provisions relating to the health eating pilot program. Lapse \$425,000 GPR to the general fund in 2021-22.

<b>ALT A4</b>	<b>Change to Base</b>
GPR-Lapse	\$425,000

#### **B. EBT Equipment- Funding for Farmers and Farmers Markets**

1. Provide \$187,500 GPR annually to fund EBT equipment for farmers markets and direct-marketing farmers who participate in the FoodShare program.

<b>ALT B1</b>	<b>Change to Base</b>
GPR	\$375,000

2. Provide \$187,500 GPR annually in the Committee's program supplements appropriation to fund EBT equipment for farmers markets and direct-marketing farmers who participate in the FoodShare program in the event DHS determines that such equipment purchases cannot be funded with one-time federal funds that may be available in the 2021-23 biennium.

<b>ALT B2</b>	<b>Change to Base</b>
GPR	\$375,000

3. Expand the allowable uses of grant funding to include not only EBT processing equipment for farmers markets and direct-marketing farmers, but also the purchase of credit and debit card processing equipment.

4. Take no action.

Prepared by: Alexandra Bentzen



## **Legislative Fiscal Bureau**

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

---

June, 2021

Joint Committee on Finance

Paper #353

### **FoodShare Employment and Training Program Reestimate (Health Services -- Medical Assistance and FoodShare Administration)**

[LFB 2021-23 Budget Summary: Page 276, #7]

---

#### **CURRENT LAW**

FoodShare is Wisconsin's name for the federal supplemental nutrition assistance program (SNAP). FoodShare enables low income individuals and households who meet a series of financial and non-financial eligibility criteria to receive monthly funds on an electronic benefit card to use on eligible food purchased at authorized retailers.

Able-bodied adults without dependents (ABAWDs) must meet a work requirement in order to remain eligible for FoodShare benefits. Under the work requirement ABAWDs must work, participate in qualifying education and training activities, comply with a workfare program, or a combination of these activities, for a total of at least 80 hours per month. ABAWDs who do not meet the work requirement can only receive FoodShare benefits for three months in a 36-month period.

FoodShare recipients in Wisconsin have the option to participate in the FoodShare employment and training (FSET) program, either as a way to meet the 80 hour per month work requirement for ABAWDs, or as a way to expand their career opportunities. The Department of Health Services (DHS) contracts with eight tribes and eight vendors in 11 FSET regions across the state to provide FSET services.

#### **DISCUSSION POINTS**

1. Federal law requires ABAWDs to meet work requirements in order to remain eligible for SNAP after exhausting three months of time-limited benefits in a 36-month period. An ABAWD is any individual who is: (a) age 18 to 49; (b) able to work; (c) not residing in a household with a child

under age 18, regardless of the relationship to the child; and (d) not pregnant.

2. ABAWDs are exempt from meeting the work requirements if they are: (a) determined unfit for employment due to receipt of temporary or permanent disability benefits, mental or physical inability to work, or verified as unable to work by a statement from a health care professional or social worker; (b) the primary caregiver for a child under age six or an incapacitated person; (c) receiving unemployment compensation, or have applied for unemployment compensation and are complying with unemployment compensation work requirements; (d) participating in an alcohol or other drug abuse treatment or rehabilitation program; (e) enrolled as a student of higher education and meeting the student eligibility requirements; or (f) receiving transitional FoodShare benefits.

3. Under the work requirement, ABAWDs must work, participate in qualifying education and training activities, comply with a workfare program, or a combination of these activities, for a total of at least 80 hours per month. Additionally, under federal law, the state is required to offer a SNAP employment and training program to SNAP enrollees who are subject to work requirements. In Wisconsin, this program is called FSET.

4. During the COVID-19 pandemic, the federal work requirement applicable to ABAWDs was largely suspended, pursuant to provisions in the federal Families First Coronavirus Response Act (FFCRA), and will remain suspended until the month after the national health emergency expires.

5. However, some "pledge" states, including Wisconsin, that agree to provide services to all ABAWDs who wish to participate in SNAP employment and training programs, qualify for an annual, sum certain 100% federally funded allocation to partially support eligible FSET costs. In order to maintain its eligibility for "pledge state" funding, Wisconsin was not able to suspend the ABAWD work requirement under FFCRA. Instead, DHS received federal approval to apply more broadly the ABAWD work requirement "good cause" exemption between March and July, 2020. Subsequently, the Department suspended the ABAWD work requirement by using administrative exemptions that expired on September 30, 2020.

6. The Department notified the U.S. Department of Agriculture, Food and Nutrition Services of Wisconsin's intent to temporarily suspend the ABAWD work requirement under provisions in federal law pertaining to high unemployment, effective October 1, 2020, through September 31, 2021. This request was approved on July 15, 2020.

7. The temporary suspension of the ABAWD work requirement has decreased enrollment in FSET compared to budgeted enrollment estimates in the 2019-21 biennium. The administration indicates that prior to the suspension of the ABAWD policy, approximately 1.35% of FoodShare participants were enrolled in FSET. Since the suspension of the ABAWD policy, approximately 0.95% of FoodShare participants have been enrolled in the FSET program. In estimating future FoodShare participation, the administration assumes that unemployment relating to the COVID-19 pandemic peaked in April, 2020, and that the economic recovery will largely mirror the recovery following peak unemployment during the Great Recession.

8. For the 2021-23 biennium, the administration anticipates that FSET enrollments will remain at 0.95% of FoodShare participants through September, 2021, returning to 1.35% of



FoodShare participants by December, 2021. As such, the Governor's funding recommendation for the program, as provided in his 2021-23 budget bill, is based on the administration's fall, 2020, total FoodShare caseload projections and the administration's FSET participation rate assumptions, yielding average monthly FSET caseload projections of 9,470 in 2021-22 and 10,764 in 2022-23.

9. However, with additional months of data, average monthly FSET enrollment is higher than anticipated for 2020-21. Specifically, while actual FSET enrollment has followed the assumption that approximately 0.95% of FoodShare participants will be enrolled in the FSET program during the suspension of the ABAWD work requirement, the total number of FoodShare enrollments has been higher than previously projected. In April, 2021, DHS estimated that average monthly FSET enrollment for 2020-21 would be 7,090. The average monthly FSET enrollment is now estimated to be 10,122 in 2021-22, and 11,493 in 2022-23.

10. Based on its original enrollment assumptions, the administration estimates that total per enrollee per month will be \$330.04 in 2020-21 and decrease to \$327.41 in 2021-22 and \$326.59 in 2022-23. These total expenses are primarily based on payments to the FSET program's vendors, but also include \$777,500 annually, which funds administrative expenses relating to the FSET program. Excluding the amounts for administrative expenses, the administration estimates average per enrollee per month payments to the FSET vendors of \$320.57 in both years of the 2021-23 biennium. When excluding administrative expenses, average monthly per enrollee payments to the FSET vendors have not changed based on the updated enrollment estimates.

11. FSET funding for the 2021-23 biennium will be offset by unspent carry over funding from 2020-21 resulting from a decrease in average monthly FSET enrollment between 2019-20 and 2020-21, in part due to the temporary suspension of the ABAWD work requirement. However, the updated data on FSET participation for 2020-21 and enrollment estimates for 2021-23, mean that available carry over funding will be less than estimated and costs will be higher than estimated in the Governor's recommendation.

12. Table 1 summarizes the Governor's original assumptions regarding caseload, cost, and funding estimates for the FSET program in the 2021-23 biennium.

**TABLE 1****Summary of 2021-23 FSET Expenses and Funding  
Governor's Recommendation**

	<u>2021-22</u>	<u>2022-23</u>
<b>Estimated Program Costs</b>		
Vendor Contracts		
Estimated Average Monthly Enrollment	9,470	10,764
Average Cost per Enrollee per Month	\$320.57	\$320.57
Annual Vendor Costs	36,429,600	41,407,400
DHS Program Administration	<u>777,500</u>	<u>777,500</u>
 Total Program Costs	 \$37,207,100	 \$42,184,900
 100% Federal Funding Offset (including "Pledge State" funds)	 \$2,590,900	 \$2,902,600
 <b>Funding Needs</b>		
Remaining Costs after 100% FED Offset	\$34,616,200	\$39,282,300
50% GPR Expenses	17,308,100	19,641,000
50% FED Expenses	17,308,100	19,641,300
 <b>Available GPR Funding</b>		
GPR Base Funding	\$14,623,800	\$14,623,800
Projected GPR Carry Over from Previous Year	<u>7,515,000</u>	<u>4,830,700</u>
Subtotal	\$22,138,800	\$19,454,500
 <b>GPR Surplus/Deficit</b> (Available GPR minus 50% GPR Expenses)	 \$4,830,700	 -\$186,500

13. Table 2 summarizes the updated caseload, cost, and funding estimates for the FSET program in the 2021-23 biennium.

**TABLE 2****Summary of 2021-23 FSET Expenses and Funding  
May, 2021, Estimates**

<b>Estimated Program Costs</b>	<u>2021-22</u>	<u>2022-23</u>
Vendor Contracts		
Estimated Average Monthly Enrollment	10,122	11,493
Average Cost per Enrollee per Month	\$320.57	\$320.57
Annual Vendor Costs	\$38,937,700	\$44,211,700
DHS Program Administration	777,500	777,500
 Total Program Costs	 \$39,715,200	 \$44,989,200
 100% Federal Funding Offset (including "Pledge State" funds)	 \$2,902,600	 \$2,902,600
 <b>Funding Needs</b>		
Remaining Costs after 100% FED Offset	\$36,812,600	\$42,086,600
50% GPR Expenses	18,406,300	21,043,300
50% FED Expenses	18,406,300	21,043,300
 <b>Available GPR Funding</b>		
GPR Base Funding	\$14,623,800	\$14,623,800
Projected GPR Carry Over from Previous Year	<u>6,174,600</u>	<u>2,392,100</u>
Subtotal	\$20,798,400	\$17,015,900
 <b>GPR Surplus/Deficit</b> (Available GPR minus 50% GPR Expenses)	 \$2,392,100	 -\$4,027,400

14. In developing the Governor's budget, the administration did not revise the Department's September, 2020, FSET vendor contract cost estimates to reflect rising caseloads during the fall and early winter. Further, notwithstanding the Department's current FSET caseload and cost estimates for the 2021-23 biennium, the administration has not requested that the Committee increase the amount of funding in the Governor's bill to reflect the current vendor cost projections. Consequently, the Committee could choose to provide the same funding increase recommended by the Governor in his bill (\$186,500 GPR and \$186,500 FED in 2022-23) [Alternative 1].

15. However, following implementation of the 2017-19 budget act, when final FSET funding was budgeted at a lower level than the Department anticipated, DHS indicated that FSET vendors eliminated positions, leading to increased caseloads for case managers and reductions in the individualized services available to participants. Additionally, some FSET vendors closed or reduced hours of operation for satellite offices, which particularly impacted Milwaukee based and rural FSET participants.

16. In order to ensure a full array of services is available to FSET participants, the Committee could choose to provide additional funding, as shown in Table 2, to fully fund the current assumptions regarding enrollment in the FSET program [Alternative 2]. Under this alternative, \$1,409,900 FED would be provided in 2021-22 and \$5,616,000 (\$4,027,400 GPR and \$1,588,600 FED) would be provided in 2022-23.

17. The reestimates of federal funding under both Alternative 1 and Alternative 2 include only a portion of the federal funding reestimate. As recommended by the Governor, the remaining federal reestimate has been included as part of the Department's federal revenue reestimate item, under which the federal appropriation supporting vendor costs would be increased by \$4,333,400 in 2021-22 and \$6,791,700 in 2022-23.

18. In consideration of the ongoing uncertainty regarding enrollment in both FoodShare and FSET, the Committee could choose to place the funding provided under Alternative 2 in the Committee's program supplements appropriation and require the Department to seek the release of these funds, if DHS determines that current base funding is insufficient based on actual FSET enrollment in the 2021-23 biennium [Alternative 3].

19. Finally, the Committee could choose to take no action on this item, thereby retaining base GPR funding for the program. Under this alternative, DHS could be unable to increase funding for vendor contracts to meet anticipated FSET enrollment increases [Alternative 4].

## ALTERNATIVES

1. Increase funding for FSET by the amounts recommended by the Governor in his budget bill, based on the administration's fall, 2020 caseload estimates by providing \$373,000 (\$186,500 GPR and \$186,500 FED) in 2022-23.

ALT 1	Change to Base
GPR	\$186,500
FED	<u>186,500</u>
Total	\$373,000

2. Increase funding for FSET by \$1,409,900 FED in 2021-22 and by \$5,616,000 (\$4,027,400 GPR and \$1,588,600 FED) in 2022-23 to reflect the current estimates of FoodShare enrollment and FSET program participation in the 2021-23 biennium.

ALT 2	Change to Base
GPR	\$4,027,400
FED	<u>2,998,500</u>
Total	\$7,025,900

3. In addition to Alternative 2, place the GPR funding increase in the Committee's program supplements appropriation.

4. Take no action.

Prepared by: Alexandra Bentzen

## **Health Services -- Medical Assistance and FoodShare Administration**

### **LFB Summary Items for Which No Issue Papers Have Been Prepared**

<u>Item #</u>	<u>Title</u>
3	Funeral and Cemetery Aids
8	Repeal FSET Drug Screening, Testing, and Treatment Requirements
9	Repeal FoodShare Work Requirement for Able-Bodied Adults with Dependents
10	Repeal Pay-For-Performance Payment System for FSET Vendors

