



Legislative Fiscal Bureau

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December 14, 2006

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health and Family Services: Expenditure Plan for Income Augmentation Funds --
Agenda Item VIII

Section 46.46 of the statutes provides that if the Department of Health and Family Services (DHFS) proposes to use income augmentation funds for any purpose other than for the purposes specified in statute, it must submit a plan for the proposed use of those funds to the Secretary of the Department of Administration (DOA) by September 1 of the fiscal year after the fiscal year in which those funds were received. If the DOA Secretary approves the plan, he or she must forward it to the Joint Committee on Finance by October 1 for the Committee's review and approval under a 14-day passive review process. DHFS can implement the plan only with the Committee's approval.

On October 2, 2006, Secretary Bablitch submitted to the Committee a request to approve a DHFS plan for the use of federal income augmentation funds. On October 17, 2006, the Co-chairs notified Secretary Bablitch that this matter would be considered at a future meeting of the Committee.

BACKGROUND

Income augmentation funds are unanticipated federal funds DHFS receives under Title IV-E (foster care), Title XIX (medical assistance, or MA), and Title XVIII (Medicare) of the federal Social Security Act as reimbursement for costs that were initially paid with state or local revenue, or revenue from one of these sources that would not otherwise have been available had it not been for activities conducted to augment federal income. During the past several years, this definition has expanded to include:

- Federal MA matching funds the state receives as reimbursement for case management services counties provide to children who are not eligible under Title IV-E but who are in out-of-home care. These funds are commonly referred to as "targeted case management funds."
- Federal MA funds the state receives by submitting MA claims for treatment services residential care centers (RCCs) provide to MA-eligible children.

The 2006 income augmentation plan also includes one-time revenue from an MA settlement that came as a result of a project completed by MAXIMUS, one of the DHFS revenue maximization contractors. After DHFS implemented a new accounting system in 1998-99, some MA-eligible costs incurred at the state mental health institutes during that year were either never billed to MA or denied payment. In 2004, DHFS contracted with MAXIMUS to review these claims to determine the amount of MA federal funds the state should have received as reimbursement for MA-eligible costs. As a result of the project, the state received an MA settlement payment in 2005. The net proceeds of this payment are included in the 2006 income augmentation plan.

All income augmentation revenue is deposited to a DHFS federal appropriation. There are no federal restrictions relating to the use of income augmentation funds. Consequently, the state can use these funds for any purpose.

Not all unanticipated federal revenue received under Title IV-E, Medicare, and MA are considered income augmentation funds. Income augmentation funds do not include unanticipated federal Title IV-E funds that may be needed to fund amounts budgeted for the community aids basic county allocation from this source. Income augmentation funds also do not include at least 50% of the Title IV-E funds DHFS receives after the statutory community aids basic county allocation commitment has been met. Under current law, these funds are distributed to counties as incentive funds to encourage them to adopt practices intended to augment federal income available under Title IV-E.

Under s. 46.46 of the statutes, DHFS may use income augmentation funds for costs that are exclusively related to the ongoing and recurring operational costs of augmenting federal income or for purposes previously approved by the Legislature by law or budget deliberations. In addition, DHFS may expend income augmentation revenue received as targeted case management funds to support the counties' share of implementing Wisconsin's statewide automated child welfare information system (WISACWIS) and to provide services to children and families through the Bureau of Milwaukee Child Welfare. If DHFS proposes to use income augmentation funds for any other purpose, DHFS must submit a plan of the proposed use of the funds to the DOA Secretary. If the DOA Secretary approves the plan, he or she must submit it to the Committee for approval under a 14-day passive review process.

PROPOSED DISTRIBUTION OF UNANTICIPATED REVENUE

The DHFS plan submitted to the Committee, as approved by DOA, indicates that \$40,398,700 in unanticipated federal revenue was collected and available through the end of 2005-06. This figure reflects revenue DHFS collected during several different time periods that ended prior to July 1, 2006. The targeted case management funds the administration has identified in its plan include revenue the state collected for a nine-month period, from April 1, 2005, through December 31, 2005, rather than for a 12-month period. Due to uncertainty over the effect of provisions included in the federal Deficit Reduction Act of 2005 on states' claiming these funds, the administration's plan did not identify, or propose expending, approximately \$2,664,700 of net targeted case management funds that the state collected in the three-month period from January 1, 2006, through March 31, 2006.

The statutes do not indicate when DHFS must lapse uncommitted income augmentation funds to the general fund. However, it is reasonable to assume that this lapse provision was intended to prevent DHFS from carrying over unallocated income augmentation funds in each year for inclusion in future income augmentation plans. If, for example, the Committee approves the administration's plan in its entirety, it could be argued that \$2,664,700 would lapse to the general fund at the conclusion of the 2006-07 fiscal year. This funding would be available to support GPR-funded programs in the 2007-09 biennium. Alternatively, if the Committee modifies the administration's plan, the amount of the estimated lapse would change to correspond with the net effect of the Committee's modifications -- reducing funding, or deleting items from the plan would result in a corresponding increase in funding that would lapse to the general fund, while increasing funding for the items in the plan, or adding new items, would result in a corresponding reduction in funding that would lapse to the general fund.

If the Committee deleted funding for all of the items in the plan, a total of \$15,832,600 would lapse to the general fund at the end of the 2006-07 fiscal year, including: (a) \$13,167,900 the administration proposed to expend in the plan; and (b) \$2,664,700 of net targeted case management funds the state received from January 1, 2006, through March 31, 2006.

Of the income augmentation revenue totals the administration identified in its plan, \$1,751,000 has been paid to a vendor under contract with DHFS to augment federal income. An additional \$6,651,300 will be provided to counties, as required under current law, as Title IV-E incentive funds to encourage counties to increase claiming of Title IV-E funds, and \$3,266,300 will be distributed to counties to pay residential care centers (RCCs) for documenting MA-reimbursable services they provide. The remaining funds (\$28,730,100) are available to the state as income augmentation funds. Of that amount, \$15,562,200 has either been budgeted for specific purposes by the Legislature in 2005 Act 25 (\$14,050,800), or will be needed to support future income augmentation activities (\$1,511,400). The attachment to this paper describes these previous revenue commitments. Consequently, under the administration's plan, the amount of funding currently available for consideration by the Committee is \$13,167,900 (this amount excludes \$2,664,700 of net targeted case management funds the state received from January 1, 2006, through March 31, 2006). Table 1 identifies how this unanticipated federal revenue would be distributed under the proposed plan.

TABLE 1

Proposed Allocation of Unanticipated Federal Revenue Available as of June 30, 2006

Total Unanticipated Federal Revenue*	\$40,398,700
Less Contractor Fee	-1,751,000
Less County Incentive Funds	-6,651,300
Less Payments for RCCs to Document MA Services	<u>-3,266,300</u>
Total Available as Income Augmentation Funds	\$28,730,100
Less Operational Costs Exclusively Related to Augmenting Federal Income	-\$1,511,400
Less Activities Previously Approved by the Legislature and Joint Committee on Finance	-\$14,050,800
Total Revenue Available	\$13,167,900
Proposed New Uses of Revenue under the Plan	
Improve Dental Access	\$4,251,300
Community Aids	349,400
Office of the Blind and Visually Impaired	635,200
MA Citizenship Verification	889,900
Vital Records Automation	2,077,700
Aging and Disability Resource Centers	2,000,000
Start-up Costs for County Consortia	
Implementing CMOs	400,000
Diagnosis and Treatment of Alzheimer's-	
Latino Community	300,000
Pandemic Flu Anti-Viral Drug Stockpile	<u>2,264,400</u>
Total Proposed Use of Revenue	\$13,167,900

*Excludes targeted case management funds DHFS received from January, 2006, through March 31, 2006. The estimated net revenue available from this source is \$2,664,700.

The subsequent sections of this paper describe and analyze the new initiatives DOA proposes to fund under the plan and provides options for the Committee's consideration.

ANALYSIS

A. DENTAL ACCESS

Description of Proposal

The administration requests that the Committee approve the allocation of \$4,251,300 to fund one-time grants for the following dental access initiatives: (a) \$350,000 to Scenic Bluffs Health Care Centers to help create a sustainable clinic and expand the number of patients served in

the La Crosse dental clinic; (b) \$309,000 to the Madre Angela Dental Clinic in Milwaukee, a portion of which will be used to provide additional school-based oral health services to Milwaukee schoolchildren; (c) \$341,000 to the Brown County Oral Health Partnership (OHP) to expand dental services to individuals in need in the Green Bay area; and (d) \$3,251,300 in one-time grants, ranging from \$25,000 to \$500,000, that DHFS would award through a competitive bid process, to increase dental access throughout the state.

Scenic Bluffs Community Health Center. This health center is a comprehensive, primary care practice that serves low-income and uninsured residents of La Crosse, Monroe, and Vernon Counties. Because Scenic Bluffs is a federally qualified health care center (FQHC), it receives cost-based reimbursement from the state for services it provides to MA recipients. Scenic Bluffs has dental practices in Cashton and La Crosse. Combined, the two locations have four dentists, three dental hygienists, and a waiting list of over 600 people. In 2005, the practice completed approximately 9,400 dental visits. The Cashton location has 10 dental operatories (work stations). The La Crosse location operates at Western Technical College when the space is not being used by students. At the La Crosse location, 81% of individuals served were MA recipients, and 15% were uninsured.

The DOA plan would support the purchase of equipment for four new work stations, as well as other equipment and physical improvements designed to increase capacity at its La Crosse dental clinic site, as itemized below.

Scenic Bluffs Community Health Center -- Proposed Use of Funds

Plumbing	\$40,000
Electrical	30,000
Construction	50,000
Digital Pan and X-ray heads	65,000
Misc. equipment, such as sterilizers and handpieces	20,000
Equipment for four operatories	100,000
Telephone equipment	<u>50,000</u>
Total	\$355,000*

*The plan would provide \$350,000 to support these costs.

Madre Angela Dental Clinic. The Madre Angela Dental Clinic, located in the City of Milwaukee, is a collaborative program sponsored by Columbia St. Mary's, an organization comprised of a number of hospitals, clinics, and other healthcare-related entities. Madre Angela has two dental programs. The first is a free clinic that serves uninsured patients with incomes less than 115% of the federal poverty level. The clinic is open 40 hours a week and employs 1.25 dentists. Approximately 15 dentists also volunteer services to the clinic. In 2005-06, the free clinic provided 5,560 dental encounters.

The second program provides preventive oral health services, including fluoride treatments, cleaning, sealants, and oral health education, to insured and uninsured Milwaukee schoolchildren in grades K-8 whose parents consent to the services. These services are provided through two school-

based teams, each of which consists of a dental hygienist and two dental assistants. Approximately 65-70% of the children who receive these school-based services are covered by MA, and Madre Angela receives MA reimbursement for the services provided to those children. During 2005-06, Madre Angela's school-based teams provided dental services to children in eight Milwaukee schools. As a result of recent outreach efforts, approximately 45 schools have indicated a desire to participate in the clinic's school-based program.

The clinic proposes to use \$140,000 of the requested \$309,000 grant to create an additional school-based team. Of that \$140,000, \$20,000 would be used to purchase additional portable equipment, with the balance used to pay salaries for team members. Madre Angela estimates that an additional school-based team will allow the clinic to serve approximately 1,800 more schoolchildren per year.

With respect to the remaining \$169,000, the clinic initially proposed using those funds to hire an additional full-time dentist and 1.5 dental assistants to help complete the range of treatments provided to uninsured children in its free clinic. Madre Angela has since indicated that it does not plan to use the \$169,000 for those purposes, but instead is studying other, more sustainable options.

Brown County Oral Health Partnership. The Brown County OHP is comprised of several nonprofit and volunteer agencies and organizations, as well as representatives from the business community. The OHP would allocate the one-time grant of \$341,000 to support the following: (a) staff, equipment, and supplies for the Howe Neighborhood Family Resource Center, which houses a three-chair dental room providing dental care to uninsured individuals, primarily low-income children; (b) supplies, such as sealants and fluoride treatments, for the Green Bay Head Start and WIC programs, which will also be used at the Howe Resource Center and in other community settings like the Boys and Girls Club and Salvation Army; (c) establishment of a fund to pay for the costs of catastrophic dental care for low-income individuals; and (d) funding to both increase the OHP's oral health coordinator position to full-time and hire a part-time assistant, enabling more effective work with the schools, the Howe Resource Center, Head Start, and other programs aimed at increasing access to care and education.

One-Time Dental Access Grants. The plan would provide DHFS \$3,251,300 that it would distribute as one-time grants, ranging from \$25,000 to \$500,000, that grantees would use to improve access to preventative and restorative dental services by expanding or creating successful local programs. DHFS would allocate these grants through a competitive bid process. Applicants could use these grants for a wide range of projects that have the goal of increasing dental access. The funding would be available for collaborative efforts, as well as individual organizations, including but not limited to public health departments, volunteer dental programs, technical colleges, federally qualified health care centers, and school districts.

Analysis

Recent studies indicate a significant unmet need for oral health services throughout Wisconsin. Access to dental services is particularly problematic for low-income Wisconsin residents. For example, a June, 2002, Wisconsin Primary Health Care Association report,

Wisconsin Dentist Workforce Survey 2001, found that only 20% of Wisconsin dentists reported accepting new MA patients. That report also found that 15 counties in Wisconsin did not have any primary care dentists accepting new MA patients.

In 2003-04, only 22.8% of fee-for-service MA recipients in Wisconsin received dental services. By contrast, information contained in the Report of the Governor's Task Force to Improve Access to Oral Health, dated June 13, 2005, indicated that the percentage of non-MA individuals who receive dental services each year ranges from 50% to 70%. That report identified a number of obstacles MA and BadgerCare recipients face in maintaining quality oral health and accessing dental care services, including low MA participation rate among dentists, the fact that few dentists were accepting new MA patients, long waiting lists, and a shortage of dentists, particularly in rural areas and for special needs populations. Dentists, in turn, cited inadequate MA reimbursements rates, burdensome MA paperwork, complicated prior authorization processes, and MA recipient behavior as factors contributing to low MA participation rates among Wisconsin dentists.

DHFS currently administers a number of programs that provide dental services to Wisconsin residents. The largest of these programs are MA and BadgerCare, which in 2005-06 spent a combined total of approximately \$29 million (all funds) for dental services provided to individuals who receive dental services on a fee-for service basis and an estimated \$12.0 million (all funds) for dental services for individuals who receive MA and BadgerCare services through managed care organizations

In addition to MA and BadgerCare, DHFS funds several other dental care programs. Those include, but are not limited to, funding for rural dental clinics in Ladysmith, Menomonie, and Chippewa Falls (\$987,600 GPR in 2006-07), funding for the Marquette Dental School (\$2,800,000 GPR in 2006-07), the Seal-a-Smile program (\$120,000 GPR and \$95,000 FED in 2006-07), and the donated dental services program (\$60,000 GPR in 2006-07).

As described above, there is a well-documented need to increase access to dental services for low-income individuals, including MA and BadgerCare recipients. DOA's plan would promote increased access to dental services for these populations. On that basis, the Committee could approve any or all of these dental access initiatives.

The Committee could also apply additional criteria when determining whether to fund these initiatives. One such factor the Committee could consider is whether DOA's initiatives will result in sustained, rather than one-time, increases in dental access. The Scenic Bluffs proposal, for instance, would use this one-time funding for building and equipment needs that, if addressed, could help sustain increased levels of dental services in the future. This is less true with respect to the Madre Angela proposal, which at this time appears to primarily fund additional staff salaries. The Brown County OHP proposal also focuses on additional staff and supplies, but according to staff involved in the project, the OHP could sustain those efforts after the one-time funding is expended. The one-time dental access grant applications could also be evaluated on their sustainability, but at this time it is not clear what criteria DHFS will use to evaluate those applications. DHFS could explicitly identify sustainability as an essential element of any such grant application.

In addition, the Committee could modify the funding that would be provided to Madre Angela to provide funding for the school-based team (\$140,000), but to delete funding for which no plan has yet been developed (\$169,000).

Another factor the Committee could consider is whether DOA's dental access initiatives enable the grant recipients to provide additional dental services covered by MA and BadgerCare. Any initiative that increases MA and BadgerCare enrollees' access to dental services will increase GPR spending for these programs. However, approximately 58% of the costs of MA-eligible services are supported with federal matching funds, as are approximately 71% of the costs of BadgerCare-eligible services provided to children, and to adults with incomes that exceed 100% of the FPL. Therefore, dental access initiatives that enable the state to receive additional federal MA funds could be viewed as enabling the state to leverage the investment represented by these one-time grants. Applying this criterion, all of DOA's dental access initiatives could enable the grant recipients to provide additional MA- and BadgerCare-funded dental services. This would not be true, however, if Madre Angela used a portion of its grant to provide dental services in its free clinic, since that clinic only serves patients that are not covered by MA or BadgerCare. As for the one-time dental grant applications, DHFS could evaluate those applications, in part, on their potential for accessing federal matching funds. At this time, however, that factor has not been explicitly identified in the grant application process.

The Committee could also transfer funding for the dental access grant program to the Committee's federal program supplements appropriation, for release to DHFS after DHFS has finalized the criteria it will use to distribute competitive grants. Under this option, DHFS would forward the criteria to the Committee, which could approve the criteria under a 14-day passive review process.

Alternatively, the Committee could either approve funding for the Scenic Bluffs Community Health Center, the Madre Angela Clinic, and the Brown County Health Partnership program, but delete funding for the dental access grant program, or provide funding for the dental access grant program but delete funding for the earmarked grants. The primary argument for funding the three programs is that they currently serve an underserved population, and have developed, or are developing, plans to expand the services they provide to this population. However, others could argue that these programs should be required to compete with other programs that may wish to apply for one-time grant funding. Under this argument, no funding would be earmarked specifically for these programs, but these programs could compete for grants, using the same application process that other applicants would use. DHFS would be required to evaluate these programs by using the same criteria it would use for other grant applicants.

Finally, the Committee may consider it inappropriate to use income augmentation funds for the purpose of creating new programs, including one-time programs that have never been considered by the full Legislature. The Committee may wish to consider the creation of these programs in the context of the 2007-09 biennial budget, when it can weigh the merits of these programs against other funding needs, particularly with respect to the MA, BadgerCare, and SeniorCare programs. In its 2007-09 budget submission, DHFS has requested approximately \$343 million GPR (\$98 million GPR in 2007-08 and \$245 million in 2008-09) to increase base funding

to support MA, BadgerCare and SeniorCare programs to reflect reestimates of the costs of providing services, caseloads, and funding adjustments. This "base reestimate" is intended to represent the costs of maintaining the current program, but does not include funding changes associated with changes in statutes, DHFS policies, or additional funding that the Governor and the Legislature may wish to provide to support rate increases to fee-for-service providers, including nursing homes, hospitals, and non-institutional providers (including dentists).

Alternatives

- A1. Approve DOA's proposal to provide \$4,251,300 for dental access initiatives.
- A2. Approve funding for one or more of the following:
 - a. Scenic Bluffs Community Health Center (\$355,000).
 - b. Madre Angela Dental Clinic (\$309,000).
 - c. Madre Angela Dental Clinic (\$140,000 to support only the school-based team).
 - d. Brown County Oral Health Partnership (\$341,000).
 - e. One-Time Dental Access Grants (\$3,251,300).
- A3. Modify the proposal by providing all of the funding (\$4,251,300) for DHFS to distribute as competitive, one-time grants. In developing its request-for-proposal, require DHFS to do any or all of the following:
 - a. Specify that all grants would one-time grants.
 - b. Require all grant applicants to demonstrate their ability to sustain the programs once the grant funding is expended.
- A4. Modify the proposal by reducing funding for competitive grants to one of the following amounts.
 - a. \$2,500,000.
 - b. \$2,000,000.
 - c. \$1,500,000.
 - d. \$1,000,000.
 - e. \$500,000.
- A5. Transfer all funding for grants (\$4,251,300) to the Committee's federal program supplements appropriation. Require DHFS to submit to the Committee proposed criteria DHFS would use to distribute these funds. Authorize DHFS to use these criteria to distribute grants unless the Committee notifies the DHFS Secretary that it wishes to meet to make changes to these criteria, under a 14-day passive review process.
- A6. Delete all funding for this item from the plan.

B. COMMUNITY AIDS

Description of Proposal

The DOA plan would provide \$349,400 to offset reductions in community aids that would otherwise occur due to a reduction in federal Title IV-B and the social services block grant.

Analysis

Community aids are state and federal funds DHFS distributes to counties on a calendar-year basis to support human services programs. These payments are funded with GPR, federal funds the state receives under the temporary assistance for needy families (TANF) block grant, federal Title IV-E foster care, Title IV-B child welfare, social services block grant (SSBG), the child care and development block grant, and mental health block grant funds. In calendar year (CY) 2007, DHFS is budgeted \$262.3 million (all funds) to fund community aids allocations to counties.

The amount of federal funding budgeted for CYs 2006 and 2007 community aids allocations under 2005 Act 25 was based on assumptions regarding total federal funds the state would receive from each source. However, the actual federal grant amount the state received under Title IV-B has decreased in each of the past three years, from \$5,545,900 in federal fiscal year (FFY) 2002-03 to \$5,168,300 in FFY 2005-06. In addition, the SSBG block grant allocation decreased from \$31,989,000 in FFY 2004-05 to \$31,811,200 in FFY 2005-06.

Title IV-B. In response to the Title IV-B funding reduction, DHFS reduced from the Act 25 budgeted levels funding for several programs, including community aids, that are supported from these sources. These reductions would require DHFS to reduce CY 2006 community aids allocations by \$183,300 and \$255,300 in CY 2007. In its 2007-09 biennial budget submission, DHFS requested funding to restore one-half of the CY 2007 reduction and all of the projected CY 2008 reduction, since these funds would be budgeted in the 2007-08 and 2008-09 state fiscal years. In summary, DHFS requests \$310,900 in federal income augmentation funds to fully fund budgeted CY 2006 and one-half of the amount needed to fully fund budgeted CY 2007 community aids allocations.

SSBG. DHFS initially budgeted \$26,952,700 in SSBG funds to support community aids in CY 2007. However, due to the reduction in the FFY 2005-06 award, the amount of funding available to meet this commitment is approximately \$78,600 less than the amount budgeted. DHFS proposes to allocate \$38,500 in income augmentation revenue to support approximately one-half of this amount. The rest of the funding needed to support the CY 2007 initial budget (\$40,100) and the CY 2008 budget (\$78,600) would be provided under the Department's 2007-09 biennial budget request.

The administration requests this funding so that counties will not be adversely affected by the federal funding reductions in CYs 2006 and 2007. If this funding is not provided, DHFS will

reduce the amount of each county's 2006 and 2007 community aids contracts. DHFS has not notified counties of possible reductions in CY 2006 contract amounts. Further, while DHFS has notified counties of their initial community aids allocations for CY 2007, the notification did not indicate the possibility of funding reductions that would occur if this part of the income augmentation plan is not approved.

Counties use community aids to support a portion of the total costs of their human services programs. However, counties contribute a significant amount of their own funds to support these programs. In CY 2005, counties contributed approximately \$353.7 million of their own funds to support services funded from community aids. If DHFS reduces counties' community aids allocations, counties could respond by reducing services, increasing the amount of property tax levy they use to support community aids, or both.

Based on counties' current expectations of their CYs 2006 and 2007 community aids allocations and the amount of county funds that currently support human services, the Committee may wish to approve this component of the income augmentation plan.

Others may argue that the state has no obligation to offset reductions in federally-funded programs, even with other federal revenues, and that because federal funding from these sources may not increase to previous levels, it is appropriate that community aids funding be reduced to reflect reduced federal support available for the program.

Because CY 2006 is nearly ended, the Committee could modify the administration's plan by providing \$183,300 to fully fund the CY 2006 contracts, but not provide \$166,000 to offset reductions in CY 2007 funding. This would provide counties the opportunity to respond to funding reductions DHFS would make in the CY 2007 contract amounts.

Alternatives

B1. Approve DOA's proposal to offset federal reductions in CY 2006 and CY 2007 community aids contracts (\$349,400).

B2. Modify the proposal to offset federal reductions in CY 2006 contracts, but delete funding that would be provided to offset reductions in CY 2007 contracts (\$183,300).

B3. Delete all funding for this item from the plan.

C. OFFICE OF THE BLIND AND VISUALLY IMPAIRED

Description of Proposal

The plan would provide \$635,200 to support the DHFS Office of the Blind and Visually Impaired (OBVI) in the 2007-09 biennium.

Analysis

OBVI is part of the Division of Disability and Elder Services (DDES) within DHFS. OBVI offers rehabilitation teaching services to assist blind and visually impaired individuals in achieving independent living. Individuals are taught techniques and the use of technology in a variety of areas such as daily living, mobility, household management, personal care, and communications. These specialized skills allow the individual to adapt and adjust to vision loss, and encourage independent living. OBVI currently serves approximately 2,000 individuals age 55 and older each year.

Beginning in 2005-06, base funding available to support OBVI, from a variety of sources, was reduced by approximately \$255,000 annually. This funding reduction occurred primarily because the Division of Vocational Rehabilitation in the Department of Workforce Development (DWD) prohibited DHFS from using base GPR funding as a match for federal Title IB (vocational rehabilitation) funds so that DWD could instead use the Title IB funds to support individualized employment plans for individuals with disabilities. As a result, OBVI funding was reduced by approximately \$110,000 FED annually. In addition, DHFS reduced GPR support for OBVI by approximately \$119,900 annually in response to GPR state operations funding reductions enacted as part of 2005 Wisconsin Act 25. DHFS has maintained vacant positions in OBVI and allocated one-time federal funding to address this reduction in base support for the office.

DHFS estimates that \$1,491,100 (all funds) in 2007-08 and \$1,504,100 (all funds) in 2008-09 would be needed to fully fund OBVI, based on the office's current authorized staffing level. However, current base funding to support the program is \$1,142,500, a difference of \$348,600 in 2007-08 and \$361,600 in 2008-09. DHFS proposes to reallocate \$58,800 GPR in 2007-08 and \$16,200 GPR in 2008-09 in base funds to OBVI, resulting in a need for \$289,800 in 2007-08 and \$345,400 in 2008-09 to maintain the current staffing level in the office.

In the plan submitted by DOA, \$635,200 in income augmentation funds would be used to offset the shortfall for OBVI. Of this amount, \$273,600 would be budgeted for 2007-08 and \$361,600 would be budgeted in 2008-09.

The income augmentation plan includes funding to fully staff OBVI for the next biennium. DHFS estimates that without the additional income augmentation funding, it would eliminate 6.5 of the office's current 17.3 authorized positions, beginning in 2007-08. Since 1.2 of these positions are currently vacant, the office's current (filled) staff would be reduced by 5.3 total positions, or

approximately 33%, beginning in 2007-08, if no additional funding were provided to support the office.

If the Committee wishes to maintain the current authorized staffing level for the office and set aside funding from the income augmentation plan to support costs that will be incurred in the 2007-09 biennium, it could approve this part of the plan.

Alternatively, the Committee could modify the plan by providing an amount of funding that would support the current 16.1 filled positions in OBVI. Under this alternative, \$500,000 (\$222,500 in 2007-08 and \$277,500 in 2008-09) would be provided from the income augmentation plan to provide OBVI supplemental funding to support a total of 16.1 positions in the 2007-09 biennium. As part of this alternative, the Committee could delete 1.2 positions (0.75 GPR position and 0.45 PR positions) effective January 1, 2007. Of these 1.2 positions, 1.0 position has been vacant since May, 2005, and 0.20 position has been vacant since it was created in November, 2004.

Finally, the Committee could consider the issue of funding OBVI in the 2007-09 biennial budget as part of the 2007-09 biennial budget deliberations, and delete funding for this purpose from the plan.

Alternatives

C1. Approve DOA's proposal to allocate \$635,200 to support OBVI in the 2007-09 biennium (\$273,600 in 2007-08 and \$361,600 in 2008-09).

C2. Modify the plan to allocate \$500,000 to fund OBVI in the 2007-09 biennium to support the number of filled positions OBVI had as of October 16, 2006, in the 2007-09 biennium (\$222,500 in 2007-08 and \$277,500 in 2008-09). In addition, delete 1.2 position (-0.75 GPR position and -0.45 PR position), effective January 1, 2007.

C3. Delete all funding for this item from the plan.

D. INCOME MAINTENANCE -- CITIZENSHIP AND IDENTITY VERIFICATION

Description of Proposal

The DOA plan would provide \$889,900 to increase payments to counties and tribes for income maintenance activities to fund increased workload resulting from new federal citizenship and identity requirements.

Analysis

Income maintenance (IM) refers to the eligibility determination and management functions associated with several federal and state programs. Under state law, county human and social service departments are required to enter into annual contracts with DHFS for the reasonable cost to perform eligibility functions for MA, BadgerCare, and FoodShare Wisconsin. DHFS also contracts with tribes for these functions. Administering agencies are responsible for processing applications, determining eligibility and payment levels, periodically making eligibility redeterminations, and maintaining accurate case files. In calendar year 2005, counties and tribes expended approximately \$91.8 million to support this function, which was supported by state funds (\$25.8 million), federal funds (\$46.0 million), and local funds (\$20.0 million).

The federal Deficit Reduction Act (DRA) of 2005 imposed a new requirement for MA clients and applicants to provide documentation of both their U.S. citizenship and identity to receive MA benefits. Prior to the enactment of the DRA, counties and tribes did not verify the citizenship and identity of applicants except in cases where information provided by an applicant appeared questionable. Interim federal regulations specify the procedure that IM staff must follow to verify each application. For proof of citizenship, applicants and recipients must provide a passport, certificate of naturalization, or proof of birth overseas to a U.S. diplomat. If they cannot produce any of those items, they must provide a birth certificate. For proof of identity, individuals must provide a driver's license, state-issued identification card, or school-issued identification card. The regulations permit DHFS to use automated data exchanges for as many recipients as possible. Automated data exchanges allow DHFS to use sources already in place, such as SSI and Medicare data, to verify citizenship. These provisions apply to MA eligibility determinations made after July 1, 2006, and to redeterminations made on or after that date for individuals who were not previously asked to present documents.

Current clients, including children, must produce the documentation at their next annual eligibility review, and new applicants must do so with their applications. If an applicant or current recipient cannot provide the required documents due to inability to pay for the documents, the local agencies are required to pay for the documents.

According to the current federal regulations, if the state is found to be out of compliance with the citizenship and identity provisions as described in the DRA, the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services will ask for a corrective action plan. If the state does not comply with the corrective action plan, the state could be denied federal matching funds for MA.

DHFS staff estimates that counties and tribes may require an additional 33,000 hours of staff time to comply with the new requirements. The one-time increase would be used to help offset counties and tribes increased workload for the following four groups of recipients: (a) recipients who still need to verify citizenship (approximately 1,900 cases); (b) recipients who still need to verify identity (146,100 cases); (c) recipients who still need to verify both citizenship and identity (61,400 cases); and (d) new applicants who need to verify citizenship and/or identity (120,000 cases). DHFS staff estimates that each of these additional verification activities will add

an additional six minutes of workload, at a cost of \$56.50 per hour. The DHFS estimate of the average hourly cost of funding IM activities includes salary and fringe benefits costs of staff, as well as other variable and fixed costs counties and tribes incur to conduct income maintenance activities. DHFS uses this average hourly cost figure in its IM workload model.

In summary, DHFS estimates that the additional cost to counties and tribes of conducting these verification activities will be approximately \$1,860,800 (329,343 verifications x 0.1 hours per verification x \$56.50 per hour). Since the plan would provide \$1,779,800 (\$889,900 income augmentation funds and \$889,900 FED) to support these costs, the plan would not fund approximately \$81,000 in estimated costs, which would be supported by counties (\$40,500) and federal matching funds (\$40,500). The request does not include any funding to support costs counties and tribes may incur to provide financial assistance to recipients who must obtain documentation information, although counties and tribes are obligated to provide this service to needy recipients. DHFS estimates that, if 5% of recipients request this financial assistance from counties and tribes, counties and tribes would need an additional \$348,000 to support these costs, which would not be funded under the plan.

This request would not provide funding for the ongoing costs of these activities. Instead, DHFS has requested funding for this purpose in its 2007-09 biennial budget submission.

During the past several years, counties and tribal agencies have assumed an increasing share of the costs of conducting IM activities. In calendar year 2005, counties and tribes funded approximately 21.8% of total IM costs, an increase from 15.5% in 2001. In addition, county and tribal agencies are required to conduct the citizenship and identity verification procedures as a part of their IM contract with the state. They will be monitored regarding compliance, and the state could receive sanctions from the federal government if non-compliance is found.

In light of the DHFS estimates of additional costs counties and tribes will likely incur to comply with the new federal verification requirements and the increasing percentage of total IM costs that counties are incurring, the Committee may wish to approve this component of the plan.

Alternatively, the Committee could modify the DOA plan to provide an additional \$40,500 to fully fund DHFS estimates of the additional costs counties and tribes will incur to conduct verification activities.

It is difficult to assess the actual staff costs that counties and tribes have incurred and will continue to incur to conduct these additional verification activities because counties and tribes do not report IM staffing adjustments they make to DHFS to reflect changes in their workloads. For this reason, it is not known: (a) to what extent counties and tribes have increased IM staff; (b) whether current county and tribal staff are working overtime; or (c) whether IM staff have reduced or deferred other activities to comply with the new federal verification requirements. The DHFS IM workload model is based on an assumption regarding the time it takes IM workers to conduct these verification activities (an average of six minutes per verification). However, the actual time it takes to conduct verifications will vary by case.

While the federal requirements will increase IM staff time to process applications and renewals, it is not certain how this increase in workload will affect costs incurred by counties and tribes. Further, the state does not currently support all costs counties and tribes incur to perform income maintenance activities. For these reasons, the Committee could choose to provide any funding amount it deemed appropriate to the counties and tribes to support these additional costs, or delete funding that would be provided for this purpose from the plan.

Alternatives

D1. Approve DOA's proposal to allocate \$889,900 in income augmentation revenues, which would be matched with an equal amount of federal MA (administration) matching funds, for DHFS to provide a one-time increase to local agencies' income maintenance contracts.

D2. Modify the plan to allocate \$930,400 in income augmentation revenues, which would be matched with an equal amount of federal MA (administration) matching funds, for DHFS to provide a one-time increase to local agencies' income maintenance contracts.

D3. Modify the plan to allocate one of the following amounts in income augmentation revenues, which would be matched with an equal amount of federal MA (administration) matching funds, for DHFS to provide a one-time increase to local agencies' income maintenance contracts.

- a. \$1,000,000.
- b. \$750,000.
- c. \$500,000.

D4. Delete all funding for this item from the plan.

E. VITAL RECORDS

Description of Proposal

The administration's plan would provide \$2,077,700 to support the redesign, modernization, and automation of the state's vital records system, and to facilitate the data entry of birth and death records as mandated by the Intelligence Reform and Terrorism Prevention Act of 2004 ("Intelligence Reform Act") and the Real ID Act of 2005. DHFS estimates the total cost of bringing Wisconsin's vital records systems into compliance with those statutes will be \$24.3 million. The plan, therefore, seeks funding that would help DHFS begin, rather than complete, this vital records project.

Background. The current status of Wisconsin's vital records depends on the type of record and the date it was created. For example, birth records from 1907 through 1947 are paper documents, most of which are handwritten, and many of which are in deteriorating condition. These records have not been microfilmed, nor has the information they contain been entered into

the vital records office's mainframe computer. More recent birth records have been partially modernized. Records from 1948 through 1993, for instance, have been microfilmed, and some of the information pertaining to those records has been entered into the office's mainframe computer. Birth records from January 1, 1994 to present are all electronically filed and indexed. Unlike birth records, all death, marriage and divorce records are still created and filed by paper.

The Intelligence Reform Act. One goal of the Intelligence Reform Act is to improve the procedures states use to maintain birth records and to issue birth certificates. To that end, the Intelligence Reform Act directs the Secretary of Health and Human Services (HHS) to promulgate regulations that, among other things, require the following: (1) certification of the birth certificate by the state or local government custodian of record that issued the certificate, the use of safety paper or an alternative, equally secure medium, the seal of the issuing custodian of record, and other features designed to prevent tampering, counterfeiting, or otherwise duplicating the birth certificate for fraudulent purposes; (2) proof and verification of identity as a condition of issuance of a birth certificate, with additional security measures for the issuance of a birth certificate for a person who is not the applicant; and (3) standards for the processing of birth certificate applications to prevent fraud.

HHS has not promulgated the necessary regulations, even though the statutory date by which it was to have done so passed. DHFS anticipates that draft regulations will be circulated in late 2006 or the first quarter of 2007, followed by a 90-day public comment period and final adoption. The date final regulations are promulgated is an important milestone under the Intelligence Reform Act because once those regulations are promulgated, states have two years to comply with the new standards (the Secretary can, however, grant a two-year extension if a state is deemed to have made "reasonable efforts" to comply within the original two-year period). If a state is not in compliance with the new federal regulations by the end of those two years, the statute prohibits federal agencies from accepting for any "official purpose" a birth certificate issued by that state. Although the Intelligence Reform Act does not define "official purpose," the Real ID Act defines that term in a similar context to include, but not be limited to, "accessing Federal facilities, boarding federally-regulated commercial aircraft, entering nuclear power plants, and any other purpose the Secretary shall determine."

Given the HHS delay in promulgating regulations, it is not known exactly what the Intelligence Reform Act will require with respect to birth certificates. Through contacts with groups and individuals involved in that rule-making process, however, DHFS believes the new regulations will require extensive work to modernize and automate Wisconsin's vital records systems. Perhaps the most significant task will be the electronic data entry of all birth and death records from 1935 to present. According to DHFS, this will require not only the electronic data entry of millions of birth and death records, but also substantial research to ensure those electronic records include the information required by the new federal standards. For example, it is expected that those standards will require birth records to indicate whether the subject of the record is deceased. Considered an important anti-fraud measure, implementing it will require a significant one-time research project to match millions of birth and death records. Further research will also be required to ensure that the electronically-maintained birth records reflect other essential information, such as legal name changes.

The following table summarizes the DHFS estimate of how much it will cost to fully implement what it believes are the vital records modernization and automation requirements of the Intelligence Reform Act:

**Intelligence Reform Act
Estimated Implementation Costs**

	Fiscal Year			<u>Total</u>
	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	
Online Costs	\$456,700	\$2,058,400	\$456,700	\$2,971,800
Hosting	242,500	485,000	485,000	1,212,500
Maintenance and Support	<u>408,300</u>	<u>816,600</u>	<u>816,600</u>	<u>2,041,500</u>
Subtotal	\$1,107,500	\$3,360,000	\$1,758,300	\$6,225,800
Preservation				
Birth Records	\$3,282,300	\$6,564,700	\$3,282,300	\$13,129,300
Death Records	<u>1,250,000</u>	<u>2,500,000</u>	<u>1,250,000</u>	<u>5,000,000</u>
Subtotal	\$4,532,300	\$9,064,700	\$4,532,300	\$18,129,300
Total	\$5,639,800	\$12,424,700	\$6,290,600	\$24,355,100

DHFS developed this cost estimate based on conversations with other states' vital records offices and with potential vendors. As the above table indicates, nearly 75% of the total anticipated compliance costs relate to the "preservation" of birth and death records (that is, the conversion of existing records into the new electronic system, along with the research required to ensure those newly-created electronic records comply with the federal requirements). The remaining 25% of the estimated compliance cost is for the purchase of a new computer system required to support this automation project, as well as other IT-related costs.

The Real ID Act. The Real ID Act seeks to improve and standardize the procedures states use to issue drivers' licenses and identification cards. It does this, in part, by requiring applicants to present certain documents in order to obtain a driver's license. Those documents include a photo identity document, proof of the person's social security number (or verification that the person is not eligible for a social security number), documentary evidence of the person's legal status in the United States, documentation of the person's name and principal residence, and documentation showing the person's date of birth. The issuing state must then "verify, with the issuing agency, the issuance, validity, and completeness of each document required to be presented by the [driver's license applicant]."

The Real ID Act does not describe how states are to "verify" the authenticity of these documents, nor has the Department of Homeland Security (DHS) issued the regulations states hope will provide guidance on that issue. Staff from the National Conference of State Legislatures

(NCSL) indicate that the DHS Real ID Act regulations may be released in late 2006 or early 2007, though the exact timing remains uncertain.

Despite the absence of the anticipated DHS regulations, DHFS believes the Real ID Act's "verification" mandate, described above, will require states to access several national information systems in order to electronically verify the authenticity of the documents presented by drivers' license applicants. One of those systems is the Electronic Verification of Vital Events (EVEE), an electronic hub that receives inquiries from state DMV offices, for example, and redirects those inquiries to the appropriate state's electronic vital records database. As this description implies, the efficacy of the EVEE system depends upon individual states having in place an electronic vital records database that other states can access through the EVEE hub.

The Real ID Act requires states to comply with its mandates by May 11, 2008, although the Secretary of Homeland Security can grant a state an extension if the state provides adequate justification for its noncompliance. DHFS has indicated that it believes the Real ID Act's verification mandate requires states to complete the electronic data entry of all birth and death records from 1935 to the present by that May 11, 2008 deadline, absent an extension. In other words, DHFS believes the Real ID Act, as currently written, requires that the entire modernization and automation of Wisconsin's vital record systems, as described above, must be completed by May 11, 2008.

As indicated, DHFS estimates the total cost to complete this project at \$24.3 million. That estimate notwithstanding, DHFS did not request any additional funding for this project in its 2007-09 budget request. Rather, DHFS has indicated that the requested income augmentation revenues (\$2,077,700), combined with \$490,000 in federal grant money, and approximately \$1,500,000 in unexpended program revenues (PR) from vital records fees, will enable it to contract for the purchase of the new computer system needed for the project, and to begin the electronic data entry of birth and death records. As for the balance of the funds needed to complete the vital records project, DHFS indicated that the Governor's budget may address the issue of alternative revenue sources.

Analysis

As the foregoing discussion suggests, there is uncertainty regarding the implementation of the Intelligence Reform Act and the Real ID Act. That uncertainty is largely due to the failure of federal agencies to promulgate the necessary regulations. In the case of the Intelligence Reform Act, that delay has not only created uncertainty about the Act's specific requirements, but it has pushed the mandatory date for state compliance back to sometime in 2009, at the earliest (assuming final regulations are promulgated in 2007). Therefore, the more immediate statutory deadline is the Real ID Act's May 11, 2008 date. As discussed, DHFS believes the Real ID Act effectively requires Wisconsin to complete its vital records modernization and automation project by May 11, 2008.

Various organizations have questioned the feasibility of requiring states to fully comply with the Real ID Act by that date. Concerns have also been raised about the cost of implementing

the Real ID Act's mandates. For example, a September, 2006, report presented by the National Governors Association, NCSL, and the American Association of Motor Vehicle Administrators entitled, The Real ID Act: National Impact Analysis, estimated that implementing the Real ID Act's minimum standards would cost states, in the aggregate, more than \$11 billion over five years. That report also concluded that, "Governors, state legislators and motor vehicle administrators are committed to improving the security and integrity of state DL/ID systems, but the timelines and requirements mandated by Real ID are unrealistic."

NCSL has indicated that many states appear to be proceeding cautiously with respect to implementing the Real ID Act, in part because they are waiting for additional federal guidance. Representative of that approach, perhaps, is an August 11, 2006, Statewide Information Technology White Paper drafted by the Information Technology Services Division of the Montana Policy and Planning Services Bureau that indicated that Montana's Motor Vehicle Administrator considers the May 11, 2008 a "start date" for implementation, and that it is "not planning to do anything until that time because there are many questions and issues that the feds have not yet answered."

DOA's plan includes \$2,077,700 of income augmentation revenues for this vital records project. Of that \$2,077,700, DHFS intends to apply \$500,000 toward the purchase of the new computer system, and the remaining \$1,577,700 for the electronic data entry, and preservation, of birth records for the period 1982-1993. The following table provides additional details regarding the \$1,577,700 portion of the request:

<u>Time Period</u>	<u>Birth Records</u>	<u>Data Entry @ \$.50/record</u>	<u>Preservation Costs (microfilm & reel storage)</u>	<u>Research Costs (6 records/hour @ \$15/hour)</u>	<u>Less adjustment for condition of records</u>	<u>Total Cost</u>
1982-1993	864,402	\$432,201	\$36,292	\$2,161,005	60%	\$1,577,700

The cost estimates reflected in the above table are based on information DHFS obtained from other states vital records offices and from prospective vendors. The 60% "adjustment for condition of records" reflects the expectation that research costs associated with records from this period will be relatively less expensive than will be true for older records. As this table indicates, the estimated cost of \$1,577,700 pertains just to birth records for the period 1982 through 1993. As further evidence of the enormity of this project, DHFS estimates that the total data entry and preservation costs for all birth records (not death records) from 1935 to 1993 will cost approximately \$13,129,300, and will require hundreds of thousands of hours of research and data entry. The difficulty of these tasks is compounded by the fact that given the nature of these vital records, all this work must be performed at the Department's Madison offices.

Despite the significant amount of resources involved, both monetary and human, DHFS has indicated that its goal is to complete the entire project by May 11, 2008. Even if the current request is granted, and additional funding is provided in the upcoming biennial budget process, DHFS characterized that goal, however, as very optimistic, and stated that a three- to four-year completion schedule was more realistic.

The Committee could decide that despite the uncertainties regarding the exact nature and timing of the federal mandates, federal law will almost certainly require the state to make a significant investment in its vital records system. It is also true that current uncertainties notwithstanding, the Real ID Act contains a May 11, 2008, compliance date that, in the absence of further guidance by the federal government, obligates Wisconsin, at a minimum, to upgrade its vital records systems to allow the verification of birth certificates presented by drivers' license applicants. Approving DOA's request would enable DHFS to take meaningful, albeit initial steps towards complying with that mandate, or alternatively, to demonstrate that reasonable efforts were made to comply within the period set by law.

Given the size of the project, and the potentially serious consequences if Wisconsin fails to timely comply with the federal mandates, the Committee could also decide to allocate more than \$2,077,700 of income augmentation revenues towards this project.

Conversely, the Committee could deny DOA's vital records request and defer further consideration of the matter until the 2007-09 biennial budget process. The Real ID Act also imposes new requirements for the Department of Transportation to meet. In its 2007-09 biennial budget submission, the Department of Transportation has requested approximately \$20.7 million SEG (transportation fund) to begin implementing provisions of the Real ID Act. One possible advantage of proceeding in that fashion is that the federal government may provide additional guidance in the interim. Dealing with this project in the context of the larger budget process would also allow the Committee to consider how DHFS intends to fund the total estimated cost of \$24.3 million. In addition, the federal legislation indicates that federal funding will be provided to assist states in implementing the new requirements, although the amount of federal assistance Wisconsin may receive is uncertain at this time. The downside of denying DOA's vital records requests is that it would delay the Department's efforts to comply with the federal mandates.

Alternatives

E1. Approve DOA's proposal to allocate \$2,077,700 in income augmentation funds for DHFS to begin the modernization and automation of the state's vital records systems as mandated by the Intelligence Reform Act and the Real ID Act.

E2. Approve an alternative amount of income augmentation funds for DHFS to begin the modernization and automation of the State's vital records systems as mandated by the Intelligence Reform Act and the Real ID Act.

E3. Delete all funding for this item from the plan.

F. FAMILY CARE EXPANSION

Description of Proposal

The plan would provide \$2 million to fund costs associated with opening new aging and disability resource centers (ADRCs) under Family Care, and an additional \$400,000 to fund start-up costs for county consortia that are establishing new care management organizations (CMOs) under Family Care.

Analysis

The Family Care program is a comprehensive, long-term care program that was created to improve the quality of long-term care services individuals receive, provide individuals with more choices and greater access to services, and to be a cost-effective system for delivering long-term care services. The program, which provides comprehensive services to elderly, physically disabled, and developmentally disabled individuals, operates under four federal waivers, and consists of two major components.

First, ADRCs provide information, assessments, eligibility determinations, and other preliminary services. Second, care management organizations (CMOs) manage and provide the Family Care benefit for every person enrolled in the program under a capitated, risk-based payment system. The Family Care benefit provides a comprehensive and flexible range of long-term care services, including the types of services currently available under the community options program (COP), the MA community-based waiver programs, and the MA fee-for-service program. Examples of services CMOs must provide include supportive living services, supported employment services, adult day care, respite care, supportive home care, residential services, nursing home services, personal care services, home health services, and therapy services. Funding for acute care services, such as hospital and physician services, are not part of the monthly capitation rate CMOs receive, which are billed to MA on a fee-for-services basis.

As of November, 2006, sixteen counties were independently operating ADRCs (Fond du Lac, Jackson, Kenosha, La Crosse, Marathon, Milwaukee, Portage, Richland, Trempealeau, Brown, Barron, Green, Wood, Manitowoc, Sheboygan, and Forest), while six counties were operating two additional ADRCs collaboratively (Calumet/Outagamie/Waupaca and Green Lake/Marquette/Waushara). Currently, five counties are operating CMOs (Fond du Lac, La Crosse, Milwaukee, Portage and Richland). Four of the CMOs (Fond du Lac, La Crosse, Portage, and Richland) provide services to individuals who are elderly, developmentally disabled, and physically disabled. The Milwaukee County CMO serves only the elderly population.

2005 Act 386 eliminated the "pilot" status of the Family Care program and authorized DHFS to expand the program to serve up to 50% of the eligible statewide population, if the Joint Committee on Finance approves the expansion under a 14-day passive review process.

Additional counties engaged in the planning process anticipate operating ADRCs and CMOs, beginning in early to mid-2007. In general, DHFS encourages counties to open ADRCs and

begin providing information and enrolling clients approximately two months prior to the opening of a CMO in a given area. Currently, the Department anticipates the Southeast Wisconsin CMO (Racine and Kenosha counties) to begin operations in early 2007, with the West Central Wisconsin CMO (St. Croix, Dunn, Eau Claire, and Chippewa counties) to follow later in the year. Kenosha and Racine are currently served by an ADRC in Kenosha, and plans have been announced to contract for an ADRC in Racine within the next several months. The funding requested for ADRC operations (\$2 million in 2006-07) would be directed towards opening an ADRC to support the West Central CMO. Department staff anticipates that the ADRC would become operational in March, 2007, with an estimated budget of \$488,000 for 2006-07. Expenditure authority for the remaining funds (\$1,512,000) would be carried forward into 2007-08 to support ongoing operational expenditures. In its original request, DHFS staff estimated that approximately \$742,100 would be required to fund ADRC expenses in 2006-07. However, this estimate was based on the assumption that the ADRC would open earlier in 2007 than is now anticipated.

Funding provided to the West Central ADRC under this request would fund start-up costs and ongoing operations, including direct expenses (such as telephone, rent, supplies and services), administrative costs, and staff to supply client services (which include responding to inquiries, assessing client needs, processing potential CMO enrollees, providing information and assistance, benefits options counseling, and short-term coordination and case management services). Although the funding requested is one-time in nature, it would be allocated to support ongoing expenditures that will eventually require a permanent funding source. Further, since most of the funds requested for ADRCs are not expected to be required until 2007-08, the programs' needs could be met by providing only the portion of the funding requested for use during the current biennium, and to assess ongoing funding requests for expenditure authority in 2007-08 in the context of the 2007-09 biennial budget deliberations.

The portion of the request related to the support of CMOs (\$400,000 in 2006-07) would be used to fund a portion of the start up costs expected to be incurred by the South east and West Central CMOs as they prepare to open for service in early 2007. Currently, it is expected that funding would support key staff (such as a network developer, a quality coordinator, and a fiscal supervisor) during the phase-in period between when the staff are hired, and when their salaries are able to be fully-funded by the contracted capitated payments to the CMOs. Funds would also support one-time costs related to technical infrastructure, such as information technology and business systems, and optical imagers (for enhancing capacity for medical records imaging). Any ongoing component to these costs would be supported by the capitated rate received by the CMO for clients served.

The Committee could consider several options regarding funding for this item. First, the \$2.4 million requested could be approved in its entirety, with the possibility of revisiting the funding of Family Care expansion proposals during deliberations on the 2007-09 biennial budget.

Second, the Committee could choose to approve funding to support costs that are expected to be incurred in the current fiscal year (\$888,000, of which \$488,000 would be provided for the expansion of ADRCs and \$400,000 for the support of CMO start-up costs). Future funding could be reviewed in the larger context of the 2007-09 biennial budget deliberations.

Finally, the Committee could choose to delete this item from the plan. DHFS indicates that it does not plan to reallocate funding within the Family Care program to support the additional costs expected for the ADRC expansions and CMO start up costs anticipated to occur during the 2006-07 fiscal year. Consequently, the ability of these programs to provide services may be delayed until additional resources are provided for their operation in 2007-08, potentially delaying the expansion of the Family Care program to several regions of the state by up to four months.

Alternatives

F1. Approve DOA's proposal to provide \$2,400,000 to support aging and disability centers (\$2,000,000) and start-up costs for county consortia to develop CMOs (\$400,000)

F2. Modify the plan to provide \$888,000 to support costs that are expected to be incurred in 2006-07, including \$488,000 for ADRCs and \$400,000 to support CMO start-up costs.

F3. Modify the plan to provide \$488,000 to support ADRC costs that are expected to be incurred in 2006-07.

F4. Delete all funding for this item from the plan.

G. DIAGNOSIS AND TREATMENT OF ALZHEIMER'S DISEASE IN THE LATINO COMMUNITY

Description of Proposal

DOA proposes to allocate \$300,000 to support a program to address the problem of untreated Alzheimer's disease and similar forms of dementia (AD) in the Latino community.

Analysis

According to the most recent United States census, there are approximately 100,000 Latino residents in Milwaukee County. A May, 2005, study in the Archives of Neurology of the Journal of the American Medical Association found that Latino individuals develop AD, on average, 6.8 years earlier than the rest of the population. The cause of the earlier onset in Latino individuals is not yet known.

DHFS would use this funding to support focus groups with caregivers and physicians to enable DHFS to determine the barriers elderly Latino individuals face in accessing care. Additionally, DHFS would use these funds to conduct dementia screening services for Latino seniors and care coordination for those with AD in the Milwaukee area. Finally, the proposal includes funding for the development of educational and outreach materials for family medicine

and primary care physicians who serve high numbers of Latino clients. The administration has not provided an itemized budget for the use of these funds.

There are potential benefits to obtaining an early diagnosis and treatment for those with AD. Although drug treatment has proven to be only modestly effective thus far in reversing the damage of AD, it has been somewhat effective in preventing the symptoms from getting worse. Additionally, an early diagnosis of AD allows the affected individual to take part in important discussions involving care options and legal, financial, and family matters; while he or she is still able to take part in making such decisions. Finally, once an individual is diagnosed with AD, relatively small changes can be made to the home environment in order to create a routine and reinforce daily behavior patterns. Such a routine can help individuals with AD to thrive in a non-institutional setting. The early diagnosis and treatment of AD can help to save public dollars in the long-run because of the positive effects of starting drug therapy early and the cost savings from preventing institutionalization.

If the Committee determines that funding for this project is a priority use of income augmentation funds, it could approve this portion of the plan.

Alternatively, the Committee could delete this item from the plan. Under these options, the Committee could consider providing funding, or additional funding, for this purpose as part of its 2007-09 budget deliberations.

Alternatives

G1. Approve DOA's proposal to allocate \$300,000 in income augmentation revenue for DHFS to fund Alzheimer's education, diagnosis and treatment services in the Latino Community.

G2. Modify the plan to allocate \$150,000 in income augmentation revenue for this purpose.

G3. Delete all funding for this item from the plan.

H. PANDEMIC FLU ANTI-VIRAL DRUG STOCKPILE

Description of Proposal

The DOA plan would provide \$2,264,400 to DHFS to purchase anti-viral drugs that could be provided to critical health care workers and other societal responders in the event an influenza pandemic occurs in Wisconsin.

Analysis

Background. A pandemic is the occurrence of a disease in excess of normal expectations in extensive regions, countries, and continents. In recent years, the spread of the avian H5N1 virus has raised concerns about the potential for a human influenza pandemic. Based on historical experiences such as the outbreak of the "Spanish flu" of 1918-19 that was responsible for an estimated 20 million deaths worldwide, the consequences of a human influenza pandemic could be significant.

According to a report entitled "Wisconsin Pandemic Influenza Preparedness," drafted by the DHFS Division of Public Health's Bureau of Communicable Diseases, influenza vaccine has long been considered the cornerstone of influenza prevention and control. That same report, however, assumes it will take six to eight months after a novel influenza virus is identified and begins to spread among humans to develop an effective vaccine. Therefore, state and federal preparedness plans also call for the stockpiling of anti-viral medications.

While they are being taken, anti-viral drugs can help prevent the onset of influenza symptoms. Anti-viral drugs may also help treat influenza symptoms if administered within 48 hours of symptom onset. For these reasons, anti-virals are considered an important, but limited, part of state and federal influenza pandemic preparedness plans. Currently, DHFS has only a very limited stockpile of anti-viral drugs (1,300 courses) available for use.

The Federal Centers for Disease Control (CDC) is in the process of purchasing a Strategic National Stockpile (SNS) of anti-viral drugs sufficient to treat 15% of the U.S. population. The CDC is also offering to subsidize the purchase by states of enough anti-viral drugs to treat an additional 10% of their respective populations. For Wisconsin, that equates to 574,763 anti-viral drug courses. The amount of the federal subsidy is 25% of the cost. The subsidy is available for orders placed by December 31, 2007. If Wisconsin purchased its entire allotment of 574,763 courses at the currently-available subsidized prices, the total cost would be \$8,507,642.

Earlier this year, DHFS advised the CDC that it intended to purchase its entire additional 10% allotment, subject to the availability of funding. By December 31, 2006, DHFS must submit to the CDC a schedule for these purchases. The CDC has advised DHFS that submission of a purchase schedule by December 31, 2006 does not obligate the DHFS to purchase anti-virals. If DHFS fails to submit a purchase schedule by December 31, 2006, however, or if it submits a plan that calls for the purchase of less than Wisconsin's full subsidized allotment, the CDC has indicated that Wisconsin's allotment will be redistributed to other states.

The plan includes \$2,264,400 for DHFS to purchase 152,979 of the 574,763 subsidized anti-viral drug courses allotted to Wisconsin. The anti-viral drugs in question go by the brand names Tamiflu and Relenza, and the administration's request anticipates purchasing those drugs in an 80/20 mix (80% Tamiflu and 20% Relenza.) These courses would be used to provide approximately 2.5 treatment or prevention courses to 61,840 individuals in this state who have been identified as critical health care workers and societal responders. These individuals include health care workers with direct patient care in emergency departments, intensive care and dialysis units,

EMS responders, public health workers, and public safety employees such as police, fire and corrections. The CDC has indicated that anti-viral drugs ordered by December 31, 2006, will be delivered approximately six to eight months after the order is placed.

If DOA's request is approved, DHFS will be able to purchase, at subsidized prices, anti-virals that could be provided to critical health care workers and societal responders in the event of a human influenza pandemic. If the request is deleted, the anti-viral courses in question could still be purchased at the 25% subsidized price if ordered by December 31, 2007. Denying the request, however, could impair the state's ability to use anti-viral drugs as part of its initial response to an influenza pandemic in the event such a pandemic occurs before DHFS can acquire a comparable amount of anti-viral drugs.

Alternatives

- H1. Approve DOA's proposal to provide \$2,264,400 to purchase anti-viral drugs.
- H2. Delete all funding for this item from the plan.

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Attachment

ATTACHMENT

Previous Revenue Commitments

Contractor Fee. Some unanticipated federal revenues are available to the state as a result of income augmentation activities conducted by a private contractor. Such activities include reviewing individual case files and claims data to determine if costs were properly determined eligible for reimbursement under Title IV-E, MA, or Medicare. DHFS currently contracts with MAXIMUS, Inc., to conduct these activities. Under the terms of the contract under which these funds were collected, MAXIMUS received 9% of all collections received as a result of its activities (\$1,750,900 for 2005-06).

Title IV-E Incentive Funds. Under current law, if, on December 31 of any year, there remains any unspent or unencumbered funds in the community aids basic county allocation that exceed the amount received under Title IV-E and distributed to counties, DHFS must carry forward the excess funds and distribute at least 50% to counties, for projects to assist children and families and to support WISACWIS implementation costs. (Milwaukee County is not eligible to receive Title IV-E incentive funds since Milwaukee County does not administer child welfare services and therefore does not generate claims for reimbursement under Title IV-E.) These incentive funds are provided to counties to encourage them to adopt practices that are intended to augment federal income available under Title IV-E. The remainder of any unanticipated Title IV-E funds is deposited in the DHFS income augmentation appropriation. Under this plan, \$6,651,300 will be distributed to counties.

Costs Exclusively Related to the Operational Costs of Augmenting Federal Income. Under current law, DHFS may expend federal income augmentation funds to support costs exclusively related to the ongoing and recurring operational costs of augmenting federal income. Under the plan approved by DOA, \$1,511,400 would be encumbered to support administrative costs to augment federal income in 2005-06. These costs include: the statewide eligibility unit contract, salaries for limited-term employees, federal claims processing costs, rent, telephone, fax machine and copier costs, and miscellaneous supplies and services.

Costs Related to Activities Previously Approved by the Legislature and the Committee. A number of items that are included in this plan have already been approved either by the Legislature or by the Committee. Therefore, they are not currently subject to the Committee's review. These items are briefly described below.

Bureau of Milwaukee Child Welfare. Act 25 provided \$3,260,900 in income augmentation funds from MA targeted case management revenue to support Bureau of Milwaukee Child Welfare aids and operations. \$1,889,800 was provided for BMCW aids, including direct payments for children in out-of-home care, case management of out-of-home care cases, and services to families where abuse or neglect has been substantiated or is likely to occur, but where the children remain at

home as long as appropriate services are provided (safety services). \$1,371,100 was provided for BMCW operations which includes funding to support (a) the Wisconsin statewide automated child welfare information system (WISACWIS) in Milwaukee; (b) Milwaukee's share of the masterlease payments for the implementation costs of WISACWIS, based on revised masterlease amounts; (c) reestimates of infrastructure costs related to the Bureau's computer systems; (d) a reestimate of the amount of federal Title IV-E that the state can claim and (e) increased rent costs

WISACWIS. Act 25 provided \$885,100 in income augmentation funds from MA targeted case management revenue for the county share of the cost of the Wisconsin statewide automated child welfare information system (WISACWIS) for 2005-06.

Child Welfare Enhancement Plan. Act 25 provided \$160,000 in 2006-07 in income augmentation funds from MA targeted case management revenue for (a) quality assurance reviews and technical assistance to counties, (b) training to county staff on new statewide policies and standards and to provide funding to counties to support training for newly hired child welfare workers; and (c) the Wisconsin foster care and adoption resource center, which would provide training and support to foster and adoptive parents and county child welfare workers.

HealthCheck. Act 25 requires DHFS to deposit additional federal matching HealthCheck funds to the MA trust fund, after providing additional funding to counties and BMCW to support increased cost of residential care centers (RCCs) would incur to submit MA claims for these services. DHFS deposited \$9,744,750 into the MA trust fund under this item.