

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-3769/1	Introduction Number AB-807
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Description
 Establishing a publicly financed health care system for residents of this state, creating the Department of Health Planning and Finance, Health Policy Board, and regional consumer health councils, granting rule-making authority, and making appropriations

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

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

Local:

No Local Government Costs
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By DHFS/ Ellen Hadidian (608) 266-8155	Authorized Signature Andy Forsaith (608) 266-7684	Date 11/10/2005
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Fiscal Estimate Narratives

DHFS 11/11/2005

LRB Number	05-3769/1	Introduction Number	AB-807	Estimate Type	Original
Description Establishing a publicly financed health care system for residents of this state, creating the Department of Health Planning and Finance, Health Policy Board, and regional consumer health councils, granting rule-making authority, and making appropriations					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a Department of Health Planning and Finance (DHPF), a Health Policy Board, and six Regional Health Councils to administer a universal health care plan, available to all Wisconsin residents. By July 1, 2007, DHPF, the Health Policy Board and the six Regional Health Councils would be required to begin planning implementation of a universal health plan. The bill requires the universal health care plan to be established beginning on July 1, 2008, but the bill allows the plan to be phased in for a number of groups. Therefore, any fiscal effect of this bill would not occur before FY 08.

The proposed universal health plan would provide to all residents a broad and comprehensive range of services including a full prescription drug benefit, community long-term care services and nursing home care with few restrictions on covered services (e.g., orthodontia, cosmetic procedures). Under the bill, individuals receiving health care covered under current public health care plans such as Medicaid and Medicare would become covered under the universal health plan. The bill also creates new coverage for all uninsured Wisconsin residents. Residents may, in addition to receiving state administered universal health care, purchase private health care coverage. The proposed universal plan would be the payer of last resort. DHPF is required to establish provider payment rates, taking into consideration regional variations and conditions of payments. Finally, the bill requires DHPF to provide job retraining and placement for workers in private health insurance companies and funds these activities with a GPR appropriation.

This bill's significant fiscal effect is in providing a universal health care benefit in Wisconsin. This bill does not appropriate funding to plan, implement, or provide universal health care. However, this bill directs DHPF to seek the use of federal, state, and local funds that would have been used for health care administration and benefits to Wisconsin residents under current programs. This bill transfers administration of Medical Assistance from the Department of Health and Family Services to DHPF.

The bill also directs DHPF to consider seeking an increase in personal income taxes and employer wage taxes, equal to the amount employers and individuals would have paid for health care, to pay for universal health care. Cost sharing through co-payments or deductibles would be prohibited under this bill. Costs not covered with public funds currently used to pay for health care could be covered with a new employers and personal income tax.

It is possible, under this bill, that increased state costs for providing universal health care could be offset by increased revenue from employers, individuals, the federal government and local municipalities and by savings created through economies of scale possible in a state-wide, centralized, system of health care delivery. However, the bill only briefly identifies the mechanism under which the state could capture additional revenue to cover the costs of a universal health plan. It is unclear, given the complexity of the proposed plan, whether the state could implement the necessary regulations, taxes, and possible Medicaid, Medicare or other federal waivers to increase state revenue to cover increased costs.

In addition, it is uncertain whether the proposed mechanism for capturing federal funding currently used to pay health care costs for individuals enrolled in Medical Assistance or Medicare could be waived by the federal government. Due to the uncertainty of claiming federal funds and implementing necessary regulations and waivers to cover costs under the plan, this bill's state fiscal effect is indeterminate.

This bill's local fiscal effect is also indeterminate. Local municipalities currently pay for health care plans for employees and some health care for residents without the means to pay for themselves (indigent care). Counties are currently responsible for providing mental health, substance abuse and developmental disability services. Counties use Community Aids and local funds to fund these programs. Counties will realize a savings if the state assumes responsibility for these services as proposed under this bill, unless the state implements a mechanism to capture all the local funds currently used for these services. Under this

bill, DHPF could seek legislation to capture local funds spent in employee health care programs, in state administered health care programs to pay for a universal health plan, and in services provided by local health departments. With the exception of the relief block grant, the bill does not direct DHPF to seek legislation to capture other forms of health care funding currently provided to counties.

Long-Range Fiscal Implications

Health care costs in the state and nationwide have been increasing significantly faster than the rate of inflation. Although universal health care may achieve some efficiencies in providing health care in Wisconsin, the state would bear the full burden of growth in health costs in the future.