

Fiscal Estimate Narratives

DHFS 3/7/2005

LRB Number	05-0785/1	Introduction Number	AB-16	Estimate Type	Original
Subject					
Exempting depreciation from farm income for Badger Care eligibility					

Assumptions Used in Arriving at Fiscal Estimate

Currently, when calculating an individual's income for Medical Assistance (MA) or BadgerCare that includes farm income, DHFS adds back depreciation expenses to the amount of the individual's net taxable income. This bill prohibits the Department from adding back any amounts claimed for depreciation of farm equipment to an individual's net taxable income for purposes of BadgerCare eligibility.

In order to exempt farm equipment depreciation from an individual's net taxable income and continue to receive federal matching funds for BadgerCare, DHFS would have to amend the current federal waiver for BadgerCare and amend the Medicaid state plan. Under current Medicaid and SCHIP federal laws, a state can not have a different income definition for BadgerCare compared to that used for low income families under MA. States are limited to using budgeting methods of the former AFDC program when determining Medicaid eligibility for families [42 CFR 435.601(b)], which requires counting depreciation as part of the family's income. However, states are allowed to elect a budgeting methodology that is less restrictive than the AFDC program but only for certain eligibility groups [42 USC 1396a (r) (2)], such as children. Therefore, Wisconsin could elect to have a less restrictive budget methodology for BadgerCare children by submitting a Medicaid state plan amendment. However, for adults, the Department would have to seek an amendment to the existing BadgerCare waiver to waive the federal requirement that the income definitions for BadgerCare and low income families under MA must be the same. It is uncertain whether CMS would approve such a waiver amendment. For this reason, in order to ensure that the state continues to receive federal matching funds for BadgerCare, the Department recommends that the legislation make the change contingent upon approval of a federal waiver.

Based on 2003 tax revenue data, it is estimated that 20,025 additional individuals will be eligible for BadgerCare under the proposed bill. Department staff estimates that 6,007, or 30%, of new BadgerCare eligible individuals will choose to enroll in the program. Assuming federal matching funds, it is estimated that once fully implemented AB 16 will increase BadgerCare benefit costs by \$9,614,700 AF (\$3,975,400 GPR) annually. Assuming an effective date of July 1, 2005 and twelve months to reach the full enrollment, AB 16 will increase BadgerCare benefits expenses by \$5,073,600 AF (\$2,097,300 GPR) in FY06 and 9,614,700 AF (\$3,975,400 GPR) in FY07. It is estimated premium payments from new clients above 150% of the FPL will offset benefit costs by \$38,500 PR in FY06 and \$71,100 PR in FY07.

The provision will require the Department to evaluate the eligibility of approximately 1,390 new cases. The estimated per case annual cost for administration of eligibility functions is approximately \$265 AF. Assuming federal matching funds, it is estimated that once fully implemented AB 16 will increase BadgerCare administrative costs by \$368,600 AF (\$108,900 GPR) annually. Assuming an effective date of July 1, 2005 and twelve months to reach the full enrollment, AB 16 will increase BadgerCare administrative expenses by \$399,700 AF (\$118,100 GPR) in FY06 and \$368,600 AF (\$108,900 GPR) in FY07. The FY06 administrative costs includes one time funding of \$200,000 AF (\$59,100 GPR) to change the Client Assistance for Re-employment and Economic Support (CARES) system.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

The Department will require one-time funding of \$200,000 AF (\$59,100 GPR) in FY06 to change the Client Assistance for Re-employment and Economic Support (CARES) system.

II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs

A. State Costs by Category		
State Operations - Salaries and Fringes	\$	
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance	368,600	
Aids to Individuals or Organizations	9,614,700	
TOTAL State Costs by Category	\$9,983,300	\$

B. State Costs by Source of Funds		
GPR	4,084,300	
FED	5,827,900	
PRO/PRS	71,100	
SEG/SEG-S		

III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)

	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS	71,100	
SEG/SEG-S		
TOTAL State Revenues	\$71,100	\$

NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	\$9,983,300	\$
NET CHANGE IN REVENUE	\$71,100	\$

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