Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2005 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **05-1164/1**	Introduction Number **AB-491**

Subject

Property taxes as a deduction to annaual household income for determining eligibility and deductible amounts for Senior Care

Fiscal Effect

State:

☐ No State Fiscal Effect
☐ Indeterminate
☐ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☐ Create New Appropriations
☐ Increase Existing Revenues
☐ Decrease Existing Revenues
☒ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☒ No
☐ Decrease Costs

Local:

☐ No Local Government Costs
☐ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
☐ Towns ☐ Village ☐ Cities
☐ Counties ☐ Others
☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☒ GPR ☒ FED ☒ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

20.435(4)(bv), (4)(j), (4)(jb), (4)(pg)

Agency/Prepared By	Authorized Signature	Date
DHFS/ Curtis Cunningham (608) 266-5362	Andy Forsaith (608) 266-7684	9/19/2005

Fiscal Estimate Narratives
DHFS 9/20/2005

LRB Number **05-1164/1**	Introduction Number **AB-491**	Estimate Type **Original**
Subject		
Property taxes as a deduction to annaual household income for determining eligibility and deductible amounts for Senior Care		

Assumptions Used in Arriving at Fiscal Estimate

Currently, when calculating an individual's income for the SeniorCare eligibility and benefit level, property tax payments are not deducted from an individual's income. Assembly Bill 491 requires DHFS, when determining a person's annual household income for purposes of determining SeniorCare eligibility and benefits, to deduct the amount that the person paid in property taxes on his or her primary residence in the previous 12 months.

To implement the provisions of Assembly Bill 491, DHFS would need to apply to the federal Centers for Medicaid and Medicare Services (CMS) to amend the current federal SeniorCare waiver. The waiver allows the state to receive over $55 million per year in federal Medicaid funds to support the SeniorCare program. CMS could reject the amendment or require changes in the budget neutrality provisions in the waiver as a condition of approving the amendment, which would put at risk the $55 million FED the state currently receives. To avoid this risk, the bill could be amended to make the provision contingent on approval of the waiver amendment. This estimate however, assumes the state will continue to receive federal funding.

Based on 2003 tax data, it is estimated Assembly Bill 491 would increase SeniorCare enrollment by 16,669 individuals due to the application of the property tax deduction. In addition, the bill will result in many current SeniorCare enrollees qualifing for benefits at a lower income level. It is estimated that this change will move 3,618 current SeniorCare enrollees who qualify at benefit levels above 160% of the federal poverty level (FPL) to qualify for benefits below 160% of the FPL. Therefore, these enrollees would no longer be subject to spend down and deductible requirements. For instance, an enrollee who is currently in the 200-240% FPL has an $850 annual deductible. If an individual's income is below 160% of the FPL there is no deductible requirement. If Assembly Bill 491 is implemented, the enrollee may reapply to avoid the deductible requirement.

The benefit costs of this proposal are dependent on when newly eligible seniors apply for the program and when existing SeniorCare enrollees who have a change in income and benefit level reapply for the new benefit level. Assuming the provision is implemented on January 1, 2006, new enrollees phase in over six months, and all existing enrollees with a benefit change re-apply January 1, 2006, this proposal would increase SeniorCare benefit costs by $5,846,500 AF ($2,638,600 GPR) in FY06 and $23,575,500 AF ($11,476,100 GPR) in FY07. If it is instead assumed that existing enrollees re-enroll when their current benefit period expires, the proposal would increase SeniorCare benefit costs by $5,461,000 AF ($2,769,700 GPR) in FY06 and $23,436,800 AF ($11,541,600 GPR) in FY07. The annualized fiscal impact of either scenario would increase SeniorCare benefit costs by $23,575,500 AF ($11,476,100 GPR).

In addition to the benefit costs, this proposal will increase administrative costs. Assembly Bill 491 will require the Department to evaluate eligibility of 16,669 additional cases. The additional cases will require extra time to validate entries after applications are electronically scanned, answering questions concerning the property tax amount from enrollees, conducting additional quality control activities, and processing additional claims. In addition to the on-going administrative costs there will be one-time costs in FY06 of $70,000 PR to change the Client Assistance for Re-employment and Economic Support (CARES) System and $10,000 PR to change the scanning template and application forms.

Enrollees are required to pay an annual enrollment fee of $30 to support administrative costs. The increase in enrollment will generate $500,100 PR annually in enrollment fee revenues to support administrative costs. Based on historical SeniorCare administrative costs it is estimated that the additional administrative costs will be approximately equal to the additional enrollment fee revenue.

Long-Range Fiscal Implications

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Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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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 estimate includes one time costs in FY06 of $70,000 PR to change the Client Assistance for Re-employment and Economic Support (CARES) System and $10,000 PR to change the scanning template and application forms.

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	500,100	
Local Assistance		
Aids to Individuals or Organizations	23,575,500	
TOTAL State Costs by Category	**$24,075,600**	**$**
B. State Costs by Source of Funds		
GPR	11,476,100	
FED	12,099,400	
PRO/PRS (20.435 (4)(jb))	500,100	
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, ets.)

	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS (20.435 (4)(jb))	500,100	
SEG/SEG-S		
TOTAL State Revenues	**$500,100**	**$**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$24,075,600	$
NET CHANGE IN REVENUE	$500,100	$

Agency/Prepared By	**Authorized Signature**	**Date**
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