

Fiscal Estimate Narratives

DHFS 3/8/2007

LRB Number	07-1079/1	Introduction Number	SB-051	Estimate Type	Original
Description Relating to: 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

Under current law, medical services are funded through a number of mechanisms, including employer-sponsored health insurance, state and federal programs, and out-of-pocket consumer expenditures.

This bill proposes establishing a new health plan for Wisconsin under which all state residents would be covered by July 1, 2011. Benefits offered under the plan would be very comprehensive including preventive services, prescription drugs, long-term care services, mental health services, and dental services. The bill prohibits requiring copayments or deductibles as a condition for receipt of services under the plan.

A new Department of Health Planning and Finance (DHPF) is created under the bill to administer the new health plan.

Funding for the new health plan would come from the following sources: (a) existing funding for government programs such as Medicaid and Medicare; (b) a new wage tax on employers, and (c) a new graduated income tax on individuals. The bill directs that waivers be sought to use Medicaid and Medicare funding for this new health plan.

Under the bill, the new health plan is the payer of last resort and coverage under the plan is supplemental to any health care coverage already in force that is held by an individual.

The bill does not include any specific appropriation changes or tax changes to implement the new health plan. Instead, the plan requires that the Secretary of the new Health Planning Department and the Secretary of Administration jointly develop a specific plan and proposed legislation in 2010 to implement this new health plan.

At this stage, it would be very speculative to attach any fiscal impact to SB 51 because a specific plan has not yet been proposed. It is unclear what waivers if any can be obtained from the federal government for Medicaid and Medicare. Further, there is some uncertainty as to how employers will respond in regards to continuing their employer-sponsored health insurance. Since the specifics of the wage tax are not included in the bill, it is unclear whether an employer that continued to offer health insurance would be subject to the new wage tax.

Although it is impossible to attach a specific fiscal impact to SB 51, some sense of the magnitude of expenditures can be provided by looking at data on health care expenditures in Wisconsin. According to data from the Kaiser Family Foundation, total medical expenditures in Wisconsin were \$32.5 billion in FFY2006. Since the new plan intends to provide comprehensive coverage and would not assess any cost sharing on recipients, potential costs for the program could be close to this figure, assuming that all employers ended their insurance programs. Funding from Medicaid and Medicare could offset approximately 35% of these costs, leaving net costs of \$21 billion. There are also other sources of state and local funds for health care such as the state and local employee health insurance programs. However, private insurance and out-of-pocket costs account for 53% of the \$32.5 billion in medical costs in Wisconsin or \$17.2 billion. The increase to GPR costs for the new plan could be as high as \$17 billion and would require commensurate tax increases. To the degree that employer-sponsored health plans continue, costs would be lower.

Since the new plan health would not require any cost sharing, utilization of services could increase since recipients would not face any cost sharing. Also, the availability of affordable comprehensive health coverage could encourage migration to Wisconsin to obtain coverage.

Long-Range Fiscal Implications