

### Fiscal Estimate - 2007 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>07-1807/2</b>	<b>Introduction Number</b> <b>SB-144</b>
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**Description**  
 Changes relating to assets and divestment for Medical Assistance eligibility

**Fiscal Effect**

**State:**

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

**Local:**

<input type="checkbox"/> No Local Government Costs		<b>5. Types of Local Government Units Affected</b>
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Counties <input type="checkbox"/> Others
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

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

<b>Agency/Prepared By</b> DHFS/ Matthew Schwei (608) 266-5422	<b>Authorized Signature</b> Andy Forsaith (608) 266-7684	<b>Date</b> 5/9/2007
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## Fiscal Estimate Narratives

DHFS 5/9/2007

LRB Number	07-1807/2	Introduction Number	SB-144	Estimate Type	Original
<b>Description</b> Changes relating to assets and divestment for Medical Assistance eligibility					

### Assumptions Used in Arriving at Fiscal Estimate

The federal Deficit Reduction Act (DRA) of 2005 (P.L. 109-171), which became effective on February 8, 2006, includes a number of provisions that affect how asset transfers are treated for Medicaid eligibility purposes in the State of Wisconsin. Changes to Wisconsin's statutes are necessary to bring the state into compliance with federal law as it exists after the passage of the DRA. Without these changes, Wisconsin could face the loss of federal financial participation. This Bill makes a number of changes to Medicaid eligibility with respect to assets and divestment of assets to conform Wisconsin law to the federal law.

The Congressional Budget Office (CBO) estimates that the fiscal impact of these DRA changes to Medicaid asset transfer regulations will reduce national Medicaid spending by \$2.4 billion in the first five years (2006 through 2010). According to the Kaiser Family Foundation's State Health Facts, Wisconsin's Medicaid enrollment is 1.6% of the total U.S. enrollment. Using the 1.6%, Wisconsin's share of the DRA related benefit savings is \$38.4 million AF over five years, or an average of \$7.7 million AF per year. Since savings would grow over the five year period, it is assumed that early savings would only be \$3.5 million AF (\$1,489,300 GPR) in SFY08 and \$5.5 million AF (\$2,349,100 GPR) in SFY09.

Only 75% of total MA savings are assumed in SFY08 because it is unlikely that the bill will pass before July 1, 2007 and there will be time required to implement the necessary programmatic changes to generate a full year of savings. This delay reduces the net benefit savings in SFY08 from \$3,500,000 AF (\$1,489,300 GPR) to \$2,625,000 AF (\$1,116,900 GPR).

Implementing the new DRA provisions will impose additional administrative costs on the Department in the following areas. First, the CARES system (Wisconsin's eligibility determination database) will require program changes to reflect the new DRA requirements. The CARES one-time modification costs are estimated at \$500,000 AF (\$250,000 GPR).

A second additional administrative cost is related to increased county income maintenance (IM) workload. County IM workers will spend an estimated 20 additional minutes per application on approximately 3,200 nursing home and waiver applications annually. The 20 minutes per application accounts for time spent looking for divestments, deciding which eligibility policies to apply, and on follow-up work associated with imposing divestment penalties including time spent on related hearings. The estimated cost to fund this additional IM workload would be \$100,000 AF annually (\$50,000 GPR).

In summary, the net savings for the bill would equal \$2,025,000 AF (\$816,900 GPR) in FY08 and \$5,400,100 AF (\$2,299,100 GPR) in FY09.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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<b>LRB Number</b> 07-1807/2		<b>Introduction Number</b> SB-144	
<b>Description</b> Changes relating to assets and divestment for Medical Assistance eligibility			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
The CARES system (Wisconsin's eligibility determination database) will require program changes to reflect the new DRA requirements. The CARES one-time modification costs are estimated at \$500,000 AF (\$250,000 GPR).			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs	100,000		
Local Assistance			
Aids to Individuals or Organizations			-5,500,100
<b>TOTAL State Costs by Category</b>	<b>\$100,000</b>		<b>\$-5,500,100</b>
<b>B. State Costs by Source of Funds</b>			
GPR	50,000		-2,349,100
FED	50,000		-3,151,000
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State		Local
NET CHANGE IN COSTS	\$-5,400,100		\$
NET CHANGE IN REVENUE	\$		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DHFS/ Matthew Schwei (608) 266-5422		Andy Forsaith (608) 266-7684	5/9/2007