

### Fiscal Estimate - 2013 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 13-2339/1		<b>Introduction Number</b> SB-238	
<b>Description</b> Optional incentive program for counties and tribes that identify fraudulent activity in certain public assistance programs, granting rule-making authority, and making appropriations			
<b>Fiscal Effect</b>			
<b>State:</b>			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
		<input type="checkbox"/> Decrease Costs	
<b>Local:</b>			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input checked="" type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village	
<input checked="" type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b>		<b>Affected Ch. 20 Appropriations</b>	
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		20.435(4)bm), 20.435(4)pa), 20.435(4)(L)	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DHS/ Carrie Schneck (608) 266-5362		Andy Forsaith (608) 266-7684	
<b>Date</b>			8/8/2013

## Fiscal Estimate Narratives

DHS 8/8/2013

LRB Number	13-2339/1	Introduction Number	SB-238	Estimate Type	Original
<b>Description</b> Optional incentive program for counties and tribes that identify fraudulent activity in certain public assistance programs, granting rule-making authority, and making appropriations					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Department provides \$500,000 AF (\$250,000 GPR) to county and tribal fraud consortia to operate recipient fraud for the Medicaid and FoodShare programs. Federal law allows the state to retain 35% of FoodShare fraud collections and 20% of collections related to FoodShare client error. Federal Medicaid law does not provide an incentive payment for collections; the state retains the share of collections (approximately 40%) related to the state Medicaid payment and returns the Federal share of Medicaid benefits collections. The state shares the amount of Medicaid and FoodShare collections and incentives with counties and tribes. Counties and tribes receive incentive payments of 15% of the collections for client error and fraud in the Medicaid and FoodShare programs; no incentive is paid on erroneous payments resulting from agency error. Milwaukee County's fraud functions are administered by the state; Milwaukee County does not receive fraud and error incentive payments. Incentive payments are paid to counties and tribes based on the amount collected. The federal, departmental, and local agency share of overpayment collections are provided in the attached table.

In CY 12, the Department received \$612,600 dollars in collections revenues after county incentives were paid. These funds pay for the collections efforts performed by the Department of Children and Families (DCF) and a portion of state fraud staff time.

The proposed bill would allow counties and tribes the option to continue to receive incentives under a modified version of the current program. The bill proposes to increase county and tribal share for FoodShare fraud collections to the full federal amount of 35% and client error to 20%. The state portion of the FoodShare collections related to fraud collections and client error would be zero. Medicaid incentive payments would remain the same. The estimated fiscal impact of this action would be an increase of \$154,100 PR for counties and tribes and an equal decrease to state revenues. This would decrease the state's ability to pay for fraud staff and collections efforts; the Department would need to replace the lost PR with \$154,100 GPR. This represents the minimum fiscal effect of this bill.

The proposed bill would also establish an optional incentive program for counties and tribes. In this program, rather than receiving incentive payments based on actual collections, the incentive amounts for Medicaid and FoodShare fraud identification performed by counties and tribes would be based on a 12 month savings estimate. Counties would receive an incentive of 20% of the estimated 12 month savings to Medical Assistance and/or FoodShare programs that would result from elimination of the fraudulent activity.

The bill would require the Department to request two federal waivers, one from the federal Medicaid agency and one from the federal FoodShare agency. The waivers would request federal reimbursement for the optional incentive payments as Medicaid and FoodShare administrative expenditures; the optional incentive payment program would not be implemented in absence of waiver approval. The waivers would require a demonstration pilot, evaluation, and for Medicaid, a budget neutrality requirement. The evaluation component would cost an estimated \$150,000 AF (\$75,000 FED). This estimate assumes the state could complete the evaluation using existing and contracted staff. If the waivers were granted, the estimated annual cost of the optional fraud incentive payments would be \$1.2 million GPR, \$552,000 PR, and \$1.7 million FED. This assumes fraud identification, established overpayments, and collections remain the same as CY 2012 levels. Because this option removes the incentive for counties to establish overpayments related to client error, collections in that area may decrease. If this occurs, the amount of PR available to pay incentives would decrease and the GPR cost of the bill would increase. This estimate assumes all counties and tribes participate in the optional incentive program.

It is estimated that the Department would need \$1.2 million in new GPR to fund the incentive payments for multiple reasons. First, the federal government funds Medicaid and FoodShare administrative costs in most cases at a 50% match rate. Second, there would be no offsetting GPR savings due to eliminating a case of

FoodShare fraud because FoodShare benefits are funded with 100% federal funds. Third, there is uncertainty in estimating any Medicaid benefits savings and the bill as drafted would direct the payments to be made from Medicaid administrative rather than benefits appropriation.

### **Long-Range Fiscal Implications**

*Current Incentive Payments to Counties and Tribes*

<b>FoodShare Overpayment Collections</b>			
	<b>Federal Share</b>	<b>DHS Share</b>	<b>County/Tribal Share</b>
Client Error	80%	5%	15%
Fraud	65%	20%	15%
Non-Client Error	100%	0%	0%

<b>Wisconsin Medicaid and BadgerCare Plus Overpayment Collections</b>			
	<b>Federal Share</b>	<b>DHS Share</b>	<b>County/Tribal Share</b>
Client Error	60%	25%	15%
Fraud	60%	25%	15%
Non-Client Error	Cannot recover non-client error overpayments for MA		

*Incentive Payments to Counties and Tribes in AB 232*

<b>FoodShare Overpayment Collections</b>			
	<b>Federal Share</b>	<b>DHS Share</b>	<b>County/Tribal Share</b>
Client Error	80%	0%	20%
Fraud	65%	0%	35%
Non-Client Error	100%	0%	0%

<b>Wisconsin Medicaid and BadgerCare Plus Overpayment Collections</b>			
	<b>Federal Share</b>	<b>DHS Share</b>	<b>County/Tribal Share</b>
Client Error	60%	25%	15%
Fraud	60%	25%	15%
Non-Client Error	Cannot recover non-client error overpayments for MA		

## Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

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  Updated     
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<b>LRB Number</b> 13-2339/1		<b>Introduction Number</b> SB-238	
<b>Description</b> Optional incentive program for counties and tribes that identify fraudulent activity in certain public assistance programs, granting rule-making authority, and making appropriations			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<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	150,000		
Local Assistance	3,420,100		
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$3,570,100</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	1,233,300		
FED	1,785,000		
PRO/PRS	551,800		
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>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$3,570,100	\$	
NET CHANGE IN REVENUE	\$	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DHS/ Carrie Schneck (608) 266-5362		Andy Forsaith (608) 266-7684	8/8/2013