



Legislative Fiscal Bureau

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October 15, 2013

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Substitute Amendment 1 to 2013 Senate Bill 73: Grants to Small Businesses for the Establishment of Workplace Wellness Programs

Senate Bill 73 (SB 73), as originally introduced, would provide tax credits to small businesses that establish workplace wellness programs. Senate Substitute Amendment 1 (SSA 1) to SB 73 would create a grant program in the Department of Health Services (DHS) for small businesses that establish workplace wellness programs.

SB 73 was introduced on March 13, 2013, and referred to the Senate Committee on Agriculture, Small Business, and Tourism, which held a public hearing on the proposal on April 24, 2013. SSA 1 was offered on August 22, 2013. The standing committee recommended passage by a vote of 9 to 0 on September 12, 2013.

Unless otherwise noted, references to "the bill" in this memorandum refer to SSA 1 to SB 73, rather than to SB 73 as originally introduced.

CURRENT LAW

Workplace wellness programs generally refer to a broad range of employment-based or employer-sponsored policies with the goal of promoting healthy behaviors and improving health outcomes among employees. They can include any combination of a variety of programs, such as smoking cessation programs, weight loss programs, gym membership discounts, nutrition education, employee assistance programs, health risk assessments, and clinical or biometric screening (such as height, weight, blood pressure, or blood glucose levels). Employers may also offer certain financial incentives, such as reduced health insurance premiums or deductibles, higher employer contributions to a health reimbursement account or a health savings account, or other incentives for participation like cash, gift cards or merchandise. Programs that provide incentives based on health are subject to federal non-discrimination requirements.

DHS does not currently provide any state grant funding to businesses for the creation or

maintenance of workplace wellness programs, or pass through any federal grant funds to businesses for workplace wellness programs. However, the Nutrition, Physical Activity and Obesity (NPAO) program in the DHS Division of Public Health provides various resources to employers that have or wish to establish workplace wellness programs. These include a preparing a written "Worksite Wellness Resource Kit" for employers, recognizing businesses by selecting worksite wellness award winners through the Governor's Council on Physical Fitness and Health, and connecting employers with regional worksite wellness training for worksites. Additional information on worksite wellness programs is available on the NPAO program website (www.dhs.wisconsin.gov/physical-activity/Worksite/index).

Employer expenses for workplace wellness programs available to all employees in similar situations are deductible business expenses under the state individual income and corporate franchise/income taxes. However, if benefits under a workplace wellness program are related to a health insurance plan, the program must meet certain non-discrimination requirements under federal law governing employer-sponsored health insurance plans.

SUMMARY OF BILL

The bill would create a sum sufficient general program revenue (GPR) appropriation, limited to \$3,000,000 per year, for DHS to distribute as grants to small businesses to fund up to 30% of the amount small businesses paid during the year to provide a workplace wellness program. Costs to acquire, construct, rehabilitate, remodel, or repair real property would not be reimbursable under the program. Further, only workplace wellness programs created on or after the bill's general effective date would qualify for grants, and no applicant could be awarded more than one grant (for a one-year period) under the program.

Any person wishing to receive a grant would be required to apply in the manner prescribed by DHS. The application would be required to include an itemized list of the applicant's expenditures for providing the workplace wellness program. DHS would be required to promulgate administrative rules to administer this grant program.

For the purposes of these grants, the bill would define the following terms:

- "Health risk assessment" as a computer-based health promotion tool consisting of a questionnaire, a biometric health screening to measure vital health statistics including blood pressure, cholesterol, glucose, weight, and height, a formula for estimating health risks, an advice database, and a means to generate reports.
- "Small business" as a business that has 50 or fewer employees.
- "Workplace wellness program" as a health or fitness program that includes health risk assessments and one or more of the following programs or services: (a) chronic disease prevention; (b) weight management; (c) stress management; (d) worker injury prevention programs; (e) health screenings; (f) nutrition education; (g) health or fitness incentive programs; (h) vaccinations; and (i) employee physical examinations.

FISCAL EFFECT

Grant Funding. The bill would provide a maximum of \$3,000,000 GPR annually, beginning in the fiscal year of the bill's effective date, to small businesses that establish workplace wellness programs. It is not known how much of this funding would be expended each year, since the amount would depend on the number of small businesses that establish new workplace wellness programs that apply for the grant funds, and the cost of these qualifying programs.

In its fiscal note on the original bill, the Department of Revenue (DOR) cited a RAND Corporation Study of workplace wellness programs that estimated workplace wellness program costs of between \$50 and \$150 per employee per year. The study is on the RAND website (http://www.rand.org/content/dam/rand/pubs/research_reports/RR200/RR254/RAND_RR254.pdf)

Based on an assumption that the average cost of offering a wellness program is \$100 per employee per year, a business with 50 employees could qualify for a one-time grant of \$1,500 to partially offset the costs of a new workplace wellness program (50 employees x \$100 per employee x 0.3). If the average grant amount provided under the program equaled \$1,500 per firm, at least 2,000 small businesses could receive one-year grants annually. However, since businesses with fewer than 50 employees could receive grants, the number of small businesses that could receive one-year grants would be greater, based on the \$100 per employee per year cost assumption. For example, if grant applicants had an average of 25 employees, rather than 50 employees, the average grant amount would be \$750 per business (25 employees x \$100 per employee x 0.3), based on the \$100 per employee per year cost assumption.

If the bill were enacted, DHS would require time to promulgate rules for the grant program. As only new wellness programs would qualify for grants, and grant awards would be based on actual documented costs of these programs during a full one-year period (which may not necessarily be the costs the business incurred during the first year of the wellness program), it is not likely that DHS would expend any funds budgeted for the program in 2013-14. Instead, it is most likely that these programs would be established beginning in calendar year 2014, and DHS would begin receiving grant applications for costs incurred in that year in early 2015. Consequently, it is estimated that, if enacted, the bill could potentially increase GPR expenditures by \$3,000,000 annually, beginning in 2014-15.

It should be noted that the bill would not authorize DHS to prorate grant awards. As a result, if the amount of funding requested by businesses exceeds the \$3,000,000 annual limit, DHS would be required to deny some requests for reimbursement. However, a business with qualifying, reimbursable expenses that is denied reimbursement due to the funding limit could apply (or reapply) and receive grant funding in a subsequent year, provided that the applicant had not previously received a grant under the program.

Program Administration. The bill would not provide any additional funding or positions for DHS to administer the new grant program. For this reason, DHS would be required to reallocate current staff to administer the program.

Most of the program's ongoing administrative costs would be staff time that would be needed to review grant applications, including cost information submitted by grant applicants, and to disburse grants. Staff may also be required to respond to inquiries from applicants and prospective applicants, and verify information contained on the applications. As previously indicated, it is not known how many grant applications DHS would receive.

In its fiscal note to the bill, as introduced, DHS estimated the need for additional staff, ranging from 3.9 full-time-equivalent (FTE) positions (assuming 1,130 applicants per year) to 15.7 FTE positions (assuming 4,500 applications per year). These estimates were based on the assumption that, on average, DHS would require six hours to process each application, as DHS would need to certify each workplace wellness program. For example, DHS estimated that the total time that would be needed to process 1,130 applications would be 6,780 hours. Assuming 1.0 FTE position works 1,740 hours per year (after accounting for vacation time and sick leave), approximately 3.9 positions would be needed to meet this workload.

Under SSA 1 to SB 73, DHS would not be required to certify each wellness program for which applicants seek partial reimbursement. Instead, under the substitute amendment, DHS could administer the program by simply reviewing the itemized list of each applicant's expenditures for providing a workplace wellness program. While it is likely that staff would need to verify some of the information contained on the application, the average amount of staff time required to process the applications would likely be significantly less than six hours. For example, if the average time to process an application under the provisions of SSA 1 were one hour, DHS could process approximately 1,700 applications per year with 1.0 FTE position.

Finally, DHS would incur some one-time staff costs of promulgating rules and developing a standard application form for the program.

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