



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #365

Income Augmentation (DHFS -- Departmentwide)

[LFB 2003-05 Budget Summary: Page 187, #2 (Part);
Page 189, #5; Page 192, #14; Page 193, #15; and Page 203, #6]

CURRENT LAW

Income Augmentation Funds

Income augmentation funds are unanticipated federal funds the Department of Health and Family Services (DHFS) receives under Titles IV-E (foster care), XIX (Medicaid), and XVIII (Medicare) of the federal Social Security Act as reimbursement for costs that were initially paid with state or local revenue, or revenue from one of these sources that would not otherwise have been available had it not been for activities conducted to augment federal income.

Beginning in 2001-02, income augmentation funds also include additional federal medical assistance (MA) matching funds the state receives as reimbursement for targeted case management services provided to children, who are not eligible under Title IV-E, in out-of-home care. These federal MA-matching funds are deposited in the DHFS income augmentation appropriation and are referred to as targeted case management funds.

DHFS currently contracts with a private firm, MAXIMUS, Inc., to conduct activities that will increase the amount of revenue the state receives under these federal programs. MAXIMUS assists counties and DHFS in identifying costs that were paid with county or state funds that could have been claimed for federal reimbursement.

Under federal law, there are no restrictions on the use of income augmentation revenue. Consequently, the state may use these funds for any purpose. Under the terms of the contract with MAXIMUS, DHFS pays the first 9% of the total amount of income augmentation revenues the state claims to MAXIMUS.

Title IV-E Incentive Payments to Counties. After accounting for the 9% fee paid to MAXIMUS, any additional income augmentation revenue claimed under Title IV-E must first be used to meet the state's commitment to fund the basic county allocation under community aids. Once this commitment is met, current law provides that at least 50% of the remaining Title IV-E income augmentation funds are distributed to counties (other than Milwaukee County) as incentive funds. (In Milwaukee County, DHFS, rather than Milwaukee County, generates Title IV-E claims because DHFS administers the child welfare system in that county.) Counties must expend the incentive funds on projects to assist children and families. At least 50% of the incentive funds must be expended for services for children who are at risk of abuse or neglect to prevent the need for child abuse and neglect intervention services. Counties may not use these funds to supplant other funds expended by a county for services and projects to assist children and families.

Income Augmentation Revenue Expended by DHFS. Income augmentation revenues that are not provided to counties as community aids or Title IV-E incentive funds are deposited in a DHFS federal continuing appropriation and can be expended by DHFS in the following manner:

- DHFS may use income augmentation funds for costs that are exclusively related to the operational costs of income augmentation activities that are not paid to MAXIMUS under its contract. These costs could include salaries for limited-term employees, federal claims processing costs, rent, telephone services, and miscellaneous supplies and services.
- In addition, DHFS may expend income augmentation revenue received as targeted case management funds to support the counties' share of implementing Wisconsin's statewide automated child welfare information system (WISACWIS) and to support some costs in the Bureau of Milwaukee Child Welfare.
- If DHFS proposes to use income augmentation funds for any other purpose, DHFS must submit a plan of the proposed use of the funds to the Department of Administration (DOA) by September 1 of the fiscal year after the fiscal year in which the revenues were received. If DOA approves the plan, the DOA Secretary must submit it to the Joint Committee on Finance, by October 1 of that same fiscal year, for approval under a 14-day passive review process.

HIPAA Compliance

The federal Health Insurance Portability and Accountability Act (HIPAA) contains provisions designed to reduce the costs and administrative burden of health care by making it possible to transmit standardized, electronic administrative and financial transactions that are currently transmitted manually on paper. HIPAA requires that all health plans, health care clearinghouses, and health care providers, including state-administered programs, comply with standards established in rules promulgated by the U.S. Department of Health and Human Services. Non-compliance with these federal regulations can result in civil and criminal penalties.

HIPAA regulations govern privacy, security, and administrative standards on health care information. Currently, four final regulations have been promulgated and several proposed regulations are expected to become final by the end of 2003.

GOVERNOR

Income Augmentation Funds. Budget a total of \$12,036,100 FED in 2003-04 and \$9,361,400 FED in 2004-05 and support 3.5 FED positions with income augmentation funds.

The Governor proposes to fund several items using income augmentation funds, including: (a) implementation and ongoing costs of WISACWIS in 2003-04; (b) activities to reduce the state's food stamp payment error rate in 2003-04 and 2004-05; (c) DHFS information systems changes to meet HIPAA requirements in 2003-04 and 2004-05; (d) replacing base GPR funding for MA benefits funding in 2003-04 and 2004-05; and (e) transferring support for 3.0 positions that are currently supported with GPR.

HIPAA Compliance. Provide \$8,728,200 (\$8,044,200 FED and \$684,000 PR) in 2003-04 and \$3,013,300 (\$2,501,300 FED and \$512,000 PR) in 2004-05 to fund information systems changes in DHFS to comply with HIPAA. The federal funding includes \$2,404,000 in 2003-04 and \$714,000 in 2004-05 of income augmentation funds.

Incentive Payment to Counties for MA Administrative Costs. Require DHFS to distribute not less than 50% of the federal MA matching funds the state would receive to participating counties that claim MA-eligible administrative costs for services they provide to elderly individuals and other adults that receive mental health, developmental disabilities, and substance abuse treatment services from these counties. Specify that any remaining funds would be considered income augmentation funds and would be included in the Department's annual plan for the proposed use of income augmentation funds that is currently subject to the approval of DOA and the Joint Committee on Finance.

MA Funding. Reduce MA benefits funding by \$4,262,000 GPR in 2003-04 and by \$7,681,100 GPR in 2004-05 and increase FED funding supported by income augmentation revenue by corresponding amounts to offset this reduction in GPR support for MA benefits. Increase estimates of federal matching funds to support MA benefits by \$5,986,900 FED in 2003-04 and by \$10,787,500 FED in 2004-05.

Convert Positions. Reduce funding by \$62,200 GPR in 2003-04 and by \$165,900 GPR in 2004-05 and eliminate 3.0 GPR positions, beginning in 2003-04. Provide \$62,000 FED in 2003-04 and \$165,900 FED in 2004-05 and 3.0 FED positions, beginning in 2003-04. The federal funds are income augmentation revenues.

DISCUSSION POINTS

1. Currently, \$11,812,700 FED in income augmentation funds that were generated by DHFS by the end of the 2001-02 fiscal year remains uncommitted. (This amount excludes \$907,200 FED that DHFS has requested as part of a s. 13.10 request that the Committee has not yet acted on.) The Governor's intent is to use these funds, as well as income augmentation funds that the state expects to receive in 2002-03, 2003-04, and 2004-05 to support the items in the bill.

The following table summarizes items in the bill that would be supported by income augmentation revenue.

TABLE 1
Budgeted Income Augmentation Funds
Governor's Recommendations

<u>Item</u>	<u>2003-04</u>	<u>2004-05</u>	<u>Total</u>
Expenditure Authority in 2002-03	\$399,100	\$399,100	\$798,200
HIPAA Compliance	2,404,000	714,000	3,118,000
WISACWIS	2,199,000	0	2,199,000
Food Stamps ¹	2,685,400	376,900	3,062,300
MA Benefits ²	4,262,000	7,681,100	11,943,100
Convert Positions ³	<u>86,600</u>	<u>190,300</u>	<u>276,900</u>
Total	\$12,036,100	\$9,361,400	\$21,397,500
Amount Available (Uncommitted amounts received thru June 30, 2002)			\$11,812,700
Difference (Amount funded with income augmentation revenue received after June 30, 2002)			\$9,584,800

This paper discusses the items related to the 2002-03 expenditure authority, HIPAA compliance, the MA benefits transfer, and position conversions. The food stamps and WISACWIS items will be addressed in separate papers prepared by the Legislative Fiscal Bureau.

2. The Governor's bill budgets \$9,584,800 in funds that will be from income augmentation revenues DHFS receives after June 30, 2002. DHFS does not yet have an estimate of total available revenues in these years, but expects to have the final estimate of available revenues by July, 2003, when DHFS completes the final reconciliation of community aids expenditures for 2002. Table 2 shows the amount of funding used under the bill from future revenues.

TABLE 2

Income Augmentation -- Funded Items by Year of Receipt

	Using FY 02		Using FY 03		Using FY 04		Using FY 05		Total
	Revenues		Revenues		Revenues		Revenues		
	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>	
HIPAA	\$2,404,000	\$714,000	\$0	\$0	\$0	\$0	\$0	\$0	\$3,118,000
WISACWIS	2,199,000	0	0	0	0	0	0	0	2,199,000
Food Stamps	2,327,600	0	357,800	376,900	0	0	0	0	3,062,300
MA Admin	1,987,000	2,221,100	0	0	2,275,000	0	0	5,460,000	11,943,100
CEU Position	0	0	24,400	0	0	24,400	0	0	48,800
Positions	<u>0</u>	<u>0</u>	<u>62,200</u>	<u>0</u>	<u>0</u>	<u>165,900</u>	<u>0</u>	<u>0</u>	<u>228,100</u>
Total	\$8,917,600	\$2,935,100	\$444,400	\$376,900	\$2,275,000	\$190,300	\$0	\$5,460,000	\$20,599,300*

*Note: Does not include funding for expenditure authority in 2002-03 (\$798,200 over biennium).

3. The funding structure established in the bill would bypass the process in current law that requires an annual review of the proposed use of income augmentation revenue by DOA and the Committee before DHFS could spend the funds. However, the Governor's bill does not contain statutory changes to the current approval process regarding the use of these funds. If the Committee approves the use of income augmentation revenues DHFS expects to receive after June 30, 2002, the amount of funding available for the DOA and Committee plan process will be reduced by the amounts budgeted for the biennium. The funds that will be subject to DOA and the Committee's approval in the annual income augmentation plan are funds that are not budgeted for: (a) ongoing and recurring costs related to augmenting federal revenue; and (b) the amounts provided through the budget process for items in the 2003-05 biennium.

Technical Changes

4. The Governor's bill includes income augmentation funding for 1.0 position that oversees the contract for the central eligibility unit (CEU). However, funding for this position in 2003-04 was previously accounted for under the Department's October, 2002, income augmentation plan. Thus, the Governor's request for use of income augmentation funds should be decreased by \$40,000 in 2003-04. This would increase the amount of uncommitted, previously received income augmentation funds to \$11,852,700.

5. Under the Governor's bill, \$399,100 FED is annually budgeted in the income augmentation appropriation as base funding. This expenditure authority was provided in 2001 Wisconsin Act 16 (the 2001-03 biennial budget act) to support one position (\$49,700 annually) and targeted case management funding (\$349,400 annually). The expenditure authority for these funds should have been deleted to reflect a partial veto in Act 16 that eliminated the position and classified targeted case management funds as income augmentation funds, and thus, have not been budgeted

as base funding. The Committee could delete the expenditure authority in the income augmentation appropriation to reflect the partial vetoes.

6. Under the annual income augmentation plan DHFS submits to DOA and the Committee, there are administrative costs that are exclusively related to the operational costs of augmenting federal income. These costs are not subject to the Committee's approval but are shown in each submitted plan. The federal income augmentation appropriation in DHFS acts as a clearinghouse appropriation for these federal funds. Amounts budgeted for certain ongoing and recurring costs are not reflected in this appropriation in the statutory appropriation schedule. The Committee could budget these ongoing and recurring costs directly to simplify the budgeting process. The costs associated with augmenting Title IV-E revenue is \$217,200 annually and the costs related to operating the CEU is \$690,000 in 2003-04 and \$730,000 in 2004-05. DHFS has concurred that these activities are ongoing and they should be budgeted directly in the income augmentation appropriation.

Transfer Funding for Positions to Income Augmentation Funding

7. As part of the Departmentwide reductions under the bill, 3.0 GPR positions would instead be funded with income augmentation revenue, beginning in 2003-04. The bill reduces funding by \$62,200 GPR in 2003-04 and \$165,900 GPR in 2004-05 and provides a corresponding increase in income augmentation funds. The transfer to income augmentation funds would be phased in over the 2003-04 fiscal year. These positions include a financial management supervisor, an accountant, and a financial specialist who either currently work on issues related to augmenting federal income, or would work on these issues. DHFS staff have indicated that these positions are necessary for the state to continue to receive additional federal funds through the income augmentation and intergovernmental transfer (IGT) programs. The Committee could adopt the Governor's recommendation to convert these positions as a means of reducing GPR funding.

8. Currently, \$4.8 million in income augmentation funds support ongoing activities. These activities include: (a) \$217,200 to support administrative costs to augment federal income; (b) \$826,400 to support the counties' share of the implementation costs of WISACWIS; (c) \$2,501,000 for the Bureau of Milwaukee Child Welfare; and (d) \$1,240,000 for the state share of costs related to the expansion of the CEU. Approximately 41% of the currently available income augmentation funds support these ongoing costs. If the Committee approves the Governor's proposal to transfer the funding for these positions to income augmentation funds, this would increase the amount of funding that would support ongoing activities. In addition, it reduces the amount of funding available in each year to support one-time costs. Since the amount of income augmentation funds varies from year to year and income augmentation was originally considered a one-time source of revenue, the Committee may wish to not increase funding for ongoing activities from this source. Therefore, the Committee could either delete 3.0 GPR positions or maintain GPR funding for the positions identified in the bill. If 3.0 positions were deleted, they would not necessarily be the 3.0 positions identified in the Governor's bill.

9. Currently, there is 1.0 position that is supported with income augmentation funds

and matching Title IV-E funds. This position oversees the contract with MAXIMUS for the CEU. The CEU uses information about new child welfare cases collected by counties to determine if a child in out-of-home care is Title IV-E eligible and if the case is eligible for Title IV-E reimbursement. Under a separate provision in the bill, every county would be required to use the CEU for Title IV-E eligibility determinations. Currently, 47 counties use the CEU.

HIPAA Compliance

10. HIPAA regulations govern privacy, security, and administrative standards on health care information. HIPAA administrative simplification encourages the automation of health care administrative functions by mandating certain standards. The functions that must be automated include processing health care claims, asking and answering inquiries about the status of claims and of patient eligibility, and coordinating benefits. It is expected that the U.S. Department of Health and Human Services (DHHS) will publish seven rules that lay out the requirements for health plans, health care clearinghouses, and health care providers to comply with federal HIPAA standards. These rules, along with the estimated publication dates, dates of the earliest implementation work, and compliance dates are shown in Table 3. Currently, four final regulations have been promulgated and DHFS expects several proposed regulations to become final by the end of 2003. Federal law mandates compliance with a published standard within 24 months of the standard's effective date.

TABLE 3

Status of HIPAA Rules and Implementation Deadlines

<u>Rule</u>	<u>Estimated Publication Date</u>	<u>Date of Earliest Implementation Work in Biennium</u>	<u>Compliance Date</u>
Privacy	Published	July, 2003	April, 2003
Transactions and Code Sets	Published	July, 2003	October, 2003
National Employer ID	Published	July, 2003	July, 2004
Security and Electronic Signature Standards	Published	July, 2003	February, 2005
National Provider ID*	FY 2003	July, 2003	December, 2005
Claims Attachments*	FY 2003	July, 2003	December, 2005
National Plan ID*	FY 2003	July, 2003	January, 2006

*The dates associated with these rules are estimates.

11. There are 13 systems and/or programs within DHFS that provide health care services and require system and business changes to comply with HIPAA. These systems are:

- Medicaid (MMIS/MEDS)
- BadgerCare
- Senior Care
- Health Insurance Risk-Sharing Plan (HIRSP)
- Chronic Wasting Disease
- WisconCare
- Wisconsin Well Woman Program
- Medicaid Home- and Community-Based Waivers and Community Options Program (COP)
- Bureau of Health Information (BHI)
- Facility Licensing and Certification Information System
- Human Services Reporting System (HSRS)
- Bureau of Milwaukee Child Welfare
- Division of Management and Technology

In addition, DHFS is providing technical assistance to counties to become HIPAA compliant and are offering a county clearinghouse option to counties to assist them in reaching compliance by the required compliance dates.

12. In the last two biennial budgets, \$10,543,000 (all funds) has been provided for HIPAA compliance activities in DHFS. Most of this funding supported required modifications to the MMIS/MEDS system, which supports the MA, BadgerCare, and SeniorCare programs.

13. The funding in the bill would support changes to eight systems or divisions in DHFS. These systems and the amount provided for each are shown in Table 4. Activities in the 2003-05 biennium include modifying business software, developing new electronic business processes and changing other electronic processes, and developing new policies, procedures, security mechanisms, and compliance monitoring initiatives.

TABLE 4
Funding Provided for HIPAA Compliance
By Program

<u>Division/System</u>	<u>2003-04</u>	<u>2004-05</u>	<u>Biennium</u>
MMIS/MEDS (MA, BadgerCare, and SeniorCare programs)	\$5,916,500	\$1,997,400	\$7,913,900
HSRS	80,000	0	80,000
Bureau of Health Information	132,000	132,000	264,000
Chronic Disease Program	445,200	0	445,200
WisconCare	372,100	0	372,100
Wisconsin Well Women	278,400	0	278,400
County Clearinghouse Service	480,000	123,900	603,900
Bureau of Informational Systems	896,000	632,000	1,528,000
Departmental Staff	<u>128,000</u>	<u>128,000</u>	<u>256,000</u>
Total	\$8,728,200	\$3,013,300	\$11,741,500
FED	\$8,044,200	\$2,501,300	\$10,545,500
PR	\$684,000	\$512,000	\$1,196,000

The funding amounts provided under the bill are one-time funds and, upon review, appear reasonable to support the costs associated with compliance activities. The federal funds include MA improvement matching funds. These federal MA matching funds support 90% of the costs to implement new system enhancements. Once the system is operational, the match rate is 75%. The bill includes \$4,955,800 in 2003-04 and \$1,504,800 in 2004-05 in these enhanced matching funds. In addition, the federal funds include \$2,404,000 in 2003-04 and \$714,000 in 2004-05 of income augmentation funds. This funding is provided in lieu of GPR for GPR-funded programs and systems.

14. As seen in Table 4, the bill includes funding for changes in WisconCare. Under a separate provision, the bill eliminates the WisconCare program. Therefore, the Committee could delete \$372,100 FED (income augmentation funds) in 2003-04 for HIPAA compliance activities related to WisconCare because these changes would not need to be made.

15. Alternatively, the Committee could approve the Governor's recommendation for funding for HIPAA compliance, which would allow DHFS to use the \$372,100 in income augmentation funds for compliance activities and restore part of a reduction the Governor made to the amount of funding requested by DHFS. This reduction was not based on a reestimate of the costs of conducting activities. Rather, it was made to reduce the amount of income augmentation revenues budgeted in the bill. The administration approved 90% of the Department's request for changes to the MMIS system and 80% of the Department's request for changes to the remaining systems.

16. Compliance with HIPAA is required under federal law. DHFS must be in compliance with the HIPAA regulation on privacy by April, 2003, and with the regulation on transactions by October, 2003. If the state is not compliant with the federal transaction and code set rule by October 16, 2003, DHHS may withdraw MA improvement matching funds from the state. In addition, non-compliance could result in civil and criminal penalties. The penalties are \$25,000 for each rule violation per year. Assuming that there are 18 total rules with a maximum yearly penalty of \$25,000, the total annual penalty for non-compliance could be \$450,000 per system if all rules apply. If all DHFS systems were non-compliant, the total could exceed \$4.5 million annually. In addition, DHFS staff indicate that business partners and the public could be adversely affected if DHFS is not in compliance with the transaction code regulation because there could be delays in claims payments.

Incentive Payments to Counties for MA Administrative Costs

17. Currently, counties are performing MA-eligible administrative activities for services to the elderly and adults with mental health needs, developmental disabilities, and substance abuse treatment needs that are not currently reimbursed by MA or other federal sources. Counties are supporting these costs with their community aids allocation, overmatch dollars, and county tax levy.

18. The state can claim MA funds as reimbursement for the costs incurred by the counties for these activities. There are three parts to claiming: (a) the random moment time study; (b) financial data collection; and (c) MA eligibility. The random moment time study is a statistical method of determining the level of eligible activity statewide. Counties provide a list of employees in the relevant areas of work, a random sample of these employees is drawn, and the selected employees are called and asked a set of questions about their activities at that moment in time. This shows how many employees are working on eligible activities during the specified time range. The results of this survey are combined with the financial data that is collected from the county, which determines the counties' relevant administrative costs, while excluding direct federal grants and costs that are already matched to MA. Finally, the MA eligibility rate (the number of individuals in the county programs who are MA-eligible) is determined and applied to the applicable costs. Combined, these three parts determine the amount of MA that can be claimed for federal reimbursement. DHFS staff estimate that the state could claim between \$6.0 million and \$12.0 million in additional federal MA matching funds annually, once counties begin to participate in the process.

19. In order for this process to work, DHFS needs the counties' cooperation in determining the relevant employees and providing the appropriate financial data on a quarterly basis. DHFS has contracted with MAXIMUS to establish the appropriate reporting structure to begin the claiming process. Parts of this reporting structure are already in place as a result of work that MAXIMUS performed with three pilot counties, Kenosha, Walworth, and Milwaukee County, to determine if this was a viable and worthwhile claiming process. Under the contract, MAXIMUS receives 9% of the total collections received as a result of its activities. After one year, DHFS will decide if MAXIMUS will continue to perform the random moment time study or if the Department will do it. The terms of the contract with MAXIMUS will be renegotiated at that time. MAXIMUS

will not receive any payment for past work on this project if counties do not support, and thus do not participate in, the project.

20. To encourage counties to help the state claim these MA matching funds, the Governor's bill includes statutory language that would distribute 50% of the MA administrative revenues received, after the 9% contractor's fee to MAXIMUS, to counties. This framework is based on the way Title IV-E incentive funds are currently distributed to counties. That structure was established to encourage counties to assist in increased federal claiming.

21. The remaining funds would be considered income augmentation funds. Under the bill, these funds would be used to support benefit costs under the MA program. This provision is discussed further in the next section of this paper.

22. Alternatively, the Committee could consider allowing DHFS to distribute incentive payments to those counties participating in the program such that the payments would equal 100%, rather than 50%, of the total revenue received. If this alternative was chosen, the Committee could not use any of these MA funds to offset costs in the MA program (\$2,275,000 in 2003-04 and \$5,460,000 in 2004-05) as proposed by the Governor.

Income Augmentation Funding to Support MA Benefits

23. The Governor's budget uses \$4,208,100 (\$1,987,000 in 2003-04 and \$2,221,100 in 2004-05) in income augmentation funds from funds that are available from 2001-02 revenues (currently available balance) to replace GPR in the MA budget.

24. As indicated previously, the bill allocates the remaining MA funds received for administrative costs for services to the elderly and adults with mental health needs, developmental disabilities, and substance abuse treatment needs (those that are not distributed to counties as an incentive payment) to support the state share of costs in the MA program on an ongoing basis. The administration estimates that \$2,275,000 would be available in 2003-04 and \$5,460,000 would be available in 2004-05 in MA administrative funds.

25. Even though the state share of the MA administrative funds would technically be income augmentation funds, and thus included in the Department's annual plan for the use of these funds, by approving this item in the Governor's bill, the Committee would be bypassing the process in current law that requires an annual review of the proposed use of this revenue by DOA and the Committee before DHFS could spend it. The administration is proposing to use these funds on an ongoing basis as a revenue stream for the MA program, so these funds would not be subject to DOA and the Committee's review for as long as the state receives these funds.

26. However, since the funds are for MA administrative costs, it could be argued that they should be allocated to support MA costs. Therefore, the Committee could adopt the Governor's provision but instead of budgeting the income augmentation funds directly in the MA program, the state share of the MA administrative funds could be lapsed to the general fund and a corresponding amount of GPR funding would be provided in the MA program. This change would

simplify the administration of this provision, while still maintaining the Governor's intent.

27. The Governor's bill would increase funding by \$5,986,900 FED in 2003-04 and \$10,787,500 FED in 2004-05 to reflect the federal MA matching funds that would be generated from the use of income augmentation funds. However, since a corresponding amount of GPR is deleted, there would be no net increase in federal matching funds. Consequently, this federal funding increase should be deleted from the bill.

Lapse Income Augmentation Funds to the General Fund

28. Since there are no federal restrictions on the use of income augmentation funds, the Committee could delete the current provision that authorizes DHFS to use income augmentation funds for purposes other than operational costs exclusively related to augmenting federal income. This would require DHFS to credit any additional income augmentation revenue to the general fund as GPR-earned revenue. Under this alternative, the Committee could maximize the amount of income augmentation revenue that would be deposited to the general fund, without affecting the current requirement that 50% of the Title IV-E revenues would be provided to counties as incentive funds to ensure that counties continue to generate additional IV-E revenues. In addition, this alternative would not affect the requirement under the bill that 50% of the MA-administrative funds would be provided to counties as incentive funds to ensure that counties general additional MA revenues. The Committee could then fund the items under the bill that use income augmentation funds with GPR.

Summary

29. In summary, there is currently \$11,852,700 in income augmentation funds available. With the technical corrections to the bill, the amounts recommended by the Governor are identified in Table 5.

TABLE 5

Amount of Income Augmentation Funds Budgeted Under Governor's Bill, with Technical Corrections

<u>Item</u>	<u>2003-04</u>	<u>2004-05</u>	<u>Total</u>
Adjusted Base	\$0	\$0	\$0
HIPAA Compliance	2,404,000	714,000	3,118,000
WISACWIS	2,199,000	0	2,199,000
Food Stamps	2,685,400	376,900	3,062,300
MA Administration	4,262,000	7,681,100	11,943,100
Convert Positions	<u>86,600</u>	<u>190,300</u>	<u>276,900</u>
Total	\$11,637,000	\$8,962,300	\$20,599,300
Amount available (uncommitted amounts received thru June 30, 2002)			\$11,852,700
Difference (amount funded with income augmentation revenue received after June 30, 2002)			\$8,746,600

As indicated in Table 5, a total of \$20,599,300 would be budgeted under the bill, with the technical changes. Of this, \$8,746,600 would be needed from future income augmentation revenue, as follows: (a) \$821,300 from income augmentation funds from 2002-03 revenues; (b) \$2,465,300 from 2003-04 revenues; and (c) \$5,460,000 in 2004-05 revenues. Of the 2003-04 revenues, \$2,275,000 would be from the state share of MA matching funds for administrative costs and all of the 2004-05 funds would be from this source.

30. If the Committee wishes to permit DHFS to use future income augmentation revenues to support costs in the 2003-05 biennium, a statutory language change could be made to allow DHFS to do so. The language could also clarify that the amounts subject to the DOA and the Committee's review represent amounts not provided for costs to augment federal income and not budgeted directly through legislation. In addition, the Committee could specify that DHFS must first use revenues from 2001-02 to support the identified costs.

31. Alternatively, if the Committee wishes to prohibit DHFS from using future revenues to support 2003-05 costs, the difference between the total costs and the amount of available income augmentation revenues could instead be supported with GPR funds.

ALTERNATIVES

A. Technical Items

1. Reduce funding in the bill by \$5,518,800 FED in 2003-04 and by \$10,239,400 FED in 2004-05 to: (a) delete \$40,000 FED in 2003-04 for the CEU position; (b) delete \$399,100 FED annually in base funding to account for the partial vetoes in Act 16; (c) provide \$907,200 in 2003-04 and \$947,200 in 2004-05 for ongoing and recurring costs to augment federal income; and (d) delete \$5,986,900 FED in 2003-04 and \$10,787,500 FED in 2004-05 in MA matching funds. In addition, authorize DHFS to use the funding budgeted under 20.435 (8)(mb) for ongoing and recurring costs.

<u>Alternative A1</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	- \$15,758,200

B. Positions

1. Approve the Governor's recommendation to reduce funding by \$62,200 GPR in 2003-04 and \$165,900 GPR in 2004-05 and provide a corresponding increase of income augmentation funds to reflect the conversion of 3.0 GPR positions to 3.0 FED (income augmentation) positions, beginning in 2003-04.

2. Approve the Governor's recommendation to reduce funding by \$62,200 GPR in 2003-04 and \$165,900 GPR in 2004-05, but delete the corresponding increase in income augmentation funding and position authority.

<u>Alternative B2</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	- \$228,100
2004-05 POSITIONS (Change to Bill)	- 3.00

3. Maintain current law. Reduce funding in the bill by \$62,200 FED and \$165,900 FED in 2004-05 and increase funding by corresponding amounts of GPR. In addition, delete 3.0 FED positions, beginning in 2003-04, and provide 3.0 GPR positions, beginning in 2003-04.

<u>Alternative B3</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2003-05 FUNDING (Change to Bill)	\$228,100	- \$228,100	\$0
2004-05 POSITIONS (Change to Bill)	3.00	- 3.00	0.00

C. HIPAA Compliance

1. Approve the Governor's recommendation to provide \$8,728,200 (\$8,044,200 FED and \$684,000 PR) in 2003-04 and \$3,013,300 (\$2,501,300 FED and \$512,000 PR) in 2004-05 for HIPAA compliance activities.

2. Reduce funding in the bill by \$372,100 FED (income augmentation) in 2003-04 to delete funding for HIPAA compliance activities for the WisconCare program.

<u>Alternative C2</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	- \$372,100

3. Reduce funding in the bill by \$372,100 FED (income augmentation) in 2003-04 to delete funding for HIPAA compliance activities for the WisconCare program. In addition, lapse this amount to the general fund in 2003-04.

<u>Alternative C3</u>	<u>GPR</u>	<u>FED</u>
2003-05 REVENUE (Change to Bill)	\$372,100	\$0
2003-05 FUNDING (Change to Bill)	\$0	- \$372,100

D. Incentive Payment to Counties for MA Administrative Costs

1. Approve the Governor's recommendation to require DHFS to distribute not less than 50% of the federal MA matching funds the state would receive to participating counties that claim MA-eligible administrative costs for services they provide to elderly individuals and other adults that receive mental health, developmental disabilities, and substance abuse treatment services from these counties. Specify that any remaining funds would be considered income augmentation funds

and would be included in the Department's annual plan for the proposed use of income augmentation funds that is currently subject to the approval of DOA and the Joint Committee on Finance.

2. Require DHFS to distribute 100% of the federal MA matching funds the state would receive to participating counties that claim MA-eligible administrative costs for services they provide to elderly individuals and other adults that receive mental health, developmental disabilities, and substance abuse treatment services from these counties.

3. Maintain current law.

E. Income Augmentation Funding to Support MA Benefits – 2001-02 Revenue

1. Approve the Governor's recommendation to transfer \$1,987,000 GPR in 2003-04 and \$2,221,100 GPR in 2004-05 for MA benefits to income augmentation funding.

2. Require DHFS to lapse \$4,208,100 in income augmentation funds to the general fund in 2003-04. In addition, provide \$1,987,000 GPR in 2003-04 and \$2,221,100 GPR in 2004-05 for MA benefits.

<u>Alternative E2</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2003-05 REVENUE (Change to Bill)	\$4,208,100	\$0	\$4,208,100
2003-05 FUNDING (Change to Bill)	\$4,208,100	-\$4,208,100	\$0

3. Maintain current law. Reduce funding in the bill by \$1,987,000 FED in 2003-04 and \$2,221,100 FED in 2004-05 and increase funding by corresponding amounts of GPR for MA benefits.

<u>Alternative E3</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2003-05 FUNDING (Change to Bill)	\$4,208,100	-\$4,208,100	\$0

F. Income Augmentation Funding to Support MA Benefits – State Share of MA Administrative Costs Payments

1. In addition to Alternative D1, approve the Governor's recommendation to transfer \$2,275,000 GPR in 2003-04 and \$5,460,000 GPR in 2004-05 for MA benefits to income augmentation funding.

2. In addition to Alternative D1, require DHFS to lapse \$2,275,000 in 2003-04 and \$5,460,000 in 2004-05 in income augmentation funds to the general fund. In addition, reduce funding in the bill by \$2,275,000 FED in 2003-04 and by \$5,460,000 FED in 2004-05 in income

augmentation funds and increase GPR funding by a corresponding amount in the MA benefits appropriation.

<u>Alternative F2</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2003-05 REVENUE (Change to Bill)	\$7,735,000	\$0	\$7,735,000
2003-05 FUNDING (Change to Bill)	\$7,735,000	-\$7,735,000	\$0

3. Maintain current law. Reduce funding in the bill by \$2,275,000 FED in 2003-04 and by \$5,460,000 FED in 2004-05 in income augmentation funds and increase GPR funding by a corresponding amount in the MA benefits appropriation.

<u>Alternative F3</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2003-05 FUNDING (Change to Bill)	\$7,735,000	-\$7,735,000	\$0

G. Lapse Income Augmentation Funds

1. Maintain current law.
2. Require DHFS to lapse \$11,852,700 in income augmentation revenues by June 30, 2004. Provide \$11,852,700 GPR to replace the income augmentation funding in the bill.

<u>Alternative G2</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2003-05 REVENUE (Change to Bill)	\$11,852,700	\$0	\$11,852,700
2003-05 FUNDING (Change to Bill)	\$11,852,700	-\$11,852,700	\$0

3. In addition to G2, delete the current provision authorizing DHFS to propose the use of income augmentation revenues for purposes other than operational costs exclusively related to augmenting federal income.

H. Use of Future Income Augmentation Revenue

1. Permit DHFS to use income augmentation revenues received after June 30, 2002, to support costs related to the items in Table 5 (page 12). Require DHFS to first use 2001-02 income augmentation revenues before using revenues collected after June 30, 2002, to meet the costs associated with the items in Table 5 (page 12). Clarify that the income augmentation revenues that are included in the annual income augmentation plan, that is subject to DOA and the Committee's approval, does not include income augmentation funds budgeted by the Legislature.

2. Prohibit DHFS from using income augmentation revenues from any year except those currently available to support costs related to the items in Table 5 (page 12). Provide GPR funding for the difference between those identified costs and the amount of available income

augmentation revenue. In addition, require DHFS to lapse \$8,746,600 in income augmentation funds to the general fund by June 30, 2005.

<u>Alternative H2</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2003-05 REVENUE (Change to Bill)	\$8,746,600	\$0	\$8,746,600
2003-05 FUNDING (Change to Bill)	\$8,746,600	- \$8,746,600	\$0

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