



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 11, 2017

Joint Committee on Finance

Paper #338

Funeral and Cemetery Aids (Health Services -- Medicaid Services Administration)

[LFB 2017-19 Budget Summary: Page 222, #5]

CURRENT LAW

Wisconsin's funeral and cemetery aids program (WFCAP) reimburses funeral homes, cemeteries, and crematories for eligible services they provide to certain deceased individuals who were medical assistance (MA) or Wisconsin Works participants at the time of their death. Approximately 95% of the individuals for whom financial assistance is provided qualify for MA based on elderly, blind and disabled (EBD) eligibility criteria. DHS may accept reimbursement requests only from funeral homes, cemeteries and crematories -- family members and other non-providers may not submit reimbursement requests. Providers must submit itemized statements of goods and services within 12 months of the date of death, and may appeal payment determinations through the Department of Administration's Division of Hearings and Appeals.

The program provides this assistance when estates of the decedents are insufficient to pay qualifying costs. The statutes require the state to pay: (a) the lesser of \$1,000 or the cemetery expenses that are not paid by the estate of the deceased or other persons, if the total cemetery expenses for the recipient do not exceed \$3,500; and (b) the lesser of \$1,500 or the funeral and burial expenses not paid by the estate of the decedent or other persons if the total funeral and burial expenses do not exceed \$4,500.

2015 Wisconsin Act 55 (The 2015-17 budget act) modified the program so that if a (deceased) recipient, or the recipient's spouse or another person owns a life insurance policy that insures the recipient's life, and the face value of the policy exceeds \$3,000, any amount that the Department of Health Services (DHS) would be obligated to pay is reduced by one dollar for every dollar by which the face value of the policy exceeds \$3,000. Beginning in March, 2017, service providers (funeral homes, cemeteries and crematories) and either the executor or a family representative must sign the application for reimbursement indicating that documents that the service provider asked about the existence of any life insurance policies for the decedent.

In addition, provisions created in Act 55 require DHS to pursue recovery of any reimbursement amounts paid under the program from the estate of the recipient and from the estate of any surviving spouse or former spouse of the recipient. Although Act 55 specified that this provision would first apply to program recipients who died on the bill's general effective date (July 14, 2015), DHS has not yet implemented this provision, but plans to implement it later this year.

DHS centrally administers WFCAP for residents in all areas of the state other than Milwaukee County, where the program is administered by DHS staff in Milwaukee Enrollment Services (MilES).

Base funding for the program is \$10,514,700 GPR.

GOVERNOR

Reduce funding by \$1,066,500 GPR in 2017-18 and by \$932,200 GPR in 2018-19 to reflect reestimates of the amount of funding needed to support reimbursement payments in the 2017-19 biennium.

DISCUSSION POINTS

1. The administration's projections of program costs in the 2017-19 biennium are based on historical trends in the total number of individuals whose funeral and burial costs could qualify for assistance (as measured by estimates of the number of individuals who will qualify for EBD MA), the number of annual deaths in this population, the number of requests for cemetery and funeral reimbursements, and the average reimbursement payments service providers received.

2. WFCAP is an entitlement program budgeted in a GPR sum certain appropriation. If the amount budgeted for the program exceeds actual reimbursements payments, funding lapses to the general fund. If the amount of funding budgeted for the program is insufficient to pay eligible reimbursement claims, DHS must request additional expenditure authority from the Legislature. DHS has no statutory authority to deny or prorate claims for reimbursable expenses.

3. Table 1 shows the assumptions the administration used to estimate the additional funding that will be needed to support reimbursement payments in the 2017-19 biennium.

TABLE 1
WFCAP Cost-to-Continue Estimates
Governor's Bill

	State Fiscal Year		
	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Total Estimated Number of WFCAP Eligible Deaths	19,045	19,617	20,205
Cemetery Reimbursements			
Total Requests for Reimbursement	4,190	4,316	4,445
Average Reimbursement Amount	<u>\$773</u>	<u>\$777</u>	<u>\$780</u>
Subtotal	\$3,237,700	\$3,351,500	\$3,469,400
Funeral Reimbursements			
Total Requests for Reimbursement	4,190	4,316	4,445
Average Reimbursement Amount	<u>\$1,453</u>	<u>\$1,460</u>	<u>\$1,467</u>
Subtotal	\$6,087,700	\$6,301,700	\$6,523,100
Total Estimated Costs	\$9,325,400	\$9,653,200	\$9,992,500
Offset from Estate Recoveries	-\$102,500	-\$205,000	-\$410,000
Total Net Program Costs	\$9,222,900	\$9,448,200	\$9,582,500
Base Funding	10,514,700	10,514,700	10,514,700
Difference between Base Funding and Est. Net Costs	-\$1,291,800	-\$1,066,500	-\$932,200

4. Table 2 identifies total WFCAP reimbursement payments for state fiscal years 2011-12 through 2015-16 and the administration's estimates for fiscal years 2016-17 through 2018-19.

TABLE 2
WFCAP Program Expenditures*
Fiscal Years 2010-11 through 2018-19

<u>Fiscal Year</u>	<u>Gross Total Expenditures</u>	<u>Change from Previous Year</u>	
		<u>Amount</u>	<u>Percent</u>
2010-11	\$8,296,227		
2011-12	9,361,574	\$1,065,347	12.8%
2012-13	9,941,635	580,061	6.2
2013-14	8,388,366	-1,553,268	-15.6
2014-15	8,607,530	219,164	2.6
2015-16	8,369,276	-238,254	-2.8
2016-17 (est.)	9,325,380	956,105	11.4
2017-18 (est.)	9,653,167	327,787	3.5
2018-19 (est.)	9,992,476	339,309	3.5

*Excludes estimates of offsetting revenues from Act 55 estate recovery provisions.

5. The administration's estimates reflect an assumption that revenue DHS collects from the estate recovery provisions, which have not yet been implemented, will be available to offset program costs (\$205,000 in 2017-18 and \$410,000 in 2018-19). These estimates were developed by DHS prior to the introduction of the Governor's 2015-17 budget recommendations. It is uncertain how much assets from estates will be recovered, especially since many of the estates from which recoveries can be made under this program are already subject to Medicaid estate recovery provisions. However, any revenue that DHS will receive from the recovering moneys from the estates of the program's beneficiaries will be deposited to the state's general fund, rather than to offset WFCAP program costs. For this reason, these amounts should not be subtracted from the estimated gross program expenditures. The effect of this correction is to increase estimates of the amount of funding needed to support program costs by \$205,000 GPR in 2017-18 and by \$410,000 GPR in 2018-19 (Alternative A1).

6. The administration's cost projections for fiscal years 2016-17 through 2018-19 were based on 2015-16 expenditure information. A review of program spending through April, 2017, would suggest that program costs in the current year are likely to be less than the administration's 2016-17 estimates. Through April, 2017, reimbursements have totaled \$5,579,200. However, DHS indicates that there is currently a backlog of claims that resulted when DHS transferred administration of the program from the Bureau of Enrollment Policy and Systems to the DHS Bureau of Fiscal Management. Consequently, the 2016-17 year-to-date expenditure information should not be used to reestimate future program costs. DHS currently estimates that claims expenditures will total approximately \$8.1 million in 2016-17, and indicates that the backlog of claims will not be eliminated entirely by the end of the year.

7. The administration's method of projecting future program costs, using several variables, appears reasonable. However, the cost increase projected by the administration for 2016-17 may be too high. Under the Department's model, 2016-17 costs would increase by over 11%, compared with 2015-16 actual costs. Although the percentage increase in program costs has varied from year to year, the total program cost increases have averaged well below 11%, and has decreased in some years. In 2015-16, total program costs decreased by approximately 2.8% from the previous year, despite increases in the number of individuals who would potentially be eligible for program benefits.

8. Table 3 summarizes an alternative method of estimating program costs in the 2017-19 biennium that: (a) similar to Alternative A1, deletes the funding offsets resulting from estate recovery collections, since these funds are not available to support the program; (d) applies a 5% growth factor in program costs in 2016-17; and (c) similar to the administration's projections, assumes that program costs will increase by 3.5% from the previous year in each year of the biennium.

TABLE 3
WFCAP Cost-to-Continue Estimates
Alternative Estimate

	State Fiscal Year			
	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2017-19 Biennium</u>
Prior Year Cost Actual/Estimate	\$8,369,300	\$8,787,700	\$9,095,300	\$17,883,000
Caseload and Average Cost Adjustment	<u>418,500</u>	<u>307,600</u>	<u>318,300</u>	<u>625,900</u>
Estimated Total Program Costs	\$8,787,800	\$9,095,300	\$9,413,600	\$18,508,900
Base Funding		\$10,514,700	\$10,514,700	\$10,514,700
Funding in Bill		\$9,448,200	\$9,585,500	\$19,033,700
Alternative Estimate				
Change to Base		-\$1,419,400	-\$1,101,100	-\$2,520,500
Change to Bill		-\$352,900	-\$171,900	-\$524,800

9. If the Committee adopts the alternative estimate shown in Table 3, it could reduce funding in the bill by \$352,900 GPR in 2017-18 and by \$171,900 GPR in 2018-19. This reduction is primarily due to the lower estimates of 2016-17 program costs than projected by the administration.

ALTERNATIVES

1. Increase funding in the bill by \$205,000 GPR in 2017-18 and by \$410,000 GPR in 2017-18 to adopt the administration's estimates of WFCAP costs in the 2017-19 biennium, as adjusted to reflect that revenue DHS collects from the estates of program beneficiaries, if any, is not available to offset GPR program costs.

ALT 1	Change to	
	Base	Bill
GPR	- \$1,383,700	\$615,000

2. Reduce funding in the bill by \$352,900 GPR in 2017-18 and by \$171,900 GPR in 2018-19 to reflect an alternative estimate of WFCAP program costs in the 2017-19 biennium, as shown in Table 3.

ALT 2	Change to	
	Base	Bill
GPR	- \$2,523,500	- \$524,800

Prepared by: Charles Morgan