



Legislative Fiscal Bureau

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August 16, 2007

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health and Family Services and Office of the Commissioner of Insurance -- s. 16.515
Request to Increase Funding for the Elderly Benefit Specialist Program -- Agenda Item
II

REQUEST

The Department of Administration requests that the Committee increase the general program operations appropriation for the Office of the Commissioner of Insurance (OCI) under s. 20.145(1)(g) by \$600,000 PR on a one-time basis so that OCI could transfer this funding to the Department of Health and Family Services (DHFS) interagency and intra-agency local assistance appropriation under s. 20.435(7)(kz) to support the elderly benefit specialist program in 2007-08.

BACKGROUND

DHFS is required to distribute funds to area agencies on aging to provide benefit specialist services for Wisconsin residents who are 60 years of age and older. Benefit specialists offer information, advice, and assistance relating to individuals' eligibility for, and problems with, public benefits and services and to health care financing, insurance, housing, and other financial and consumer concerns. Benefit specialists refer individuals in need of legal representation to the private bar or other available legal resources.

In most counties, benefit specialists are county employees. However, in 11 counties, these services are provided through private, nonprofit organizations. Statewide, there are approximately 90 to 95 individuals who provide benefit specialist services. However, since some of these positions are not full-time positions, DHFS estimates that there are approximately 65 full-time equivalent (FTE) positions that provide benefit specialist services throughout the state.

In 2006-07 DHFS provided \$2,298,400 GPR, \$599,000 FED, and \$600,000 PR to the six

area agencies on aging to support benefit specialists and \$182,500 GPR and \$697,400 FED to support supervising legal back-up services for the benefit specialists. The area agencies on aging allocate this funding to counties and tribes to support the benefit specialist program and to agencies with contracts to provide supervising legal back-up services. Some counties contribute county funds to support their benefit specialist programs.

A portion of the funding provided for the benefit specialist program in 2006-07 was provided on a one-time basis. Under the federal Medicare Prescription Drug Improvement and Modernization Act of 2003, states were provided funding to help Medicare recipients understand the new Medicare Part D benefit, and to select Medicare Part D plans. DHFS allocated the federal funding for the benefit specialist program to counties over an 18-month period (April, 2005, through September, 2006), including \$225,000 FED in 2006-07.

In order to sustain the higher level of funding for the benefit specialist program through the rest of the 2005-07 biennium, 2005 Wisconsin Act 25 (the 2005-07 biennial budget act) provided \$600,000 PR in insurance fee revenue on a one-time basis from OCI's general program operations projection to sustain this increased funding level through June 30, 2007. In addition, Act 25 directed DHFS to notify aging units that the funding increase was provided only for fiscal year 2006-07.

Currently, DHFS intends to budget \$3,552,300 (all funds) for the program in 2007-08, including \$2,298,400 GPR and \$374,000 FED to support benefit specialists and \$182,500 GPR and \$697,400 FED for legal backup and hotlines. This request would provide an additional \$600,000 PR for elderly benefit specialists on a one-time basis.

ANALYSIS

Workload for benefit specialists has increased over the past several years due to recent changes in federal programs that serve older individuals, as well as growth in the number of Wisconsin's older citizens. DHFS maintains annual information on the types of assistance benefit specialists provide, and the number of older citizens who received assistance under the program.

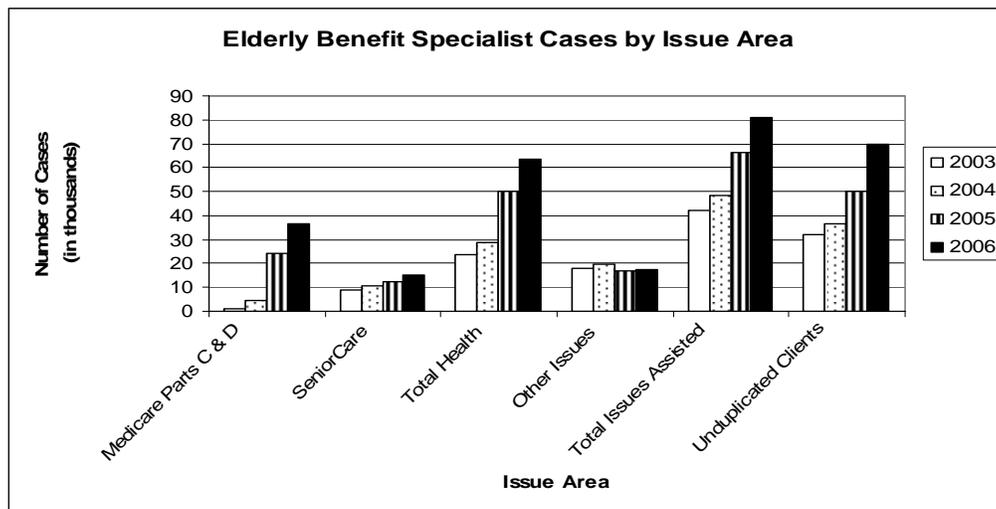
The largest increases in workload for benefit specialists during the past several years relate to new options available under Medicare Part D (outpatient drug coverage) and Medicare Part C (Medicare Advantage plans, under which the Medicare program purchases private health plans on behalf of enrollees). The number of individuals who received assistance from benefit specialists relating to these programs increased from approximately 1,200 in 2003 to approximately 35,000 in 2006. In 2007, there are 54 stand-alone prescription drug plans and 15 Medicare Advantage plans that offer prescription drug coverage under Medicare Part D in Wisconsin.

In addition, during this period, the number of older residents who received assistance from benefit specialists in matters relating to the state's SeniorCare program, other outpatient drug programs, and other health benefits increased significantly as well.

In order to address the workload increase relating to health issues during this period, benefit specialists have reduced the amount of time they have spent providing assistance in other areas of concern for older residents, including counseling in social services, advanced directives and surrogate decision making, housing benefits, and elder rights.

Figure 1 depicts the number of issues for which benefits specialists provided assistance, by issue area for each year between 2003 and 2006. The figure shows the significant increases in assistance provided by benefit specialists positions for health-related issues during this period.

Figure 1



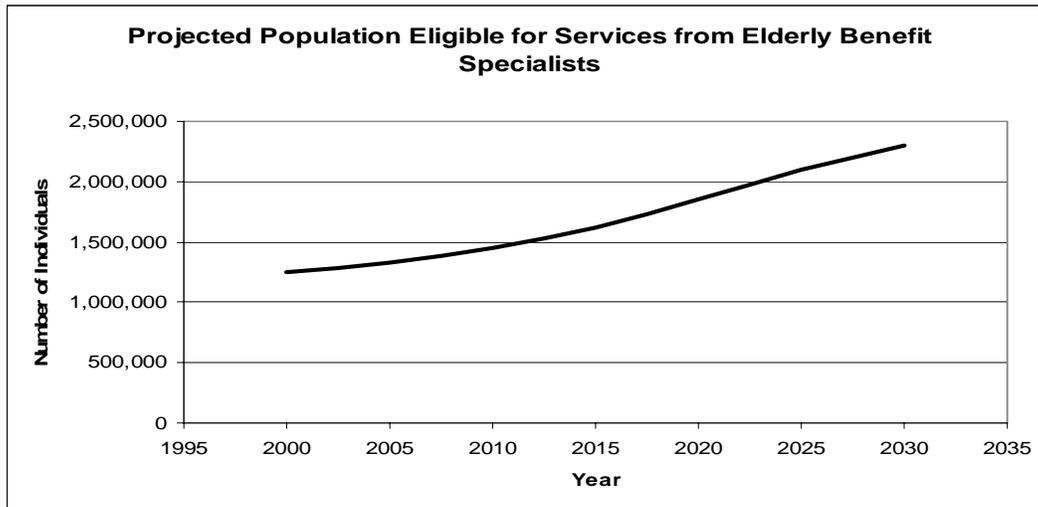
The additional work that benefit specialists provide relating to these programs will likely be ongoing, due to changes in the plans that are available to older residents from year to year, growth in the total number of Wisconsin residents who are eligible for these programs, and the fact that currently, over 41,000 Wisconsin residents turn age 65 each year and become newly eligible for these benefits.

DHFS argues that, if the Committee denies the administration's request, counties would likely eliminate some current benefit specialist positions. Because federal and state benefits are constantly changing, it is argued that agencies must maintain trained, knowledgeable staff. Benefit specialists initially undergo six days of intensive training. In order to keep the specialists apprised of the new state and federal regulations, they also: (a) attend a bi-monthly one day substantive training; (b) receive a monthly newsletter; (c) attend one to two additional state benefits training per year; and (d) attend an annual conference. DHFS believes that some of these positions may already have been eliminated, but that the individuals could be brought back if this funding was approved.

Based on an estimated average cost of \$50,000 per position, an annual funding reduction of \$600,000 would result in a reduction of approximately 12 FTE positions, or approximately 18.5% of the current benefit specialist staffing level.

In addition, as the population continues to age, the demand for elderly benefit specialists is likely to rise. As shown in Figure 2, the number of individuals 60 and older in Wisconsin is expected to rise for the foreseeable future.

Figure 2



Source: Department of Administration Demographic Services

Under s. 13.101, the Committee can transfer between appropriations and programs if it finds that unnecessary duplication of functions can be eliminated, more efficient and effective methods for performing programs will result or legislative intent will be more effectively carried out because of such transfer and the purposes for which the transfer is requested have been authorized or directed by the legislature.

In applying these criteria, the Committee could decide that the proposed transfer of funds from OCI's general program operations appropriation to DHFS is consistent with the purpose for which the original one-time appropriation of \$600,000 was made, that being to support the elderly benefits specialist program during a period of heightened demand for their services. If the Committee agrees with that assessment, it could approve the requested transfer.

Conversely, the Committee could decide that the ongoing demand for elderly benefits specialists was clearly foreseeable at the time the agencies prepared their budget requests and when the Governor submitted his budget recommendations, and that additional funding for the program should have been included in those recommendations, rather than in an emergency supplemental request under s. 16.515. The Committee could conclude that the need for additional funding was also foreseeable given that the Governor and Legislature in 2005 Act 25 identified the original \$600,000 appropriation as one-time funding and specifically instructed DHFS to advise recipients that this one-time funding would be provided through June 30, 2007. Given those expressions of legislative intent, the Committee could conclude that the original \$600,000 appropriation was

sufficient for the limited purpose of providing additional funding through June 30, 2007. For these reasons, the Committee could deny the request.

The requested supplemental appropriation would be funded through OCI's general program operations appropriation. The program revenue in that appropriation is generated by licensing, examination, filing, and other fees assessed against the insurance industry. According to recently updated information provided by OCI, the balance in that appropriation account as of June 30, 2007, will be approximately \$2,218,000, assuming the requested transfer of \$600,000 occurs.

ALTERNATIVES

1. Approve the request.
2. Deny the request.

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