



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

September 14, 2011

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Department of Health Services: Section 13.10 Request to Replace Contracted Staff with State Positions -- Agenda Item I

REQUEST

The Department of Health Services (DHS) requests that the Committee approve the following: (a) the transfer of \$392,200 GPR annually from an appropriation that funds contracts for medical assistance (MA) and FoodShare program administration to a general program operations appropriation in the DHS Division of Health Care Access and Accountability (DHCAA); and (b) the creation of 5.25 GPR positions in DHCAA, beginning in 2011-12.

These changes would permit DHS to terminate a contract with the Centers for Career Development, Employment and Training (CCDET) at the University of Wisconsin-Oshkosh to provide certain administrative functions for the MA and FoodShare programs, and instead conduct these activities with state staff at a lower cost. DHS intends to use the GPR savings expected under this proposal to help meet its share of state agency lapse requirements enacted under 2011 Act 32 (the 2011-13 biennial budget act).

BACKGROUND

DHS administers the MA and FoodShare programs in conjunction with local income maintenance (IM) agencies. These programs provide low-income individuals and families with health care coverage, and benefits for purchasing food. The administration of these programs includes a range of quality control activities and training of local IM workers, who process applications and conduct ongoing case management functions. Administrative costs for the MA and FoodShare programs are generally supported with 50% state or local funds, and 50% federal funds.

DHS currently holds a contract with CCDET for several activities related to the administration of the MA and FoodShare programs. These include quality assurance reviews, research and corrective action, maintenance and support of the online IM worker training site, and other training of local IM staff. Under the current contract, CCDET receives funding to support 10.5 full-time equivalent (FTE) positions -- 5.0 FTE positions for quality control activities, 2.0 FTE positions that identify MA or FoodShare benefits incorrectly provided in Wisconsin and other states, and 3.5 FTE staff for statewide training of IM workers. CCDET submits monthly invoices to DHS for billable hours worked by these positions. DHS estimates that the staff costs for these contracted positions equal approximately \$1,187,100 all funds annually.

The current contract is scheduled to terminate on December 31, 2011. However, either party may terminate the contract for any reason with 60-day written notice.

Quality Control. Currently, 5.0 FTE positions at CCDET perform federally-required quality assurance reviews, mostly for the MA program. Through a monthly random sampling of cases, these positions review whether IM staff correctly determined individuals' program eligibility, and whether IM staff correctly determined the monthly FoodShare benefit amount. These positions are located in Milwaukee, Madison and Mercer.

Public Assistance Reporting Information System (PARIS). The current contract supports 2.0 FTE positions located in De Pere that review whether MA and FoodShare recipients incorrectly received benefits in Wisconsin and in other states. In order to carry out this review, the positions use PARIS, a federal database which allows for the exchange of information between states. Once an incorrect payment has been verified, CCDET staff correct the case and establish a claim for overpayment.

Training. Finally, the contract supports 3.5 FTE positions at CCDET that conduct training activities for local IM staff throughout the state. These positions, located in Madison and Oshkosh, develop training materials for IM workers, establish training curricula, and conduct face-to-face trainings with IM workers across the state. (One of those 3.5 positions is currently vacant.)

While the CCDET staff perform activities under contract with DHS, the U.S. Department of Agriculture, Food and Nutrition Service (FNS) considers them to be public employees for the purpose of administering the FoodShare program. FNS has determined that contracted private employees may not perform certain administrative activities that are matched with federal funds. As the CCDET positions are considered public employees, these contracted staff could continue to perform the current activities without violating FNS regulations.

ANALYSIS

DHS based the estimated cost of creating state positions to replace contracted CCDET staff on the assumption that the Department would hire 10.5 positions at the median salary for current similar positions. These annual state position costs (including salary, fringe benefits, space costs,

and travel) would equal \$72,400 for training officers, \$66,000 for quality control specialists, \$70,100 for advanced quality control specialists, and \$77,000 for PARIS staff. The annual cost for state staff is estimated at approximately \$784,400 (\$392,200 GPR and \$392,200 FED).

DHS estimates that \$402,800 (\$201,400 GPR and \$201,400 FED) could be saved annually by converting these contracted staff to state positions. This estimate is based on the difference between the projected state costs described above (\$784,400), and the total amount the Department believes would be spent under the current contract (\$1,187,200). However, the savings of this proposal depend on the number of billable hours that CCDET would claim in the 2011-13 biennium if the contract were to continue. For example, if it were assumed that CCDET continued to bill DHS for the number of hours billed in state fiscal year 2010-11, DHS would pay CCDET approximately \$964,700 annually, resulting in annual savings of approximately \$180,300 all funds (\$90,200 GPR). However, if the maximum billable amount allowed under the current contract were used to estimate the costs, the annual savings of replacing contracted staff with state staff would equal \$495,600 all funds (\$247,800 GPR).

Regardless of the savings DHS would be expected to realize, the Department's request would not result in a net decrease in DHS appropriations. As previously indicated, DHS wishes to apply these savings to help meet the state agency's 2011-13 lapse requirements. Act 32 required agencies to lapse a total of \$174.3 million to the general fund in the 2011-13 biennium, but it is not yet known how the administration will allocate those lapses to each agency. The Department of Administration expects agency lapse targets to be finalized in October of this year. As a major state agency, DHS would likely be expected to account for a large share of the \$174.3 million in total lapses.

Under the Department's request, \$784,400 (\$392,200 GPR and \$392,200 FED) annually would be transferred from DHCAA contract appropriations to general program operation appropriations and 10.50 positions (5.25 GPR positions and 5.25 FED positions) would be created. The GPR funding and position adjustments are the subject of this s. 13.10 request; the administration would make the federal funding and position adjustments using its authority under s. 16.54 of the statutes. As previously indicated, the net GPR savings of this proposal would be available for DHS to help meet its 2011-13 lapse requirements. Based on the Department's effort to identify potential state savings and the need to meet lapse requirements enacted in Act 32, the Committee may wish to approve the Department's request. [Alternative 1]

In addition to increasing position authority and transferring funds, the Committee could choose to reduce the GPR contract appropriation by the amount of the expected savings that would otherwise be applied to the lapse requirement. Using the lower savings estimate based on actual 2010-11 billed hours, this reduction would equal \$90,200 GPR annually. Compared to the Department's request, this alternative would benefit the general fund by \$90,200 annually, beginning in 2011-12. This alternative would not permit DHS to apply this amount to the agency's lapse requirement. However, the Committee may view such action as a disincentive for state agencies to identify potential cost saving proposals to meet lapse requirements in the future.

[Alternative 2]

Finally, if the Committee does not wish to create additional state positions, it could deny the DHS request. Under this alternative, DHS would likely continue the current contract with CCDET, as the CCDET activities directly relate to ensuring quality and program integrity, and are required by the federal government in some cases. However, by denying this request, DHS would lose the opportunity to reduce the current costs of these activities. [Alternative 3]

ALTERNATIVES

1. Approve the Department's request. Transfer \$392,200 GPR annually, beginning in 2011-12, from the DHCAA contracts appropriation [s. 20.435(4)(bm)] to its general program operations appropriation [s. 20.435(4)(a)] and authorize 5.25 GPR positions, beginning in 2011-12, to replace contracted CCDET staff with DHS staff.

2. Approve the Department's request, as described in Alternative 1. Modify the request by reducing the DHS GPR contracts appropriation for MA and FoodShare administration [20.435(4)(bm)] by \$90,200 GPR annually, beginning in 2011-12, so that this funding would not be available for DHS to apply to the Act 32 lapse requirements.

3. Deny the request.

Prepared by: Sam Austin