



Legislative Fiscal Bureau

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

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Joint Committee on Finance

Paper #1057

Transfer of Medical Assistance Eligibility Administration to the Department of Health and Family Services (DWD -- Economic Support and Child Care)

[LFB 2001-03 Budget Summary: Page 361, #11 and Page 749, #44]

CURRENT LAW

Contracting Process for Medical Assistance Administration

Under current law, the Department of Health and Family Services (DHFS) is required to determine eligibility of persons for medical assistance (MA) and may designate this function to county departments of social services and human services, or to Wisconsin Works (W-2) agencies to the extent permitted by federal law. The Department of Workforce Development (DWD) is responsible for income maintenance contracts, which include local administration of W-2, MA or food stamps. DWD is required to contract with county departments of social services and human services in cases where counties are appointed for these contracts.

Reimbursement Process for Income Maintenance Contracts

Under the income maintenance contracts, counties are currently required to submit claims for reimbursement to DWD, which then reimburses counties for the costs of administering income maintenance programs based on a workload formula. DWD is permitted to adjust the reimbursement amounts for workload changes and computer network activities performed by counties.

Fraud and Error Reduction Activities

Under current law, DWD is required to: (a) establish a program to investigate suspected fraudulent activity involving the MA and food stamp programs; (b) conduct activities to reduce

payment errors for these programs; (c) provide funds to counties and tribes administering these programs to offset administrative costs of reducing payment errors; (d) conduct a program to periodically match records of MA and food stamp recipients against records of recipients in other states; (e) conduct a program to periodically match the address records of MA and food stamp recipients to verify residency and to identify recipients receiving duplicate or fraudulent payments; (f) conduct a program to periodically match the records of persons confined in state correctional facilities with the records of recipients of these programs who may be ineligible for benefits; and (g) conduct a program to periodically verify the eligibility of W-2 participants through a check of school enrollment records. Under current law, there is also an appropriation for moneys received as the state's share of recovered overpayments of public assistance benefits. These funds must be used for activities to reduce error and fraud in the food stamp, W-2 and MA programs.

Former Aid to Families with Dependent Children Program

The statutes described above contain a number of references to the former aid to families with dependent children (AFDC) program, which was replaced by W-2 in 1998. Specifically, AFDC is included among the programs that are covered by the provisions regarding income maintenance contracts and DWD is required to reimburse counties for payments of AFDC benefits. In addition, all of the provisions regarding fraud and error reduction activities refer to the AFDC program. Most of these references are obsolete.

GOVERNOR

Decrease funding in DWD by \$30,660,100 GPR and \$30,660,100 FED annually, and decrease FTE positions in DWD by 4.82 GPR, 8.18 FED and 7.00 PR annually to reflect transfer of certain responsibilities related to the administration of MA from DWD to DHFS. Increase funding in DHFS by \$30,660,100 GPR and \$38,527,500 FED annually, and increase FTE positions by 10.00 GPR and 10.00 FED annually. Responsibilities transferred include: (a) administering contracts with local agencies to determine MA eligibility (\$43,183,800 annually); (b) operating and maintaining the MA portion of the client assistance for reemployment and economic support (CARES) computer system (\$14,079,200 annually); and (c) state administration (\$4,057,200 annually).

Contracting Process for Medical Assistance Administration

The bill would require DWD and DHFS to jointly contract for the costs of administering MA with county departments of social services and human services. The bill would delete AFDC from the income maintenance contracts and would require DWD to contract on its own with county departments for administration of W-2 and food stamps.

Reimbursement Process for Income Maintenance Contracts

The bill would require DWD to review and approve claims for reimbursement from counties for administering MA, W-2 and food stamps. DWD would also be required to continue to reimburse each county for the costs of administering MA, W-2 and food stamps based on a workload formula. DWD would no longer be required to reimburse counties for AFDC benefits. While the funds for MA administration would no longer be appropriated to DWD, the bill sets up a mechanism that would allow DWD to receive funds from DHFS that would in turn be paid to counties. The bill would also allow reimbursement amounts to be reduced if federal reimbursement is withheld due to audits, quality control samples or program reviews.

All of the provisions relating to changing the contracting process for income maintenance programs would first apply to contracts entered into, extended, modified or renewed on the day after publication of the bill.

Fraud and Error Reduction

The bill would provide DHFS with the option to either contract with DWD or set up its own system for fraud investigation and error reduction for recipients of MA. The bill would allow DHFS to contract with DWD to continue to investigate suspected fraudulent activity and reduce payment errors for the MA program. The bill would also provide DHFS with the option to establish its own program to conduct these activities. In addition, the bill would delete the references to the AFDC program in DWD's duties to establish programs to conduct activities to reduce payment errors and to provide funds to counties and tribes for reducing payment errors since these programs only involve current public assistance recipients. However, references to AFDC would remain for the requirements to investigate suspected fraudulent activity, match records with other states, match address records, and match records with state correctional facilities since DWD is still investigating fraudulent activity and overpayments for past AFDC recipients. If DHFS contracts with DWD for these activities, the bill would require DHFS to cooperate with DWD in matching records of MA recipients with school enrollment records of AFDC and W-2 recipients. The bill would also modify the PR appropriation in DWD for moneys received as the state's share of recovered overpayments of public assistance benefits to require it to be used for MA fraud investigation only if DHFS contracts with DWD for fraud investigation.

Appropriations Modifications

The bill would modify the appropriations in DHFS to allow DHFS to use GPR funds set aside for general program operations for medical assistance eligibility determinations. The bill would create a new GPR appropriation to be used for payments to counties for MA administration and would modify an existing GPR appropriation to be used for other MA administrative costs. The bill would also create a new FED appropriation in DHFS to be used for payments to counties for administration of MA and would modify an existing FED appropriation to be used for other MA administrative costs.

Position Transfers

The bill would transfer 20.00 FTE positions from DWD to DHFS. Once in DHFS, these positions would include 10.00 FED positions and 10.00 GPR positions. The bill would decrease the authorized FTE in DWD by 7.00 PR positions, including 6.50 positions from the administrative services division, 0.30 position from worker's compensation operations, and 0.20 position from the local agreements appropriation. Once transferred to DHFS, these 7.00 positions would be added to DHFS as 5.18 GPR positions and 1.82 FED positions. In addition, the bill would transfer 8.18 FED positions and 4.82 GPR positions from DWD to DHFS. All position changes and transfers would take effect on the day after publication of the bill. The bill would require any incumbent employees to be transferred.

The bill would require DWD and DHFS to jointly determine which employees will be transferred and to jointly develop a plan to implement the transfer. The Secretary of the Department of Administration (DOA) would be required to resolve any disagreement between the departments and develop a plan to transfer the positions. The bill would specify that transferred employees would have the same personnel status in DHFS as they had in DWD immediately before the transfer. Finally, the bill would provide that transferred employees that have attained permanent status would not have to serve a probationary period.

DISCUSSION POINTS

1. In the 1999-01 biennial budget, the Legislature voted to transfer all responsibilities for MA eligibility, including administration of the CARES system, from DWD to DHFS, effective March 1, 2000. DOA would have been required to submit a report to the Joint Committee on Finance to be reviewed at the December, 1999, s. 13.10 meeting identifying positions, funding and any other administrative issues that needed to be considered as part of this transfer. However, the Governor vetoed the provision. In the Governor's veto message for the 1999-01 biennial budget, DOA was directed to submit a report to the Governor specifying the position and funding modifications that would be necessary to transfer all responsibilities for MA eligibility from DWD to DHFS.

2. Pursuant to the Governor's veto message, DWD, DHFS and DOA negotiated and executed a memorandum of understanding for 2000-01 transferring positions and funding for the MA program to DHFS, with the expectation that these changes would become permanent in the 2001-03 biennial budget.

3. The MOU specified that the responsibilities transferred would include: (a) administering contracts with local agencies to determine MA eligibility (\$43,183,800 annually); (b) operating and maintaining the MA portion of the CARES computer system (\$14,079,200 annually); and (c) state administration (\$4,057,200 annually).

4. The administration indicates that the MA transfer is desirable because all MA funds should be budgeted at the department that administers the program. The goals of the transfer are to increase DHFS responsibility for managing funds budgeted for MA and to encourage more

cooperation between DHFS and DWD on aspects of MA that cross between both departments.

5. A total of 20.0 positions would be transferred from DWD to DHFS for eligibility-related functions. These positions, together with 14.0 existing positions currently authorized in the Bureau of Health Care Eligibility, would be responsible for: (a) over-all program administration, including budget monitoring, strategic planning, research and coordination with other programs; (b) contract development and monitoring; (c) technical assistance for MA applicants and local staff; (d) federally-mandated quality assurance activities; (e) developing and modifying manuals and other documents relating to eligibility policies and procedures; (f) outreach activities; (g) policy and planning functions; and (h) technology initiatives related to CARES and other systems.

6. The amount budgeted in DHFS for the transferred functions would be greater than the amount transferred from DWD by \$7,867,400 FED. This amount does not represent new funding. Rather, it represents an estimate of federal funds that are matched to funding provided by counties for income maintenance functions (county over-match). These funds have been available in the past but have not been shown in DWD's budget.

Technical Corrections

7. The current statutes include a definition for "income maintenance worker." Because the bill would delete all other references to this term, it is no longer needed and the definition can be repealed.

8. Although not specified in the bill, the administration indicates that the MA program includes BadgerCare for purposes of the bill. While the state statutes do not link the MA and BadgerCare programs, BadgerCare is part of MA in practice and under federal law. The statutory language should be clarified to specify that DWD and DHFS would jointly contract for the costs of administering both BadgerCare and MA.

9. As drafted, the provisions of the bill relating to income maintenance contracts would require DWD to contract with counties for administration of W-2. However, under a separate provision of current law, DWD would still be permitted to contract with private agencies to administer W-2. Since the W-2 contracting process is in a separate section of the statutes, W-2 does not need to be included in the definition of income maintenance program and should be deleted from that definition to clarify that W-2 agencies are not always county agencies. However, since county administration of child care is currently included in the income maintenance contracts, child care administration should be retained in the definition of income maintenance contracts.

10. The bill would allow only counties to administer food stamps and MA. However, tribes also currently run these programs. The bill should be modified to reflect current practice.

11. Under the bill, DWD and DHFS would jointly contract with counties for MA eligibility determination. While the funds for MA eligibility determination would no longer be appropriated to DWD, the bill sets up a mechanism that would allow DWD to receive funds from DHFS that would in turn be paid to counties. The departments anticipate that funds allocated to DHFS for CARES maintenance would also be transferred to DWD as program revenue. The bill did

not include any of this additional anticipated program revenue in DWD's appropriations.

12. It would be more accurate and consistent with general state budgeting practices to reflect the amounts anticipated to flow through DWD as program revenue in DWD's PR-S appropriation for interagency and intra-agency programs. Based on discussions with DWD and DHFS, this program revenue is estimated at \$59,389,100 annually. This program revenue would be for the following services: (a) payments to counties for eligibility determination totaling \$43,183,800 annually; (b) CARES administration, including operations costs, maintenance, common functions and MA-specific enhancement costs totaling \$14,079,200 annually; (c) general administrative activities, finance and budgeting, technical support and facilities support costs totaling \$813,000 annually; and (d) contract administration, training, call center, and liaison costs totaling \$1,313,100 annually. The amount of program revenue for error reduction and overpayment collections is addressed in Paper #1053. The Governor's budget also includes increased program revenue of \$1,047,500 annually for MA administration services performed by DWD. This estimate was done outside of the context of the proposed transfer of responsibilities from DWD to DHFS and reflects projected increases to the status quo. The \$1,047,500 annual increase could be netted out from the program revenue projection due to the transfer of responsibilities from DWD to DHFS, making the net PR increase \$58,341,600 annually.

The actual amount of program revenue flowing to DWD may differ from the estimate above because DHFS indicates that it is exploring whether some MA-specific CARES costs can be paid directly from DHFS to the vendor. However, it represents the best estimate available at this time and DWD would not be adversely affected by differences between the estimate and actual program revenues.

Under this option, \$1,931,106 would be retained by DHFS annually and would not be transferred to DWD as PR. These funds would be used for the 20.0 FTE positions totaling \$1,525,386 annually and other administration activities totaling \$405,700 annually.

13. The administration indicates that it did not increase DWD's program revenue because: (a) DWD and DHFS had not yet agreed on a dollar amount for the MA administration services that DWD would provide to DHFS and; (b) not reflecting the anticipated program revenue in DWD's appropriation would provide more oversight by the administration because DOA would be required to approve amounts being transferred through its allotment authority.

14. The administration's concern about expenditure oversight can be addressed by placing the transferred funds in unallotted reserve in DWD's appropriation.

Options to Not Transfer Certain Funds from DWD to DHFS

15. For MA eligibility determination, the bill would require DHFS to transfer funds to DWD that would in turn be paid to counties. It could be argued that this process would create unnecessary administrative transactions. An alternative would be to not transfer funds for eligibility determination to DHFS, and instead keep them at DWD. Under this option, the proposed creation of new FED and GPR appropriations in DHFS for payments to counties would not be needed. In lieu

of budgeting funds to DHFS, a mechanism could be set up to instead require DWD to send a notice to DHFS on a monthly basis delineating the costs for MA administration. DHFS could jointly contract with DWD as proposed in the bill.

16. Another option would be to not transfer funds for CARES from DWD to DHFS since the two departments have agreed to continue to house the CARES computer system in DWD. The MOU states that DWD, DHFS and DOA will continue the CARES advisory committee to oversee the development of a joint strategic plan for CARES. The departments also agreed in the MOU that both departments would be responsible for CARES maintenance work and for work on the common functions in CARES. Since DHFS plans to contract back with DWD for this work, it could be argued that this process would create unnecessary administrative transactions. An alternative would be not to transfer funding for CARES to DHFS, but instead formalize existence of the CARES advisory committee in the statutes.

17. Another option would be to not transfer funds for state administration totaling \$2,126,100 annually from DWD to DHFS since the two departments have agreed that DWD will continue to perform some of these functions as described earlier in this paper. Under this option, \$1,931,100 would be budgeted in DHFS for state administration of MA. This would include 20.0 FTE positions as proposed in the bill and other funds for administration.

18. While the two departments have agreed that DWD would continue to perform most MA administration functions, DHFS argues that funds for MA eligibility determination, CARES administration and state administration should be budgeted in DHFS instead of DWD because the department having responsibility for MA should have control over the funds and be accountable for how they are used. In the past, MA funds were not easily identifiable because they were included in DWD's general appropriations for income maintenance contracts. Under the proposal, DHFS would know exactly how MA funds are being used and be able to plan better for the program. DHFS also argues that there will not be any increased administrative costs because it already transfers some funds to DWD for the income maintenance contracts on a monthly basis. For CARES administration, DHFS argues that funds need to be budgeted in DHFS so that it can have more input on which MA-specific enhancements are done and the priority level of MA projects. DHFS also states that it would be incongruent to have positions for MA administration in DHFS that would not directly be overseeing any expenditures.

19. Finally, another alternative would be to maintain current law and keep MA administration functions, funding and positions in DWD. It could be argued that it is best to keep MA administration functions in DWD because DHFS and DWD have agreed that DWD would continue to provide almost all of the services that it currently provides for MA administration. However, the Committee may want to approve the Governor's recommendation because similar provisions were adopted by the Legislature as part of the 1999-01 budget and DWD and DHFS have agreed to the provisions in the bill.

Summary of Alternatives

The alternatives for this paper are structured as follows:

- Alternative 1 would approve the Governor’s recommendation.
- Alternatives 2 and 3 would make technical and clarifying statutory modifications and funding adjustments to the Governor’s recommendation.
- Alternatives 4 through 6 would deny the transfer of certain funds for MA eligibility determination and CARES administration from DWD to DHFS and would set up administrative mechanisms for DHFS to be involved in these elements of MA administration.
- Alternative 7 would maintain current law.

ALTERNATIVES TO BASE

1. Approve the Governor’s recommendation to do the following in DWD and DHFS: (a) decrease funding in DWD by \$30,660,100 GPR and \$30,660,100 FED annually, and decrease FTE positions in DWD by 4.82 GPR, 8.18 FED and 7.0 PR annually to reflect transfer of certain responsibilities related to the administration of medical assistance from DWD to DHFS; and (b) increase funding in DHFS by \$30,660,100 GPR and \$38,527,500 FED annually, and increase FTE positions in DHFS by 10.00 GPR and 10.00 FED. Approve the statutory modifications recommended by the Governor regarding the transfer of MA administration from DWD to DHFS.

<u>Alternative 1</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	\$0	\$15,734,800	\$0	\$15,734,800
<i>[Change to Bill]</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
2002-03 POSITIONS (Change to Base)	5.18	1.82	- 7.00	0.00
<i>[Change to Bill]</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>

Technical Corrections and Funding Adjustments

2. Modify the Governor's proposal to make the following technical and clarifying statutory changes: (a) delete the definition of "income maintenance worker; (b) clarify that DWD and DHFS would jointly contract for the costs of administering both BadgerCare and MA; (c) delete Wisconsin Works from the definition of the income maintenance program; (d) retain county administration of child care in the definition of the income maintenance program; and (e) allow DHFS and DWD to contract with tribes for MA administration and allow DWD to contract with tribes for food stamp administration.

3. Adjust DWD's appropriation schedule to reflect revenues anticipated to be received under the bill from DHFS for payments to counties for eligibility determination, CARES maintenance and/or other administrative functions. Specify that these funds would be placed in unallotted reserve in DWD. The amount of the adjustment would depend on how much funding the Committee decides to transfer from DWD to DHFS.

Options to Not Transfer Certain Funds from DWD to DHFS

4. Eligibility Determination

a. Modify the Governor's proposal as follows to reflect the option of not transferring funding for payments to counties for eligibility determination from DWD to DHFS: (a) decrease funding in DHFS by \$21,591,900 GPR and \$29,459,300 FED annually, and increase funding in DWD by \$21,591,900 GPR and \$21,591,900 FED annually; and (b) eliminate the proposed creation of new GPR and FED appropriations in DHFS for payments to counties for MA eligibility determination.

Alternative 4a	FED
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill	- \$15,734,800]

b. Modify the Governor's proposal to require DWD to provide DHFS with monthly detail of the MA expenditures being charged by counties.

5. CARES Administration

a. Decrease funding in DHFS by \$7,039,600 GPR and \$7,039,600 FED annually, and increase funding in DWD by \$7,039,600 GPR and \$7,039,600 FED annually to reflect the option of not transferring funding for CARES administration from DWD to DHFS.

b. Modify the Governor's proposal to include the CARES advisory committee in the statutes.

6. Modify the Governor's proposal to decrease funding in DHFS by \$1,063,000 GPR and \$1,063,000 FED annually, and increase funding in DWD by \$1,063,000 GPR and \$1,063,000 FED annually to reflect the option of not transferring funds for general state administration of MA, contract administration, training, the call center, and the MA liaison.

7. Eliminate the Governor's recommendation and maintain current law, which would keep funding and positions for MA administration in DWD.

Alternative 7	GPR	FED	PR	TOTAL
2001-03 FUNDING (Change to Base)	\$0	\$0	\$0	\$0
[Change to Bill	\$0	- \$15,734,800	\$0	- \$15,734,800]
2002-03 POSITIONS (Change to Base)	0.00	0.00	0.00	0.00
[Change to Bill	- 5.18	- 1.82	7.00	0.00]

Prepared by: Victoria Carreón