



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #405

### **Income Maintenance Funding (DHFS -- Health Care Financing -- Administration)**

[LFB 2003-05 Budget Summary: Page 236, #2]

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#### **CURRENT LAW**

Income maintenance (IM) refers to the eligibility determination and management functions associated with several federal and state programs. Under state law, the Department of Health and Family Services (DHFS) is required to contract with county human and social services departments and tribes for the reasonable cost to perform eligibility functions for medical assistance (MA), BadgerCare, and food stamps. In addition, DHFS contracts with counties for the administration of other programs, including the supplemental security income (SSI) caretaker supplement and burial and cemetery aids.

The statewide automated client assistance for reemployment and economic support (CARES) program provides an integrated application process that assists in the application for these programs.

Base funding for IM contracts is \$57,362,600 (\$28,681,300 GPR and \$28,681,300 FED). The attachment to this paper lists the IM county contracts for calendar year 2003.

#### **GOVERNOR**

Reduce funding by \$6,823,200 (-\$3,411,600 GPR and -\$3,411,600 FED) in 2003-04 and by \$13,465,000 (-\$6,732,500 GPR and -\$6,732,500 FED) in 2004-05 to reflect the net effect of three items relating to funding the state provides to counties to support income maintenance functions.

*Eligibility Determination Processing Changes.* Reduce funding by \$1,759,800 (-\$879,900 GPR and -\$879,900 FED) in 2003-04 and by \$3,519,600 (-\$1,759,800 GPR and

-\$1,759,800 FED) in 2004-05 to reflect projected savings that would result by implementing the following changes in processing eligibility determinations: (a) reducing verification requirements; (b) reducing the frequency of eligibility reviews; (c) improving access to automated tools for internet, mail, and phone contacts; and (d) amending change reporting requirements. Beginning in calendar year 2004, DHFS would reduce county income maintenance contracts by approximately \$24 per managed case to reflect projected savings due to simplifying the eligibility determination process.

*Transfer Most MA-Only Cases to the State.* Reduce funding by \$5,241,200 (-\$2,620,600 GPR and -\$2,620,600 FED in 2003-04 and by \$10,482,200 (-\$5,241,100 GPR and -\$5,241,100 FED) to reflect estimated savings that would result by transferring 75% of the MA-only caseload (approximately 90,000 cases) from local income maintenance agencies to the central state processing center. The administration estimates that this change would reduce the average cost of processing these cases from approximately \$242 per case to \$126 per case. Beginning in calendar year 2004, DHFS would reduce county income maintenance contracts by approximately \$242 per case that is transferred to the central state processing center.

*IM Contract Increase.* Increase funding by \$177,800 (\$88,900 GPR and \$88,900 FED) in 2003-04 and by \$536,800 (\$268,400 GPR and \$268,400 FED) in 2004-05 to fund a 2% increase to the county income maintenance contracts in calendar year 2004 and 2005 after accounting for allocation reductions due to the proposed processing changes and the transfer of MA-only cases to the state.

## **DISCUSSION POINTS**

1. IM caseloads have been increasing over the last five years, largely due to increases in MA, BadgerCare, and food stamps caseloads. However, the state has not increased funding for county IM contracts since 1985. If IM agencies have costs that exceed their annual state allocation, counties are still required to process applications and thus, provide county funds, which are matched with federal funds, to supplement the state contract amount. Table 1 shows the average unduplicated IM caseloads and the annual percentage change in caseloads for the period from 1998 through 2002. In addition, Table 1 provides information on IM contract amounts and overmatch funds over the same period.

**TABLE 1**

**Average IM Caseloads, Contracts, and Overmatch Funds  
1998-2002**

<u>Year</u>	<u>Average IM Caseload</u>	<u>Percent Change</u>	<u>IM Contract Amounts</u>	<u>Overmatch Funds</u>		
				<u>Funds County</u>	<u>Federal</u>	<u>Total</u>
1998	167,780*		\$30,242,442	\$7,115,263	\$7,074,034	\$14,189,297
1999	170,729	2%	30,223,316	6,383,459	6,376,455	12,759,914
2000	190,922	12	36,003,110	6,058,392	6,030,385	12,088,777
2001	212,568	11	36,145,547	7,961,476	7,914,476	15,875,952
2002	243,672	15	57,362,530**	not available	not available	not available

\*Nine-month average

\*\*Statewide, \$21,216,984 was removed from the 1998 income maintenance contracts, and added to the 1998 W-2 contracts for food stamp and Medical Assistance eligibility expenses. In 2002, the \$21,216,984 was removed from the statewide W-2 contracts and moved back to the income maintenance contracts.

**Senate Bill 44**

2. The bill would delete IM funding for counties to reflect projected savings that would occur by implementing a variety of changes that are expected to reduce workload for IM agencies. DHFS staff indicate that this will help achieve a better balance between workload and funding. Most of these changes are changes in policy and process, allowable under federal law, and some changes to CARES. The funding in the bill was determined by assuming that, in total, the changes would result in one less hour of work per case per worker per year, or \$24 per case. The Governor's bill would reduce funding for county IM contracts by \$1,759,800 (all funds) in 2003-04 and \$3,519,600 (all funds) in 2004-05 to reflect this projected workload decrease for county IM agencies.

3. The bill would also reduce funding for counties to reflect projected savings that would occur by shifting approximately 75% of the MA-only cases to the state processing center. State and contracted staff at the state processing center currently receive and process applications, provide customer services, and update client information for the SeniorCare program. Local IM workers are not involved in SeniorCare eligibility determination. The estimated cost savings in the bill were calculated by comparing the difference between the average IM cost per case and the SeniorCare state processing center cost per case. The bill would reduce funding for IM contracts by \$5,241,200 (all funds) in 2003-04 and \$10,482,200 (all funds) in 2004-05 to reflect this change. If the Committee approved the Governor's recommendation, additional state positions would need to be provided to DHFS to meet this workload.

4. The bill would also provide a 2% increase in funding for local IM contracts, beginning in calendar year 2004. The amount of the increase was determined after accounting for the changes identified above. The bill would provide \$177,800 (all funds) in 2003-04 and \$536,800

(all funds) in 2004-05 to support this increase.

5. On March 17, 2003, DOA Secretary Marotta sent a letter to the Committee with requested modifications to SB 44. The letter included the administration's reestimates of administrative costs associated with increasing the funding for IM contract and determined that the estimated net savings of the proposal were \$6,645,500 (all funds) in 2003-04 and \$12,928,400 (all funds) in 2004-05. Therefore, if the Committee adopts the Governor's original recommendation, funding in the bill would need to be increased by \$177,800 (\$88,900 GPR and \$88,900 FED) in 2003-04 and \$536,600 (\$268,300 GPR and \$268,300 FED) in 2004-05, to reflect the actual savings under the Governor's recommendation.

6. Under the bill, with the technical change, total funding for the statewide IM contracts would decrease by approximately 38%.

### Administration's Revised Proposal

7. In her April 30, 2003, letter to the Committee, DHFS Secretary Nelson presented the administration's revised IM proposal that would address some of the counties' concerns about the original proposal. The revised proposal would provide an additional \$2,371,300 (\$63,400 GPR and \$2,307,900 FED) in 2003-04 and \$2,522,200 (\$258,800 GPR and \$2,263,400 FED) in 2004-05 for IM contracts over the biennium, compared to the funding in SB 44. This represents a reduction of \$35,000 GPR over the biennium compared to the amounts the DOA Secretary indicated in his March 17, 2003, letter.

The fiscal effect of the revised proposal is shown in Table 2. The items included in the proposal are discussed below.

**TABLE 2**

### Revised IM Proposal

Item	2003-04			2004-05		
	GPR	FED	Total	GPR	FED	Total
Federal Funding Reestimate	-\$1,198,600	\$1,198,600	\$0	-\$1,187,800	\$1,187,800	\$0
Workload Reduction Changes	-2,491,200	-2,680,700	-5,171,900	-5,919,800	-6,359,100	-12,278,900
Central Change Centers	-162,800	-175,700	-338,500	-328,200	-355,600	-683,800
State Operations	-50,000	-50,000	-100,000	-100,000	-100,000	-200,000
5% IM Allocation Increase	<u>554,500</u>	<u>604,000</u>	<u>1,158,500</u>	<u>1,062,100</u>	<u>1,157,900</u>	<u>2,220,000</u>
Total	-\$3,348,100	-\$1,103,800	-\$4,451,900	-\$6,473,700	-\$4,469,000	-\$10,942,700
Bill	-\$3,411,600	-\$3,411,600	-\$6,823,200	-\$6,732,500	-\$6,732,500	-\$13,465,000
Change to Bill	\$63,400	\$2,307,900	\$2,371,300	\$258,800	\$2,263,400	\$2,522,200

8. This proposal differs from the bill because it: (a) does not transfer any cases to a state central processing center; (b) identifies estimated cost savings for each policy, process, or CARES change that would reduce the workload for IM workers; (c) includes a reduction in funding to encourage counties to use a central change reporting center; (d) provides a 5% increase, instead of a 2% increase, to the IM contracts; and (e) reduces funding for state operations.

9. *Federal Funding Reestimate.* DHFS has been able to claim a higher federal matching rate for administrative costs related to BadgerCare, which includes eligibility determinations, up to a certain amount. However, these higher federal matching funds have not been included in the IM contracts nor passed along to counties. Therefore, the revised proposal incorporates this higher federal matching rate and reduces GPR funding for contracts accordingly.

10. *Workload Reduction Change.* As previously indicated, DHFS has identified a number of policy, process, and CARES changes that are intended to reduce workload for counties and tribes. A number of the changes are now possible because of changes in federal law. As with the Governor's original recommendation, the costs to implement the changes would be supported with base funding, but the savings associated with the decreased workload are included in the proposal. DHFS has estimated the number of cases affected by each change and the number of minutes saved per case, and thus projected the total amount of annual contract savings. These workload activities will be implemented throughout the 2003-05 biennium.

11. *Central Change Centers.* The revised proposal includes savings from using a central change reporting center model. Currently, IM caseworkers handle applications for programs, perform the regular case reviews, and input changes in clients' information into CARES. Dane and Milwaukee Counties have centralized change reporting centers, in which workers are solely responsible for entering changes in current clients' information. This usually consists of changes in income, household status, or assets. Using these centers allows IM caseworkers to focus on initial application cases and case reviews. It also potentially reduces the number of case errors because the clients' information is entered in a more timely and efficient manner. In addition to these two counties, La Crosse County expects to begin using its own central change center later this year.

12. To encourage more counties to use this model, the administration has reduced funding for the IM contracts under the revised proposal. DHFS expects that the IM agencies will be able to reduce costs associated with processing changes by purchasing these services from either the state processing center or from the other three counties that operate change centers. Counties that do not purchase these services may be able to implement changes in their own system to internally achieve these savings. DHFS assumed that 25% of the 650,000 changes handled by agencies outside of Dane and Milwaukee counties will transfer to a change reporting center. This represents an average workload savings of 10 minutes per case. The savings identified in the proposal are the savings available after accounting for the expense of purchasing the service.

13. *State Operations.* The revised proposal reduces funding for state operations, to reflect the automation of a portion of the CARES case directory. Currently, the case directory is mailed to the IM agencies but DHFS plans to instead send it electronically, saving shipping costs.

14. *Increase IM Allocations.* Finally, the proposal increases county and tribes' IM allocations by 5%, beginning in January, 2004. This increase would be based on the IM base, adjusted for the other changes included in the revised proposal.

15. However, given the state's fiscal condition, the Committee could decide to not approve the proposed increase in the county and tribes' IM allocations, or provide less of an increase. Table 3 identifies potential rate increases and the change to the funding provided in the bill. Table 4 identifies the change to the IM contracts in calendar years 2004 and 2005.

**TABLE 3**

**Effect of IM Allocation Increases Under Alternative 3  
(Change to Bill)**

Alternative	Percent Change	2003-04			2004-05			Biennial		
		GPR	FED	Total	GPR	FED	Total	GPR	FED	Total
3a	0	-\$554,500	-\$604,000	-\$1,158,500	-\$1,062,100	-\$1,157,900	-\$2,220,000	-\$1,616,600	-\$1,761,900	-\$3,378,500
3b	1%	-443,600	-483,200	-926,800	-849,600	-926,300	-1,776,000	-1,293,200	-1,409,500	-2,702,800
3c	2%	-332,700	-362,400	-695,100	-637,200	-694,800	-1,332,000	-969,900	-1,057,200	-2,027,100
3d	3%	-221,800	-241,500	-463,300	-424,800	-463,100	-887,900	-646,600	-704,600	-1,351,200
3e	4%	-110,900	-120,700	-231,600	-212,400	-231,500	-443,900	-323,300	-352,200	-675,500
proposal	5%	0	0	0	0	0	0	0	0	0

**TABLE 4**

**Effect of IM Allocation Increases Under Alternative 3 on IM Contracts  
(Change to Base)**

Alternative	Percent Increase	CY 2004			CY 2005		
		GPR	FED	Total	GPR	FED	Total
	<b>New Base</b>	<b>\$22,179,900</b>	<b>\$24,161,700</b>	<b>\$46,341,700</b>	<b>\$20,305,500</b>	<b>\$22,152,300</b>	<b>\$42,457,800</b>
3a	0%	\$0	\$0	\$0	\$0	\$0	\$0
3b	1%	221,800	241,600	463,400	203,100	221,500	424,600
3c	2%	443,600	483,200	926,800	406,100	443,000	849,200
3d	3%	665,400	724,900	1,390,300	609,200	664,600	1,273,700
3e	4%	887,200	966,500	1,853,700	812,200	886,100	1,698,300
proposal	5%	1,109,000	1,208,100	2,317,100	1,015,300	1,107,600	2,122,900

16. Alternatively, the Committee could maintain current law. This would not prohibit DHFS from implementing the policy, process, and CARES changes and would not change the funding for the IM contracts. Counties have agreed that the changes identified by DHFS in the

revised proposal would reduce workload. However, counties believe that the savings should be realized by reducing the amount of additional funding that counties contribute to IM (overmatch funds). The Governor's revised proposal would reduce funding in the IM contracts by 15% in calendar year 2004 and 22% in calendar year 2005, from the current, calendar year 2003 contracts.

**ALTERNATIVES**

1. Modify the Governor's original recommendation to increase funding in the bill by \$177,800 (\$88,900 GPR and \$88,900 FED) in 2003-04 and by \$536,600 (\$268,300 GPR and \$268,300 FED) in 2004-05 to reflect the net effect of: (a) implementing eligibility determination processing changes; (b) transferring MA-only cases to the state; and (c) a 2% increase in IM allocations, beginning in calendar year 2004.

<u>Alternative 1</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	\$357,100	\$357,100	\$714,400

2. Approve the Governor's revised recommendation to reduce funding by \$4,451,900 (-\$3,348,100 GPR and -\$1,103,800 FED) in 2003-04 and by \$10,942,700 (-\$6,473,700 GPR and -\$4,469,000 FED) in 2004-05 to reflect the net effect of: (a) reestimating federal funding in the IM contracts; (b) implementing policy, processing, and CARES changes; (c) incorporating savings from using a central change reporting model; (d) state operations savings; and (e) a 5% increase in IM allocations, beginning in calendar year 2004. These changes would increase funding in the bill by \$2,371,300 (\$63,400 GPR and \$2,307,900 FED) in 2003-04 and \$2,522,200 (\$258,800 GPR and \$2,263,400 FED) in 2004-05.

<u>Alternative 2</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	\$322,200	\$4,571,300	\$4,893,500

3. In addition to Alternative 2, modify the Governor's revised recommendation by providing one of the following, beginning January 1, 2004:

a. No increase.

<u>Alternative 3a</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	-\$1,616,600	-\$1,761,900	-\$3,378,500

b. 1% increase.

<u>Alternative 3b</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	-\$1,293,200	-\$1,409,500	-\$2,702,800

c. 2% increase.

<u>Alternative 3c</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$969,900	- \$1,057,200	- \$2,027,100

d. 3% increase.

<u>Alternative 3d</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$646,600	- \$704,600	- \$1,351,200

e. 4% increase.

<u>Alternative 3e</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$323,300	- \$352,200	- \$675,500

4. Maintain current law.

<u>Alternative 4</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	\$10,144,100	\$10,144,100	\$20,288,200

Prepared by: Yvonne M. Onsager  
Attachment



## ATTACHMENT

### 2003 Income Maintenance Contracts

<u>Agency</u>	<u>2003 Allocation</u>	<u>Agency</u>	<u>2003 Allocation</u>
Adams	\$305,624	Marinette	\$520,509
Ashland	373,731	Marquette	196,158
Bad River	97,600	Menominee	160,644
Barron	647,058	Milwaukee	17,704,137
Bayfield	215,264	Monroe	477,577
Brown	1,685,745	Oconto	339,790
Buffalo	183,122	Oneida	451,054
Burnett	253,027	Oneida Tribe	160,644
Calumet	252,128	Outagamie	860,370
Chippewa	637,842	Ozaukee	314,166
Clark	373,057	Pepin	160,644
Columbia	422,957	Pierce	252,577
Crawford	246,958	Polk	440,714
Dane	2,674,532	Portage	615,140
Dodge	641,439	Potawatomi	97,600
Door	258,871	Price	288,766
Douglas	628,626	Racine	1,842,638
Dunn	422,058	Red Cliff	160,644
Eau Claire	946,908	Richland	260,444
Florence	160,644	Rock	1,717,438
Fond du Lac	885,769	Rusk	274,156
Forest	175,030	Sauk	500,954
Grant	476,453	Sawyer	316,189
Green	331,923	Shawano	418,237
Green Lake	221,109	Sheboygan	821,034
Iowa	214,590	Sokaogon	97,600
Iron	160,644	St. Croix	393,736
Jackson	268,311	Stockbridge-Munsee	97,600
Jefferson	564,565	Taylor	274,830
Juneau	315,289	Trempealeau	355,974
Kenosha	1,583,472	Vernon	313,042
Kewaunee	181,998	Vilas	217,063
La Crosse	1,106,049	Walworth	682,348
Lac Courte Oreilles	0	Washburn	276,853
Lac du Flambeau	160,644	Washington	588,841
Lafayette	160,644	Waukesha	1,303,852
Langlade	335,519	Waupaca	604,575
Lincoln	328,326	Waushara	271,908
Manitowoc	673,581	Winnebago	1,112,568
Marathon	1,023,107	Wood	<u>825,305</u>
		Totals	\$57,362,533