



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #405

Income Maintenance -- Citizenship and Identity Documentation (DHFS -- Medical Assistance -- Administration and FoodShare)

Bill Section

[LFB 2007-09 Budget Summary: Page 295, #2]

CURRENT LAW

Income maintenance (IM) refers to the eligibility determination and management functions associated with several federal and state programs. Under state law, county human and social service departments are required to enter into annual contracts with the Department of Health and Family Services (DHFS) for the reasonable cost to perform eligibility functions for medical assistance (MA), BadgerCare, and FoodShare Wisconsin. DHFS also contracts with tribes for these functions. Administering agencies are responsible for processing applications, determining eligibility and payment levels, periodically making eligibility redeterminations, and maintaining accurate case files. In calendar year 2005, the most recent year for which information is available, counties and tribes expended approximately \$91.8 million to support this function, including state funds (\$25.8 million), federal funds (\$46.0 million), and local funds (\$20.0 million).

The federal Deficit Reduction Act (DRA) of 2005 imposed a new requirement for MA recipients and applicants to provide documentation of both their U.S. citizenship and identity to receive MA benefits. Prior to the enactment of the DRA, counties and tribes did not verify the citizenship and identity of applicants, except in cases where information provided by an applicant appeared questionable. Interim federal regulations specify the procedure that IM staff must follow to verify each application. For proof of citizenship, applicants and recipients must provide a passport, certificate of naturalization, or proof of birth overseas to a U.S. diplomat. If an applicant cannot produce any of those items, he or she must provide a birth certificate.

For proof of identity, individuals must provide a driver's license, state-issued identification card, or school-issued identification card with a photograph. Individuals under 18 years of age who are unable to provide any of these documents can provide a school report card; clinic, doctor, or hospital record; or daycare or nursery school record. The regulations permit DHFS to use automated data exchanges for as many recipients as possible. Automated data exchanges allow DHFS to use sources already in place, such as supplemental security income (SSI) and Medicare data, to verify citizenship. These provisions apply to MA eligibility determinations made after July 1, 2006, and to redeterminations made on or after that date for individuals who were not previously asked to present documents.

Current clients, including children, must produce the documentation at their next annual eligibility review, and new applicants must do so with their applications. If an applicant or current recipient cannot provide the required documents due to inability to pay for the documents, the local agencies are required to pay for the documents.

According to the current federal regulations, if the state is found to be out of compliance with the citizenship and identity provisions as described in the DRA, the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services will ask for a corrective action plan. If the state does not comply with the corrective action plan, the state could be denied federal matching funds for MA.

GOVERNOR

Funding. Provide \$754,600 (\$377,300 GPR and \$377,300 FED) annually to fund costs DHFS expects county and tribal IM agencies to incur to implement new federal citizenship and identity documentation requirements included in the DRA.

Statutory Changes. Modify state MA eligibility provisions to require each MA, BadgerCare, and SeniorCare applicant or recipient who declares himself or herself to be a citizen or national of the United States to provide, as a further condition of eligibility, satisfactory documentary evidence, as specified in federal regulations, that he or she is a citizen or national of the United States. Require each applicant to provide the documentation at the time of application. Specify that if a recipient was not required to provide documentation at the time he or she applied, the recipient is required to provide the documentation the first time his or her eligibility is reviewed or redetermined after the bill's general effective date. Provide that an applicant or recipient must be granted a reasonable time, as determined by DHFS, to submit the documentation before his or her eligibility is denied or terminated.

Specify that these requirements would apply to MA applicants and recipients except: (a) an applicant or recipient who is entitled to benefits under, or enrolled in, any part of Medicare; (b) an applicant or recipient who receives SSI; (c) certain aliens that receive limited MA-funded emergency services; (d) a child under the age of one who is eligible for MA because the child's mother was eligible as a pregnant woman with family income that did not exceed 185% of the

federal poverty level, and the child continues to live with the mother; and (e) a pregnant women is eligible for MA due to a presumptive eligibility determination.

DISCUSSION POINTS

1. The bill would provide funding to support county and tribal income maintenance staff workload to document citizenship and identity for an estimated 120,000 MA applicants per year. DHFS estimates that each of these applications would take approximately six minutes to process, at a cost of \$56.50 per hour. These costs are estimated to be approximately \$678,000 (all funds) annually (120,000 applications x 0.1 hours per application x \$56.50 per hour). In addition, the bill would provide \$76,500 (all funds) annually for income maintenance staff to pay for birth certificates or identity documentation for new applicants who may not be able to pay for these documents (4,500 applications x \$17 per document). Since these costs are eligible for 50% federal matching funds, the total annual funding that would be provided in the bill (\$754,600) would be budgeted 50% from GPR and 50% from federal matching funds.

2. The actual time or costs for IM staff to comply with the new requirements cannot be known, since IM agencies do not record the amount of time staff spend on processing applications, and the additional time staff spend to document the citizenship and identity of applicants.

3. The average statewide median hourly wage for IM eligibility workers is estimated to be approximately \$16.45 per hour in 2007, although the estimates range from \$12.93 to \$19.01 per hour among eight regions in the state. However, the administration's estimate of \$56.50 per hour to conduct IM activities takes into consideration: (a) estimated fringe benefit rates (approximately 44% of wages); (b) agency overhead costs, which are estimated to be approximately 33.5% of eligibility workers' total salary and fringe benefits costs, (c) adjustments to reflect additional clerical and supervisory staff that are needed as additional eligibility staff are added; (d) time staff are away from their offices due to staff training, sick time, vacation time and holidays; (e) ongoing costs (including phone, voicemail, travel, training and office supplies); and (f) annual device charges for network support.

4. The administration indicates that \$56.50 per hour is a reasonable estimate of the marginal cost IM agencies incur as their workload increases. However, the figure may overstate the marginal cost of IM workload, since some of the costs included in the calculation, particularly agency overhead costs, employee fringe benefit costs, and the addition of clerical and supervisory staff, may not increase proportionately as IM staff work more hours. On the other hand, to the extent that current staff works overtime to meet this new workload, the average salary rates used in the model may be somewhat understated.

5. In December, 2006, the Joint Committee on Finance approved \$889,900 FED, on a one-time basis, as part of an income augmentation plan submitted by the administration, to fund the state's share of supporting approximately 33,000 hours of IM work relating to the DRA requirements. Although much of this additional work relating to current recipients occurred in

2006, due to the timing of the funding approval, DHFS has applied all of this funding to calendar year 2007 IM contracts.

6. During the past several years, counties and tribal agencies have assumed an increasing share of the costs of conducting IM activities. In calendar year 2005, the most recent year for which information is available, counties and tribes funded approximately 21.8% of total IM costs, an increase from 15.5% in 2001.

7. Several options are offered for the Committee's consideration. First, the Committee could approve the Governor's recommendation, based on the arguments that: (a) counties and tribes have incurred, and will continue to incur, additional costs of meeting the DRA requirements; (b) the Committee's previous support for funding these costs under the December, 2006, income augmentation plan; and (c) counties and tribes are increasingly supporting IM costs with local funds.

8. Second, due to concerns over GPR spending in the bill, the Committee could provide the additional funding in 2008-09 only, based on the argument that the calendar year 2007 IM allocations have already been significantly increased due to the Committee's December, 2006, approval of the income augmentation funds for this purpose. Under this alternative, this funding would still be provided on an ongoing basis, since it would be included in the base funding amount for IM contracts for the 2009-11 biennium.

9. Third, the Committee could fund one or both years with income augmentation funds, rather than GPR. This alternative would reduce the amount of GPR spending in the bill, but would reduce the amount of federal income augmentation funds that would be available for allocation to other activities as part of future income augmentation plans.

10. Finally, the Committee could delete funding for this item. The primary argument for this alternative is that the GPR funding the Governor had recommended for this item could be reallocated to the Committee's other priorities.

Under a separate item in the bill, the Governor has recommended that individuals who participate in the FoodShare employment and training (FSET) program would no longer lose eligibility for FoodShare benefits if they do not comply with FSET program requirements. While this provision is expected to save county IM staff workload, since eligibility workers would no longer spend time referring, tracking, sanctioning, and re-authorizing sanctioned participants, the bill would not reduce funding to IM agencies to reflect anticipated reductions in workload.

However, IM staff must comply with the DRA requirements. To the extent that state funding does not increase to reflect additional costs IM agencies incur, the local share of the costs of providing IM services will increase.

11. Legislators have requested information regarding the effect of the DRA requirements on MA enrollment.

For the six months prior to the policy change, MA enrollment was decreasing at a rate of approximately 200 recipients per month. Since the implementation of the new documentation provisions, there has been an average decrease in MA enrollment of 1,300 recipients per month for the period from August, 2006, through January, 2007.

The DHFS Bureau of Eligibility Management (BEM) collects data regarding the number of applicants and recipients whose eligibility for MA is denied or terminated due to failure to provide either citizenship or identity documentation, or both. Table 1 shows, by month, the number of recipients who were already enrolled in MA or BadgerCare who were terminated due to this new policy.

TABLE 1

MA and BadgerCare Recipients

	Terminated Due to <u>Identity Only</u>	Terminated Due to <u>Citizenship</u>	Terminated for Both Citizenship and Identity	Total <u>Terminated</u>
2006				
August	492	73	80	645
September	739	136	105	980
October	958	194	149	1,301
November	814	153	80	1,047
December	500	164	66	730
2007				
January	592	151	91	834
February	<u>338</u>	<u>154</u>	<u>50</u>	<u>542</u>
Totals	4,433	1,025	621	6,079

12. The new policy is applied to all new applicants as well. Table 2 shows the number of new applicants who were denied enrollment in MA or BadgerCare, by month, because they did not provide the necessary documentation under the new policy.

TABLE 2

MA and BadgerCare Applicants

	Denied Due to <u>Identity Only</u>	Denied Due to <u>Citizenship</u>	Denied for Both Citizenship and Identity	Total <u>Denied</u>
2006				
August	1,396	298	350	2,044
September	1,456	356	300	2,112
October	1,097	401	219	1,717
November	1,163	422	231	1,816
December	1,035	393	214	1,642
2007				
January	989	383	188	1,560
February	<u>844</u>	<u>367</u>	<u>204</u>	<u>1,415</u>
Totals	7,980	2,620	1,706	12,306

Because so many recipients who provided appropriate citizenship documentation were denied due to lack of identity documentation, DHFS believes that many individuals who are U.S. citizens have been denied MA benefits due to their inability to access documents.

ALTERNATIVES TO BILL

1. Adopt the Governor's recommendation.

ALT 1	Change to Bill Funding	Change to Base Funding
GPR	\$0	\$754,600
FED	<u>0</u>	<u>754,600</u>
Total	\$0	\$1,509,200

2. Reduce funding by \$377,300 GPR and \$377,400 FED in 2007-08 so that funding for these activities would be provided in 2008-09 only.

ALT 2	Change to Bill Funding	Change to Base Funding
GPR	-\$377,300	\$377,600
FED	<u>-377,700</u>	<u>377,300</u>
Total	-\$754,600	\$754,600

3. Reduce funding by \$377,300 GPR annually and instead, support the state's share of these costs, on an ongoing basis, with federal income augmentation funds (\$377,300 FED annually).

ALT 3	Change to Bill Funding	Change to Base Funding
GPR	- \$754,600	\$0
FED	<u>754,600</u>	<u>1,509,200</u>
Total	\$0	\$1,509,200

4. Reduce funding by \$377,300 GPR annually and instead, provide \$377,300 FED in federal income augmentation funds on an ongoing basis, beginning in 2008-09, for this purpose.

ALT 4	Change to Bill Funding	Change to Base Funding
GPR	- \$754,600	\$0
FED	<u>0</u>	<u>754,600</u>
Total	- \$754,600	\$754,600

5. Delete provision.

ALT 5	Change to Bill Funding	Change to Base Funding
GPR	- \$754,600	\$0
FED	<u>- 754,600</u>	<u>0</u>
Total	- \$1,509,200	\$0

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