



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #467

Income Maintenance -- Local Assistance (Health Services -- FoodShare and Public Assistance Administration)

[LFB 2023-25 Budget Summary: Page 306, #10]

CURRENT LAW

Income Maintenance. Income maintenance (IM) refers to the eligibility determination and management functions for several federal and state programs, including MA, FoodShare, and Wisconsin Shares. Counties, other than Milwaukee County, are required to form multi-county consortia to administer IM programs. State staff in Milwaukee Enrollment Services (MiES) administer IM programs in Milwaukee County. Tribes may elect to administer income maintenance programs or have DHS administer IM functions for their tribal members.

DHS contracts with each multi-county consortium to: (a) operate and maintain a call center; (b) conduct application processing and eligibility determinations; (c) conduct ongoing case management; and (d) provide certain in-person services, such as answering questions from applicants, displaying and making available to visitors state and federal publications regarding public assistance programs, scheduling appointments, accepting verification forms and other documentation, facilitating access to interpreter services, providing dedicated, confidential spaces for consumers' use, and providing computers for people to complete web-based applications for public assistance programs, including applications for qualified insurance plans through the federal Affordable Care Act exchange.

In addition, each contract requires DHS and the multi-county consortia to cooperate in conducting subrogation and benefit recovery efforts, participate in fair hearings, and conduct fraud prevention and identification activities.

There are ten multi-county consortia and nine tribes that provide IM services. Table 1 shows the counties that are participating in each consortium in 2023. Each consortium is represented by a lead county agency.

TABLE 1

Income Maintenance Consortia

<u>Consortium Name</u>	<u>Counties Served</u>
Bay Lake	Brown , Door, Marinette, Oconto, Shawano
Capital	Adams, Columbia, Dane , Dodge, Juneau, Richland, Sauk, Sheboygan
Central	Langlade, Marathon , Oneida, Portage
East Central	Calumet, Green Lake, Kewaunee, Manitowoc, Marquette , Outagamie, Waupaca, Waushara, Winnebago
Great Rivers	Barron, Burnett, Chippewa, Douglas, Dunn, Eau Claire , Pierce, Polk, St. Croix, Washburn
Moraine Lakes	Fond du Lac , Ozaukee, Walworth, Washington, Waukesha
Northern	Ashland, Bayfield, Florence, Forest, Iron, Lincoln, Price, Rusk, Sawyer, Taylor, Vilas, Wood
Southern	Crawford, Grant, Green, Iowa, Jefferson, Lafayette, Rock
Western	Buffalo, Clark, Jackson, La Crosse , Monroe, Pepin, Trempealeau, Vernon
WKRP	Kenosha , Racine

Bold indicates the lead county for each consortium.

DHS provides counties and tribes state and federal funds the state claims under several federally funded programs, including MA and FoodShare, to support the operations of the IM consortia. The state (GPR) funding available to the consortia is a sum certain amount authorized as part of the state budget. DHS claims federal matching funds to support state and local IM-related costs. The federal funds the state claims for IM-related functions vary by program and function. For example, eligibility determinations for Medicaid are generally eligible for a 75% match, while FoodShare and other Medicaid functions are generally eligible for a 50% match. The consortia and Miles use a random moment in time study to estimate the amount of time IM workers spend on each program and function in order to determine the amount and source of federal funding the state can claim. Tribal IM agencies use 100% time reporting to determine the amount of federal funds the state can claim.

Counties contribute local funds to supplement the state and federal funds they receive from DHS to support their income maintenance activities. DHS claims federal funds for these county- (non-GPR) costs.

Table 2 show the annual amount of funding the income maintenance consortia expended, by source, in calendar years 2014 through 2021. (Calendar year 2022 costs and federal claiming for these cost will not be available until August or September, 2023.) In 2021, approximately 59.2% of these costs were federally funded, 26.7% were funded from local funds, and 14.1% were funded from state funds. The amounts in the table and percentages include funding for fraud prevention and investigations allocated by the DHS Office of the Inspector General.

TABLE 2

Total Local Income Maintenance Consortia Expenditures

<u>Calendar Year</u>	<u>GPR</u>	<u>FED Match on GPR Funding</u>	<u>Local</u>	<u>FED Match on Local</u>	<u>Total</u>	<u>Local as % of Total</u>
2015	\$12,418,000	\$16,355,000	\$21,573,000	\$28,412,000	\$78,758,000	27.4%
2016	13,193,000	22,253,000	21,080,000	35,557,000	92,083,000	22.9
2017	12,609,000	20,975,000	23,761,000	39,044,000	96,389,000	24.7
2018	13,519,000	22,625,000	24,265,000	40,610,000	101,019,000	24.0
2019	13,581,000	22,549,000	26,042,000	43,240,000	105,412,000	24.7
2020	14,405,100	21,948,000	27,257,200	41,529,800	105,140,100	25.9
2021	14,818,100	21,481,100	28,161,100	40,823,900	105,284,200	26.7

Base (state fiscal year 2022-23) funding for IM local assistance is \$15,132,500 GPR and \$60,367,000 FED. The FED funding reflects an estimate of the total federal funding the state would claim in SFY 2022-23 and distribute to IM agencies at the time the 2021-23 budget was enacted. However, since DHS is authorized to distribute to local IM agencies all federal funds it claims for eligible IM costs, the amount of federal funding budgeted for IM services does not limit the amount DHS claims or distributes to IM agencies.

Fraud Prevention and Investigations. The DHS Office of the Inspector General administers the fraud prevention and investigation program (FPIP) for the MA and FoodShare programs. Fraud prevention and investigation consortia, comprised of the same counties that make up the IM consortia, provide local public assistance program integrity activities. Each consortium selects one county agency to administer the program, and determines what staff will conduct investigations, which may include agency staff, contracted staff, local law enforcement staff, or any combination determined by each consortium. DHS requires that each FPIP emphasize fraud prevention over fraud detection, and that the programs are cost neutral, such that total program costs do not exceed total program savings. In accordance with state policy regarding consultation with tribes, tribal agencies are the only agencies that have the option to operate their FPIPs independently. If a tribal agency chooses to operate independently, the agency will still receive its FPIP allocation.

For calendar year 2023, DHS allocated \$2,000,000 (all funds) to fraud prevention and investigation consortia and tribes to fund these activities. DHS will allocate funding amounts based on each agency's percentage of the statewide income maintenance caseload for 2023 (excluding the caseload for which MilES is responsible). DHS encourages agencies to contribute local funds, for which the state claims federal matching funds.

DHS, the IM consortia, and local or contracted FPIP staff share responsibilities in preventing fraud and investigating alleged cases of fraud in public assistance programs. DHS provides policy and process guidance, develops statewide education materials for program participants, provides guidance and technical assistance to local agencies on trafficking enforcement, maintains a statewide fraud hotline, and refers cases that warrant investigation to the local agencies. County

and tribal IM staff are responsible for "front-end verification" (FEV), referring cases to investigators, establishing claims for overpayments, timely reporting of actions taken on cases that are subject to investigations, and seeking criminal prosecution of intentional program violations. FPIP staff conduct fraud prevention investigations, enter FPIP data into CARES, conduct education on FEV and fraud referrals, participate in administrative disqualification hearings, and meet regularly to provide updates to DHS staff.

DHS requires local agencies to comply with the following general policy guidelines.

- The FPIP must emphasize fraud prevention over fraud detection.
- The FPIP must be cost neutral such that total program costs do not exceed total program savings as measured by future savings, claims established and sanctions. FPIP areas should target a ratio of savings to costs at 5:1.
- FPIP investigations must be categorized as pre-certification (FEV) or post-certification (FRD).

DHS monitors each FPIP's performance relative to a cost-benefit ratio. To ensure timely and accurate data, FPIP staff are responsible for entering all data related to fraud investigation activities in an investigative tracking system approved by DHS.

DISCUSSION POINTS

A. Income Maintenance Workload

1. AB 43/SB 70 would provide \$756,800 (\$302,700 GPR and \$454,100 FED in 2023-24 and \$1,528,500 (\$611,400 GPR and \$917,100 FED) in 2024-25 to increase base GPR funding for IM consortia and tribal agencies by 2% in 2023-24 and by an additional 2% in 2024-25. The funding increase is intended to support agencies' increased costs due to recent public assistance caseload increases and higher salary and fringe benefit costs these agencies will likely incur in the 2023-25 biennium.

2. The funding increase in the bill is not intended to support anticipated one-time costs of additional eligibility redeterminations local IM agencies will incur due to "Medicaid unwinding."

As a condition of receiving a temporary 6.2 percentage point increase in its federal medical assistance percentage (FMAP), states have been required to maintain enrollment of nearly all Medicaid enrollees during the COVID-19 pandemic. Federal legislation that passed in December, 2022 established an ending date for this continuous enrollment policy of March 31, 2023, at which time all renewals that were postponed will need to be reprocessed. States may take up to 12 months to initiate pending verifications, redeterminations based on changes in families' circumstances, and renewals, and return to normal eligibility and enrollment operations. After that, states will have an additional two months to complete all pending actions. In addition, states are required to take steps to transition individuals who, after the PHE ends are found to no longer qualify for Medicaid, to other affordable insurance programs, including qualified health plans offered under the Affordable

Care Act. These activities are commonly referred to as the Medicaid unwinding.

3. DHS estimates that workload for the IM consortia will increase by approximately 13% during the unwinding period. This temporary increase reflects staff time savings that will result by realigning Medicaid eligibility determinations with redeterminations of other public assistance programs, including FoodShare redeterminations. Workload for MiES, which accounts for approximately 42% of the total statewide MA caseload, is also expected to increase by about 11% during the unwinding period.

4. DHS plans to provide \$2,347,000 and \$92,000 to IM consortia and tribal agencies, respectively, from federal funds transferred to a program revenues appropriation to support the projected workload increases during the unwinding period. The IM consortia have indicated that they would like to receive half of these amounts to fund their direct costs, and use the other half to support a pool of LTE staff in the Division of Medicaid Services that would help the consortia and tribal agencies as needed.

5. Due to the continuous enrollment requirement and other factors, average monthly MA enrollment has increased substantially, from 1,105,400 in 2019-20 to an estimated 1,519,800 in 2022-23 (37.5%). The administration projects that MA caseloads will decrease during the Medicaid unwinding period, and that average monthly enrollment will be at or below 2022-23 levels in both years of the 2023-25 biennium in most eligibility categories.

6. Similarly, FoodShare caseloads have increased substantially since the start of the COVID-19 pandemic. In February, 2020, there were 313,800 "assistance groups" (households) that received Foodshare benefits, with 598,400 total recipients. As of March, 2023, there were 373,200 cases, with 718,500 recipients. Using funding authorized in the federal American Rescue Plan Act, the U.S. Department of Agriculture, Food and Nutrition Services allocated one-time funding to states to support administrative costs relating to caseload and programmatic changes to the supplemental nutrition assistance program (SNAP) that occurred during the past several years. From the FFY 2022-23, the last year for which this funding is available, DHS allocated \$2,127,400 to IM consortia and \$86,000 to tribal MA agencies.

7. Local county and tribal agencies' staff wages and fringe benefit costs typically increase each year. By providing additional funding to local the consortia and tribal agencies, the state would share in supporting these increases in staff costs. The alternatives presented in this paper include options to provide different percentage increases in funding for the IM agencies, beginning in 2023-24 [Alternatives A1 (the increase in AB 43/SB 70), A2, A3] and to provide a 2% rate increase, beginning in 2024-25 [Alternative 4].

B. Local Fraud Prevention and Investigations

8. As shown in Table 3, counties' unreimbursed costs of administering FPIP have increased significantly since 2015, but have remained relatively constant during the period from 2018 to 2021.

TABLE 3

Non-Federal Support for Local Fraud Prevention and Investigation Activities

Calendar Year	Local Share	Total Expenses	Local Cost Not Reimbursed Under DHS Contract
2015	\$371,500	\$624,700	\$253,200
2016	494,900	957,400	462,500
2017	494,800	1,213,000	718,200
2018	866,100	1,726,000	859,900
2019	867,500	1,667,300	799,800
2020	990,200	1,758,000	767,900
2021	990,100	1,862,500	872,400

9. In calendar year 2022, the OIG estimates that the FPIP activities saved \$10.2 million in public assistance benefits through cost avoidance and intentional program violations, established \$3.7 million in overpayments, at a cost of \$2.3 million, with savings averaging over \$6 per dollar spent (\$13.9 million in savings/\$2.3 million in costs).

10. Increasing funding to support local fraud prevention and investigations may increase the total amount of funding counties and tribes spend, reduce the local share of total costs, or both. Counties and tribes currently have an incentive to pursue such cases, as they retain 15% of benefits the state recovers due to the efforts of an employee or officer of the county or tribe. However, because the savings from public assistance program integrity activities are primarily realized by the state and federal government, the Committee may wish to provide additional state funding to support these efforts.

11. Alternatives B1 through B3 offer options to increase funding for FPIP, including the funding increase AB 43/SB 70 [Alternative B1].

ALTERNATIVES

A. Income Maintenance -- Consortia and Tribal Agencies

1. Adopt the provision in AB 43/SB 70 to provide \$756,800 (\$302,700 GPR and \$454,100 FED in 2023-24 and \$1,528,500 (\$611,400 GPR and \$917,100 FED) in 2024-25 to increase base GPR funding for IM consortia and tribal agencies by 2% in 2023-24 and by an additional 2% in 2024-25.

ALT A1	Change to Base
GPR	\$914,100
FED	<u>1,371,200</u>
Total	\$2,285,300

2. Provide \$378,300 (\$151,300 GPR and \$227,000 FED) in 2023-24 and \$760,300 (\$304,100 GPR and \$456,200 FED) in 2024-25 to increase base GPR funding for IM consortia and tribal agencies by 1% in 2023-24 and by an additional 1% in 2024-25.

ALT A2	Change to Base
GPR	\$455,400
FED	<u>683,200</u>
Total	\$1,138,600

3. Provide \$1,135,000 (\$454,000 GPR and \$681,000 FED) in 2023-24 and \$2,304,000 (\$921,600 GPR and \$1,382,400 FED) in 2024-25 to increase base GPR funding for IM consortia and tribal agencies by 3% in 2023-24 and by an additional 3% in 2024-25.

ALT A3	Change to Base
GPR	\$1,375,600
FED	<u>2,063,400</u>
Total	\$3,439,000

4. Provide \$756,800 (\$302,700 GPR and \$454,100 FED) in 2024-25 to increase base GPR funding for IM consortia and tribal agencies by 2% in 2024-25.

ALT A4	Change to Base
GPR	\$302,700
FED	<u>454,100</u>
Total	\$756,800

5. Take no action.

B. Fraud Prevention and Investigations Program

1. Adopt the provision in AB 43/SB 70 to increase funding for local fraud prevention and investigations programs by \$750,000 (\$375,000 GPR and \$375,000 FED) annually.

ALT B1	Change to Base
GPR	\$750,000
FED	<u>750,000</u>
Total	\$1,500,000

2. Increase funding for local fraud prevention and investigations programs by \$1,000,000 (\$500,000 GPR and \$500,000 FED) annually.

ALT B2	Change to Base
GPR	\$1,000,000
FED	<u>500,000</u>
Total	\$2,000,000

3. Increase funding for local fraud prevention and investigations programs by \$500,000 (\$250,000 GPR and \$250,000 FED) annually.

ALT B3	Change to Base
GPR	\$500,000
FED	<u>500,000</u>
Total	\$1,000,000

4. Take no action.

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