



Legislative Fiscal Bureau

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May 21, 2003

Joint Committee on Finance

Paper #387

SeniorCare Enrollment Fee (DHFS -- Health Care Financing -- Payments, Services, and Eligibility)

[LFB 2003-05 Budget Summary: Page 215, #4 (part)]

CURRENT LAW

As a condition of eligibility, SeniorCare enrollees are required to pay a \$20 enrollment fee for each 12-month benefit period. Revenue from the enrollment fee supports SeniorCare administrative costs. GPR and federal MA matching funds support administrative costs that are not funded with program revenue (PR) from the enrollment fee. Federal MA matching funds support 50% of administrative costs attributable to SeniorCare enrollees with income up to 200% of the federal poverty level (FPL).

GOVERNOR

Reduce funding for SeniorCare administrative costs by \$401,800 GPR and \$296,200 FED in 2003-04 and \$437,500 GPR and \$323,300 FED in 2004-05 and increase PR funding for SeniorCare administrative costs by \$698,000 in 2003-04 and \$760,800 in 2004-05 to reflect the fiscal effect of increasing the SeniorCare enrollment fee. Specify that the enrollment fee for SeniorCare would increase from \$20 to \$25 for enrollees with income up to 200% of the FPL and from \$20 to \$30 for individuals with income above 200% of the FPL.

This provision would first apply to eligibility determinations made on the bill's general effective date.

DISCUSSION POINTS

1. Under the Governor's bill, a total of \$5,527,000 (all funds) in 2003-04 and \$6,401,700 (all funds) in 2004-05 would be provided to support contracted costs of administering SeniorCare

Based on current SeniorCare enrollment projections and the current enrollment fee of \$20, it is estimated that PR from the enrollment fee would total \$2,185,700 in 2003-04 and \$2,351,300 in 2004-05. This represents a decrease of \$320,300 in 2003-04 and \$454,700 in 2004-05 compared with the PR amounts in the bill.

As a result, if the Committee maintains the current enrollment fee of \$20, GPR and federal funding for SeniorCare administrative costs would need to be increased by \$173,800 GPR and \$146,500 FED in 2003-04 and \$227,300 GPR and \$227,400 FED in 2004-05 to fully fund the amounts recommended by the Governor to administer SeniorCare. Further, based on a reestimate of the effect of increasing the fees as recommended by the Governor, funding in the bill should be modified by an additional \$24,500 GPR, -\$21,700 FED, and -\$2,800 PR in 2003-04 and \$34,100 GPR, -\$16,700 FED, and -\$17,400 PR in 2004-05 if the Committee adopts the Governor's recommendations.

- The following table summarizes the reestimate of the Governor's recommendations.

TABLE 1

Summary of Reestimates of Governor's Recommendations

	2003-04			
	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>
Funding in the Bill	\$1,237,700	\$1,085,300	\$3,204,000	\$5,527,000
Change to Bill Based on Reestimates				
Current Fee	\$173,800	\$146,500	-\$320,300	\$0
Increased Fee	<u>24,500</u>	<u>-21,700</u>	<u>-2,800</u>	<u>0</u>
Subtotal -- Change to Bill	\$198,300	\$124,800	-\$323,100	\$0
Total Funding Required to Support the Governor's Recommendations	\$1,436,000	\$1,210,100	\$2,880,900	\$5,527,000
	2004-05			
	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>
Funding in the Bill	\$1,533,400	\$1,301,500	\$3,566,800	\$6,401,700
Change to Bill Based on Reestimates				
Current Fee	\$227,300	\$227,400	-\$454,700	\$0
Increased Fee	<u>34,100</u>	<u>-16,700</u>	<u>-17,400</u>	<u>0</u>
Subtotal -- Change to Bill	\$261,400	\$210,700	-\$472,100	\$0
Total Funding Required to Support the Governor's Recommendations	\$1,794,800	\$1,512,200	\$3,094,700	\$6,401,700

2. The Governor's recommendations may result in confusion for SeniorCare enrollees and applicants because the bill would require applicants to pay different enrollment fees, depending on an applicant's income. Because payment of the fee is required before an individual can be eligible for benefits, this could result in a delay in benefits being available to individuals and could result in additional administrative costs associated with returning overpayments of the fee.

3. According to DHFS staff, many individuals that apply for SeniorCare do not know their income as a percentage of the FPL and would not be expected to know what enrollment fee to pay under the Governor's recommendations. If an applicant paid a \$25 fee because they thought their income was below 200% of the FPL, but it is actually above 200% of the FPL, DHFS could not determine that applicant eligible until the applicant paid the additional \$5 required under the Governor's recommendations. Further, if the applicant paid \$30, but it was found that they only had to pay \$25, DHFS would incur administrative costs associated with returning the additional \$5 to the enrollee.

4. If the Committee wanted to minimize the confusion associated with the new enrollment fee and reduce DHFS administrative costs associated with SeniorCare, it could establish one fee for all enrollees at various levels. The fee amount would determine the amount of GPR and federal funding necessary to fund the administrative costs for SeniorCare.

5. It is estimated that establishing the enrollment fee at \$30 would result in approximately the equivalent amount of PR revenue available as assumed under the Governor's bill. Additionally, the Committee could establish the fee at \$35, which would result in additional PR than assumed in the Governor's bill and provide a corresponding reduction in GPR and federal funding budgeted to support SeniorCare administrative costs.

6. Additionally, the Committee could consider modifying the annual fee to specify that it would be an application fee, rather than an enrollment fee. In which case, an individual's application would not be processed until the application fee was paid, and DHFS would not return the fee to the applicant if the applicant declines to participate in the program. Under current law, an individual can withdraw an application and have his or her enrollment fee returned if: (a) the individual is determined not eligible for the program; (b) the individual has submitted an application and has not yet been notified of an eligibility determination; or (c) an individual has been determined eligible but has not yet received benefits. DHFS estimates that it currently costs \$11 in administrative costs for each applicant that applies and declines to participate.

7. If the fee were an application fee rather than an enrollment fee, DHFS administrative costs for processing applications for individuals that decline to participate would be covered and the need for GPR and federal funding for those administrative costs would be reduced. It is estimated that GPR and federal funding for SeniorCare administrative costs could be reduced by the following amounts depending on the enrollment fee adopted by the Committee, based on an assumption that 1,000 individuals would apply each year and decline to participate in the program in each year of the biennium.

TABLE 2

Fiscal Effect of Having an Application Fee, Rather than an Enrollment Fee

<u>Fee Level</u>	<u>2003-04</u>			<u>2004-05</u>		
	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>
\$20 (current)	-\$9,100	-\$10,900	\$20,000	-\$9,100	-\$10,900	\$20,000
\$30	-13,700	-16,300	30,000	-13,700	-16,300	30,000
\$35	-16,000	-19,000	35,000	-16,000	-19,000	35,000

Effective Date

8. Under the bill, the change to the amount of the enrollment fee would be effective with eligibility determinations beginning with the bill's general effective date.

9. Approximately 50,000 current SeniorCare enrollees have benefit periods that expire August 31, 2003. In order to continue receiving benefits, these individuals will have to reapply for SeniorCare before September 1, 2003, to be determined eligible for another 12 months. DHFS intends to notify these individuals of their requirement to reapply for benefits by July 18, 2003, in order to provide proper legal notice and to allow DHFS sufficient time to determine the eligibility of these individuals. Therefore, it is expected that DHFS will be redetermining eligibility for these 50,000 individuals during the month of August.

10. Given the timing of the budget process, it is reasonable to assume that the bill's general effective date could occur during the time DHFS is redetermining eligibility for these individuals. Under the language in the bill, the enrollment fee change would only apply to those determined eligible after the bill's effective date. Therefore, some individuals renewing or applying for eligibility could be subject to the new requirement and some could not.

11. As a result, the bill should be modified to specify that the enrollment fee changes are effective with benefit periods that begin September 1, 2003, or the first day of the first month following the bill's effective date. All of the alternatives presented in this paper would include this modification.

ALTERNATIVES

1. Adopt the Governor's recommendations. Modify funding in the bill by \$198,300 GPR, \$124,800 FED, and -\$323,100 PR in 2003-04 and \$261,400 GPR, \$210,700 FED, and -\$472,100 PR in 2004-05 to reflect a reestimate of the Governor's recommendations.

<u>Alternative 1</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2003-05 REVENUE (Change to Bill)	\$0	\$0	-\$795,200	\$795,200
2003-05 FUNDING (Change to Bill)	\$459,700	\$335,500	-\$795,200	\$0

2a. Establish the SeniorCare enrollment fee at \$30. Modify funding in the bill by -\$17,400 GPR, -\$57,100 FED, and \$74,500 PR in 2003-04 and \$26,800 GPR, \$13,100 FED, and -\$39,900 PR in 2004-05.

<u>Alternative 2a</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2003-05 REVENUE (Change to Bill)	\$0	\$0	\$34,600	\$34,600
2003-05 FUNDING (Change to Bill)	\$9,400	-\$44,000	\$34,600	\$0

2b. Establish the SeniorCare fee at \$30, but specify that the fee is an application fee rather than an enrollment fee. Modify funding in the bill by -\$31,100 GPR, -\$73,400 FED, and \$104,500 PR in 2003-04 and \$13,100 GPR, -\$3,200 FED, and -\$9,900 PR in 2004-05.

<u>Alternative 2b</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2003-05 REVENUE (Change to Bill)	\$0	\$0	\$94,600	\$94,600
2003-05 FUNDING (Change to Bill)	-\$18,000	-\$76,000	\$94,600	\$0

3a. Establish the SeniorCare enrollment fee at \$35. Modify funding in the bill by -\$314,000 GPR, -\$307,000 FED, and \$621,000 PR in 2003-04 and -\$292,200 GPR, -\$255,700 FED, and \$547,900 PR in 2004-05.

<u>Alternative 3a</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2003-05 REVENUE (Change to Bill)	\$0	\$0	\$1,168,900	\$1,168,900
2003-05 FUNDING (Change to Bill)	-\$606,200	-\$562,700	\$1,168,900	\$0

3b. Establish the SeniorCare fee at \$35, but specify that the fee is an application fee rather than an enrollment fee. Modify funding in the bill by -\$330,000 GPR, -\$326,000 FED, and \$656,000 PR in 2003-04 and -\$308,200 GPR, -\$274,700 FED, and \$582,900 PR in 2004-05.

<u>Alternative 3b</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2003-05 REVENUE (Change to Bill)	\$0	\$0	\$1,238,900	\$1,238,900
2003-05 FUNDING (Change to Bill)	-\$638,200	-\$600,700	\$1,238,900	\$0

4. Delete provision and modify funding in the bill by \$173,800 GPR, \$146,500 FED, and -\$320,300 PR in 2003-04 and \$227,300 GPR, \$227,400 FED, and -\$454,700 PR in 2004-05 to reflect a reestimate funding required to support SeniorCare administrative costs, based on the current \$20 enrollment fee.

<u>Alternative 4</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2003-05 REVENUE (Change to Bill)	\$0	\$0	- \$775,000	- \$775,000
2003-05 FUNDING (Change to Bill)	\$401,100	\$373,900	- \$775,000	\$0

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