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May 7, 2009 | Joint Committee on Finance | Paper #444

Income Maintenance (DHS -- Medical Assistance and FoodShare -- Administration)

[LFB 2009-11 Budget Summary: Page 332, Item 2 (part), and Page 335, Item 4 (part)]

CURRENT LAW

The term "income maintenance" or "IM" refers to the eligibility determinations and related administrative activities for several federal and state programs, including medical assistance (MA), BadgerCare Plus, FoodShare, the state supplementary income caretaker supplement), and the cemetery, funeral, and burial expenses program. The Department of Health Services (DHS) enters into annual contracts with county social service departments and tribes to perform these IM activities. The state provides funding to counties and tribes through base IM administrative allocations and supplemental allocations. Counties are not required to provide local funding for IM activities, but in calendar year 2007, 70 of Wisconsin's 72 counties contributed to those costs through what are called "local non-reimbursable expenditures." Both the state-provided IM funding and the counties' local non-reimbursable expenditures are eligible for 50% federal matching funds.

In calendar year 2007, total statewide expenditures for IM activities were $101,617,000. Of that total, the state contributed $27,112,900 GPR, the counties and tribes contributed $23,605,100, and federal matching funds totaled $50,899,000.

GOVERNOR

Reduce funding for income maintenance and related activities by $1,566,200 (-$1,219,900 GPR and -$346,300 FED) annually to reflect the following: (a) the elimination of funding for county fraud and abuse activities (-$500,000 GPR annually); (b) the elimination of supplemental funding that DHS has provided to income maintenance contracts in the five counties where the Family Care benefit was initially offered (-$346,300 GPR and -$346,300

FED annually); and (c) a 1% reduction to most non-federal appropriations in the bill (-$373,600 GPR annually).

Based on the amount of funding that would be budgeted in AB 75, DHS has indicated that it will no longer provide the supplemental allocations to the basic county income maintenance contracts, beginning in calendar year 2010. In 2009, DHS allocated $4,111,800 ($2,055,800 GPR and $2,055,800 FED) for those supplemental allocations.

DISCUSSION POINTS

1. Each of the past three biennial budget acts has modified the amount of funding available to support income maintenance activities performed by counties and tribes. These changes have recognized both actual and projected increases in workload experienced by local IM agencies, as well as anticipated decreases that were expected to occur due to systems improvements.

- 2003 Wisconsin Act 33 reduced funding by approximately $2.5 million GPR in 2003-04 and by $5.9 million GPR in 2004-05 to reflect estimates of savings county income maintenance agencies would realize once DHS implemented a number of changes to its program eligibility policies and made changes to CARES (the information system used for IM functions) to simplify processing of applications and managing cases. The act also provided an additional $1.1 million GPR in 2003-04 and $2.0 million GPR in 2004-05 to increase IM allocations.

- 2005 Wisconsin Act 25 provided a one-time funding increase of $954,500 SEG in 2005-06 and 2006-07 from the utility public benefits fund to support IM functions.

- 2007 Wisconsin Act 20 increased funding to reflect additional workload county staff would incur to implement the following: (a) a new income verification policy for elderly, blind and disabled MA recipients ($125,000 GPR annually); (b) new policies relating to deductibles ($25,000 GPR in 2007-08 and $50,000 GPR in 2008-09); and (c) citizenship and identity documentation requirements included in the federal Deficit Reduction Act of 2005 ($377,300 GPR annually).

In addition, in October, 2007, the Joint Committee on Finance approved $889,900 in one-time funding to increase IM allocations to counties to fund additional workload associated with the citizenship and identity documentation requirements. The source of this funding was income augmentation revenue, which are federal funds the state collected as reimbursement for costs that were initially paid by state or local sources, but subsequently reimbursed with federal funds due to the state's efforts, through a contracted agency, to claim these federal funds.

As a net result of these and other changes, GPR funding budgeted in the appropriation that supports county IM functions has decreased from $39,021,300 GPR in 2003-04 to $37,356,300 in 2008-09 (-4.3%).

2. DHS enters into calendar year contracts with counties and tribes that establish the amount of funding local agencies will receive to conduct IM activities. In recent years, those contracted amounts have included a base administration allocation and the supplemental allocation

DHS began providing in calendar year 2004. In calendar year 2007, the total base allocation was $24,292,200 GPR, and the total supplemental allocation was $2,055,800 GPR. Together, the base and supplemental allocations are referred to as the total base contract amount. In calendar year 2007, the total base contract amount was $26,348,000. These GPR funds are eligible for a 50% federal match, bringing the all funds amount in 2007 to $52,696,100.

3. The GPR appropriation that funds IM contracts also supports other state programs, including state support for the food stamp employment and training program (FSET), GPR-supported FoodShare benefits for qualified aliens, and the cemetery, funeral, and burial expenses program. In recent years, the funding requirements for these other programs have increased. For example, state expenditures under the cemetery, funeral, and burial expenses program, which is an entitlement program for certain public assistance recipients, grew from $5,356,900 in calendar year 2004 to $7,149,100 in calendar year 2007.

As the amount of GPR funding budgeted in the IM appropriation has decreased and the costs of the other programs funded by that appropriation have increased, there has been less GPR available in the appropriation to support the traditional income maintenance activities performed by counties.

4. At the same time, statewide IM costs have increased. One factor that appears to have contributed to those rising costs has been higher program enrollments. For instance, in December, 2003, total enrollment in the MA and MA-related programs (including SeniorCare) was 777,854. By December, 2007, that total enrollment figure had risen to 853,254.

5. The combination of these factors has led to the counties, in the aggregate, contributing a greater share of total statewide income maintenance costs. This is shown in Table 1, which summarizes the total statewide income maintenance expenditures for calendar years 2003 through 2007 (the last year for which information is available), as well as the respective state, local, and federal contributions.

TABLE 1

Funding for Income Maintenance Activities
Calendar Years 2003 through 2007

Calendar Year	Federal Share	State Share	Local Share	Total Statewide	Federal Share as % of Total	State Share as % of Total	Local Share as % of Total
2003	$43,720,600	$28,230,600	$13,478,900	$85,430,100	51%	33%	16%
2004	45,812,500	26,786,700	15,539,700	88,138,900	52	30	18
2005	45,962,600	25,834,300	19,959,100	91,756,000	50	28	22
2006	46,921,500	26,306,700	20,399,700	93,627,900	50	28	22
2007	50,899,000	27,112,900	23,605,100	101,617,000	50	27	23

6. As Table 1 indicates, the local share of income maintenance costs has increased from 2003 to 2007, both in absolute terms, and as a percentage of total statewide costs (from 16% to

23%). In contrast, state spending decreased in absolute terms, and as a percentage of total statewide costs (33% to 27%). These are statewide percentages. The share contributed by individual counties varies, with Kenosha County contributing 41% of its total income maintenance costs in 2007, while several smaller counties did not contribute any local funds.

7. The funding levels in AB 75 for the GPR-funded IM appropriation (and the related FED appropriation) would result in reductions to IM contacts, beginning in calendar year 2010.

First, based on the funding in the bill, DHS would no longer be able to supplement the IM base contracts. DHS began making supplemental payments to counties in calendar year 2004 to support costs of increased caseloads and to partially offset funding reductions proposed by the Governor and approved by the Legislature as part of the 2003-05 budget. DHS reallocated base funding within the GPR income maintenance appropriation to fund the supplement in 2004. In each subsequent year, DHS has continued to make the supplemental funds available to counties by using funds in the appropriation that were not needed to support other commitments. Counties use supplemental funds for the same activities as they use their basic IM allocations.

Eliminating the supplemental allocation would reduce the state funding provided to counties and tribes for income maintenance activities by $4,111,600 ($2,055,800 GPR and $2,055,800 FED) annually. However, since the reduction would first affect 2010 contracts, which begin January 1, 2010, the cost to maintain the funding provided by the supplement would be half as much in 2009-10 as in 2010-11. Consequently, if the Committee wished to retain funding for the supplement, it could increase funding in the bill by $1,027,900 GPR in 2009-10 and by $2,055,800 GPR in 2010-11 (Alternative 2d). While this would also increase the amount of federal matching funds allocated to counties, no adjustment is needed to the FED funding in the bill because AB 75 did not reduce FED in connection with the proposed elimination of this supplemental allocation.

8. Second, the bill would reduce funding by $692,600 ($346,300 GPR and $346,300 FED) annually to delete funding DHS has provided annually since 2001 to the five original Family Care pilot counties -- Milwaukee ($422,300), Portage ($64,100) , Fond du Lac ($65,600), La Crosse ($117,000) and Richland ($23,600). This funding was provided to counties to support costs of transitioning individuals who were previously participating in MA long-term care waiver programs to Family Care. Other counties that have implemented the Family Care benefit have not received comparable supplemental funds, as many of the income maintenance activities associated with those transitions are now performed centrally by DHS, rather than at the county level. For these reasons, the administration has recommended that funding for these supplemental payments be deleted. Alternatively, the Committee could restore funding to maintain these payments (Alternative 2a.).

9. Third, the bill would reduce state support for county fraud activities by $500,000 annually. AB 75 does not reflect the annual loss of FED (approximately $500,000) that would also result from reducing the GPR funding for these county fraud activities, although those GPR expenditures are eligible for a 50% federal match.

This funding is used to support the public assistance fraud program (PAPF) that has operated in all geographic areas of the state since January 1, 1998. That program consists of fraud prevention, fraud investigation, and fraud overpayment collection activities for recipients (as opposed to providers) under the FoodShare, MA, and BadgerCare Plus programs. DHS also administers the PAFP for the Wisconsin Works (W-2) and Child Care programs for the Department of Children and Families pursuant to a memorandum of understanding between the agencies.

10. In 2008, the state provided a total of $1,898,000 (all funds) to counties for MA and FoodShare fraud activities. The GPR provided by the state for these purposes is eligible for a 50% federal match. Therefore, the administration's proposal to reduce GPR funding by $500,000 annually would result in an annual all funds reduction of approximately $1,000,000 for these county fraud activities.

11. Table 2 identifies recoveries that have been achieved through the county fraud activities program.

TABLE 2

MA and FoodShare Fraud Recoveries

Fiscal Year	MA Recoveries (All Funds)	FoodShare Recoveries	FoodShare Recoupments
2003-04	$726,300	$1,849,300	$1,207,400
2004-05	486,800	1,769,500	1,046,900
2005-06	602,800	1,523,100	853,900
2006-07	784,200	1,425,100	788,700
2007-08	476,100	1,640,700	926,100

12. In Table 2, the "MA Recoveries" reflect the total amount of recoveries for the state MA program. Under current law, the state must return a percentage of those recoveries to the federal government, reflecting its contribution to the original MA benefit expenditures. Counties are also entitled to keep a portion of the MA fraud recoveries they help identify. As a result, the portion of these MA Recoveries retained by the state is approximately 25% of total recoveries. The "FoodShare Recoveries" column represents funds recovered under that program, whereas the "FoodShare Recoupments" column represents FoodShare payments withheld due to fraud. As FoodShare benefits are 100% federally funded, the FoodShare-related recoveries shown in Table 2 do not, generally speaking, benefit the state. As Table 2 suggests, the net monetary recoveries retained by the state from these county fraud activities have been less than the resources the state has committed for these purposes. The administration has identified that fact as a basis for reducing state funding for these county fraud activities. If the Committee decided to restore this state funding, it would increase funding in the bill by $500,000 GPR annually. (Alternative 2c.)

13. Finally, the GPR-funded IM appropriation would be affected by the 1% across-the-board funding reductions that would apply to most non-federal appropriations (-$373,600 annually). This funding reduction would also result in an equal reduction in federal funds, which is not reflected in the bill. Consequently, if the Committee chooses to adopt the Governor's recommendation to reduce the GPR appropriation by 1%, the federally funded IM appropriation should be reduced by an equal amount. (Alternative 1)

The administration argues that the across-the-board reductions in AB 75 were intended to generate savings in an equitable manner throughout state government, and that this appropriation should not be exempted from the reduction. Increased funding of $373,600 GPR annually would be required to exempt this appropriation from the 1% reduction (Alternative 2b).

14. Table 3 summarizes the proposed funding reductions associated with these four items.

TABLE 3

Annual Funding Reductions in AB 75 to Income Maintenance Appropriations*

	GPR	FED	Total
Eliminate Supplemental Funding	-$2,055,800	-$2,055,800	-$4,111,600
Budgeted Reductions in AB 75			
Eliminate Family Care Pilot IM Funding	-346,300	-346,300	-692,600
Reduce State Funding for County Fraud Activities	-500,000	-500,000	-1,000,000
1% Across-the-Board Reduction	-373,600	-373,600	-747,200
Total	-$3,275,700	-$3,275,700	-$6,551,400

*Reflects corrections to AB 75.

15. In deciding whether to adopt the Governor's recommendations, the Committee may take into consideration the funding trends reflected in Table 1, which suggest that during the past several years, the counties' relative share of total statewide income maintenance costs increased while the state's share decreased. For several reasons, AB 75 would likely accelerate those trends. For instance, if the supplemental allocation ($2,055,800 GPR annually) is no longer provided and counties increase their own spending on IM functions to offset the reduction in state funding, the state's share of total statewide costs would fall to 25%, and the counties' collective share would rise to 25% (based on 2007 total statewide income maintenance costs). While Committee members may disagree over what the appropriate division of state and county IM costs should be, the new percentages would mark a significant shift from several years ago.

16. Second, if total statewide income maintenance costs increase during the upcoming biennium, the state funding reductions in AB 75 would result in an even larger cost shift to counties. The Committee could decide that such an increase in total statewide costs is possible, given the trends shown in Table 1, and the enrollment increases that have occurred since the February, 2008, inception of BadgerCare Plus. As of March, 2009, total enrollment in MA and MA-related programs, including BadgerCare Plus and SeniorCare, was 972,664, an increase of 119,410 since December 2007.

17. While acknowledging these trends, DHS staff maintains that recent improvements in the income maintenance system have enabled counties to perform these activities more efficiently. Primary among these improvements is ACCESS, an online program individuals can use to check

benefits eligibility and to apply for benefits under the MA, BadgerCare Plus, and FoodShare programs, rather than having to apply in person at their local income maintenance office. Program recipients can also use ACCESS to update information pertaining to their ongoing program eligibility status, such as changes in income or assets. DHS staff believes that as counties fully integrate ACCESS into their income maintenance activities, and as they explore other cost-saving strategies, such as multi-county consortia, additional savings will result. For these reasons, the administration believes the income maintenance funding provided in AB 75 is adequate, given the state's current fiscal restraints.

ALTERNATIVES

1. Adopt the Governor's recommended GPR funding reductions. Also, reduce funding by $873,600 FED annually to reflect anticipated reductions in federal matching funds by reducing funding for county fraud prevention activities (-$500,000 FED annually) and the 1% across-the-board reduction (-$373,600 FED annually).

ALT 1	**Change to Bill** Funding
FED	- $1,747,200

2. Restore funding for one or more of the items:

a. Restore supplements to the five original Family Care counties. Increase funding in the bill by $346,300 GPR annually, and adjust FED as appropriate.

b. Delete the 1% reduction to the GPR IM appropriation. Increase funding in the bill by $373,600 annually, and adjust FED as appropriate.

c. Restore state funding for county fraud activities. Increase funding in the bill by $500,000 GPR annually, and adjust FED as appropriate.

d. Increase funding in the bill by $1,027,900 GPR in 2009-10 and $2,055,800 GPR in 2010-11 to maintain funding for the county supplement, which would be permanently incorporated into the base IM allocations.

3. Delete provision, thereby retaining base funding levels in the GPR and FED income maintenance appropriations. Increase funding in the bill by $1,566,200 ($1,219,900 GPR and $346,300 FED) annually.

ALT 3	**Change to Bill** Funding
GPR	$2,439,800
FED	692,600
Total	$3,132,400

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