



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #368

### **Income Maintenance Consortia Funding Allocations (DHS -- Medical Assistance -- Administration)**

[LFB 2015-17 Budget Summary: Page 230, #4]

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#### **CURRENT LAW**

"Income maintenance" (IM) refers to the eligibility and caseload management functions for several federal and state programs, including medical assistance (MA), FoodShare, and Wisconsin Shares. In Milwaukee County, these services are provided by Department of Health Services (DHS) staff in Milwaukee Enrollment Services (MiES). In the rest of the state, county employees perform these functions as part of multi-county IM consortia, and tribes perform these services for their members. There are currently 10 multi-county consortia and nine tribes performing IM services.

Each regional consortium and tribe is responsible for program eligibility determinations, application processing, operating and maintaining a call center, conducting ongoing case management, and performing lobby services such as responding to questions, facilitating access to interpreter services, and making informational publications available. The IM consortia and tribes cooperate with DHS to provide other administrative functions, such as conducting subrogation and benefit recovery efforts, participating in fair hearings, and conducting fraud prevention and identification activities.

Each year, DHS allocates state general purpose revenue (GPR) and federal funds (FED) to support the IM work of the consortia and tribes. The FED funding is matching funding the state receives for eligible state- and locally-funded administrative services under the MA and FoodShare programs. Funding for MiES is budgeted as part of the DHS Division of Health Care Access and Accountability's general program operations budget.

Base funding for IM allocations to tribes and counties is \$22,731,800 GPR and

\$37,081,600 FED. The FED funding base includes federal funds claimed for county-funded IM services.

## **GOVERNOR**

Provide \$10,836,600 (-\$3,021,600 GPR and \$13,858,200 FED) in 2015-16 and \$9,079,300 (-\$1,379,900 GPR and \$10,459,200 FED) in 2016-17 to support services performed by IM consortia and tribes for the administration of the MA and FoodShare programs.

The funding changes reflect several factors.

First, DHS would maintain base contract funding amounts for consortia and tribes (\$27,883,800 all funds) through calendar year (CY) 2017. However, the funding in the bill reflects the administration's assumption that the state will claim and receive enhanced federal matching funds for base allocations and supplemental funds for IM consortia to implement the federal Affordable Care Act (ACA), equal to approximately 60% of costs, rather than the regular 50% rate applicable to these functions, through CY 2015. Under the ACA, states may receive enhanced federal matching funds to support 75% of the cost of certain eligibility work. Based on workload and time reporting, the administration estimated that the resulting "blended" matching rate for IM functions would be 60% through CY 2015.

Second, beginning in CY 2016, DHS would reduce supplemental funding the agency provided to IM consortia budgeted in 2013 Wisconsin Act 20 (the 2013-15 biennial budget act) to meet workload relating to additional responsibilities for IM agencies to implement the (ACA), including anticipated increases in BadgerCare Plus enrollment, from \$9,814,800 (all funds) in CY 2015 to \$4,907,400 (all funds) in CY 2016 to \$2,453,700 (all funds) in CY 2017. However, no base funding for the supplement would be deleted from the DHS budget. Instead, the GPR and FED savings resulting from the phase down of the ACA supplemental funds would be placed in unallotted reserve (\$1,192,200 GPR and \$1,174,500 FED in 2015-16 and \$3,069,100 GPR and \$3,069,100 FED in 2016-17).

Third, the bill would maintain annual supplemental funding (\$4,730,100 all funds) through CY 2017 to support workload relating to work requirements for FoodShare recipients who are able-bodied adults without dependent children (ABAWDs).

Finally, the funding change under this item reflects a change in the allocation of state fiscal year funds to support county IM consortia calendar year allocations. Under Act 20, DHS was budgeted funding to enable it to pay three months of calendar year IM expenses in the first half of the calendar year and the remaining nine months of calendar year IM expenses in the second half of the calendar year (from the next fiscal year's appropriation), creating a one-time savings in state funds. The funding in the Governor's 2015-17 biennial budget bill would enable DHS to return to the previous practice of paying IM consortia 50% of the state fiscal year funding in the first half of one calendar year and 50% of the next fiscal year funding in the second half of the same calendar year.

The following table summarizes actual 2015 (all funds) IM allocations to the consortia and

tribes and CY 2015, 2016, and 2017 allocations under the Governor's budget recommendations.

**TABLE 1**

**Budgeted Calendar Year Income Maintenance Allocations (All Funds)\***

	Actual	Governor's Recommendations		
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Base Allocation	\$27,674,500	\$27,883,800	\$27,883,800	\$27,883,800
Affordable Care Act Supplement	18,060,000	9,814,800	4,907,400	2,453,700
FoodShare Work Requirement Supplement	<u>725,500</u>	<u>4,730,100</u>	<u>4,730,100</u>	<u>4,730,100</u>
Total	\$46,460,000	\$42,428,700	\$37,521,300	\$35,067,600

\*Excludes county-funded costs and federal match the state claims for county-funded costs and potential increases to the ACA supplement from moneys budgeted in unallotted reserve.

**DISCUSSION POINTS**

**A. Base Allocations and ACA Supplemental Funding**

1. The bill would maintain funding for IM base allocations for CYs 2016 and 2017 at the CY 2015 level (\$27,883,800). However, the bill would phase out the funding supplement counties and tribes received in 2015 to meet workload relating to the ACA and related BadgerCare Plus eligibility changes, based on the administration's concern that the base funding currently budgeted for IM activities, including funding from the ACA supplement, may not accurately reflect ongoing IM agency costs of meeting the ACA-related workload.

2. In the past, DHS has used a workload model to assign times and weights to various tasks to estimate costs and savings of specific policy changes. As the model is not based on current time studies, DHS did not use this model as a means of estimating IM costs for the 2015-17 biennium. Instead, DHS intends to use DHS area administrative staff and a contracted consultant to analyze current IM workload and to make recommendations to improve the efficiency of IM operations. These results could be used in determining IM funding allocations for the 2017-19 biennium.

3. To address the current uncertainty of ongoing costs, the savings from the phase-down of the ACA supplemental funding would not be deleted from the DHS budget. Instead, these funds would be placed in unallotted reserve. This would provide DHS the option to increase IM allocations above planned allocations for CY 2016 and CY 2017 (reflecting the phase-down of the ACA supplemental funding) if DHS determines that increases are warranted to address ongoing workload. The administration has not made any recommendations regarding the ACA supplement beyond CY 2017.

4. Increases in some types of initial IM workload relating to these changes occurred over

a period of months, as current BadgerCare enrollees' eligibility was renewed, and IM agencies continued to enroll newly eligible adults without dependent children. However, DHS cites several factors that have affected IM workload and will likely continue, or increase future workload, including the following:

- The open enrollment periods for private insurance coverage in the ACA health insurance Marketplace increase the number of telephone calls IM consortia receive, as the federal healthcare.gov website encourages MA-eligible individuals to seek assistance from state MA agencies.

- Individuals call the IM agencies to obtain information they need relating to their MA coverage for tax filing purposes.

- DHS anticipates additional future projects and changes, beyond managing higher caseloads, including (but not limited to): (a) researching, documenting and processing accounts for certain individuals who applied for coverage between October, 2013 and December, 2013 and applications for individuals who were initially denied both Marketplace-based and MA coverage; (b) helping recipients understand the new income thresholds and the tax treatment of their health care coverage; (c) implementing new policies relating to renewals submitted up to three months late and permitting recipients electronic access to correspondences with the program; and (d) implementing "real time" eligibility for applicants to reduce delays between the submission of a complete and verifiable application and the response to the applicant regarding the eligibility decision.

5. Some changes enacted as part of Act 20 resulted in program simplification, and may reduce IM-related workload. For example, as a result of the changes in income eligibility standards enacted as part of Act 20 and the conditions of the current waiver agreement under which BadgerCare Plus operates, the only adults who are currently required to pay monthly premiums are certain non-pregnant, non-disabled adults who are in "extension groups" (individuals who remain eligible for limited periods after their income increases above the current maximum limits). Previously, the program required the payment of premiums for most non-disabled, non-pregnant adults with income greater than 133% of the FPL (adults that are no longer eligible for the program).

In addition, Act 20 eliminated the state's MA "benchmark" plan (a plan offered to certain groups that had more limited benefits) so that currently all BadgerCare Plus recipients are enrolled in the same plan.

6. Table 2 identifies several monthly workload measures for IM agencies for the period January 1, 2013 through February, 2015.

**TABLE 2****IM Agencies -- Selected Average Monthly Workload Measures, by Calendar Year**

	<u>Number</u>	<u>Change from Previous Year</u>	
		<u>Number</u>	<u>Percent</u>
<b>Total Cases</b>			
2013	662,277		
2014	699,783	37,506	5.7%
2015 (thru February)	714,299	14,516	2.1
<b>Number of Applications</b>			
2013	53,354		
2014	59,773	6,419	12.0
2015 (thru February)	59,564	-209	-0.3
<b>Calls Received by Call Centers</b>			
2013	203,077		
2014	227,457	24,380	12.0
2015 (thru February)	240,899	13,442	5.9

The table shows that, in general, the average monthly number of cases, applications and calls received by IM call centers increased from calendar year 2013 to 2014, and has continued to increase.

7. Some of the workload IM agencies have incurred as a result of the BadgerCare Plus eligibility changes is not reflected in Table 2. For example, some individuals have sought assistance from IM agencies in enrolling in qualified private health plans offered in the Marketplace. However, IM agencies are not required to report the number of individuals who have received this type of assistance, or costs associated with this activity.

8. The ACA supplement totaled 65% of the base allocation (excluding local costs and the federal match on local funds) for CY 2014 and 35% of the base allocation for CY 2015. Under the bill, the amount budgeted for the supplement would decrease to 18% and 9% of the base allocation in CY 2016 and CY 2017, respectively, although funding would be available, from the amounts in unallotted reserve for DHS to increase initial ACA supplemental allocations.

9. The funding in the bill is based on the assumption that the state will receive enhanced funding for certain ACA-related activities through December 31, 2015. The federal Centers for Medicare and Medicaid Services (CMS) has extended the period of enhanced match for eligible ACA-related IM activities to December, 2016. Consequently, the state could qualify for enhanced match for one additional year, resulting in additional GPR savings for these IM allocations and eligible MiES activities.

10. In September, 2014, DHS requested that CMS extend the enhanced federal matching rate for eligible IM activities through December 31, 2016. For the period October 1, 2014, through December 31, 2014, the state obtained this enhanced rate.

Although DHS has applied for the available enhanced match for CY 2015 and expects to do so for CY 2016, DHS has not yet received final approval for enhanced funds available for CY 2015. Further, DHS does not know whether costs incurred beginning in January, 2015, would be reimbursed at the enhanced match, or costs incurred following CMS approval. However, as previously indicated, the state has already received the enhanced match for the first quarter of federal fiscal year 2014-15, and the Governor's budget assumed that enhanced match would be available for CY 2015. For this reason, the Committee could budget funding for IM allocations based on the assumption that the enhanced match would be available in CY 2015 (as assumed by the administration) and also for CY 2016 costs.

11. Several options, in addition to the Governor's recommendations (Alternative A1), are offered for the Committee's consideration, including: (a) adopting the Governor's policy recommendations including retaining GPR funding in unallotted reserve for the ACA supplement (Alternative A2); (b) adopting the Governor's recommendations, but transferring the GPR funding provided in unallotted reserve to the Joint Finance Committee's program supplements appropriation for release by the Committee if DHS requests the release of these funds and the Committee determines that ACA workload warrants the release of these funds to the IM consortia and tribes (Alternative A3); (c) adopting the Governor's recommendations, but deleting the funding that would be budgeted in unallotted reserve (Alternative A4); and (d) maintaining the base allocations, but eliminating the ACA supplemental funding, beginning in CY 2016 (Alternative A5).

Reestimates of the amount of funding needed to support each of these options have been incorporated into each alternative, including (a) the assumption that enhanced federal match would be available through CY 2016; (b) the deletion of federal funding that would be placed in unallotted reserve under the bill (-\$1,174,500 FED in 2015-16 and -\$3,069,100 FED in 2016-17); and (c) minor changes to more accurately reflect the fiscal effect of this item.

## **B. FoodShare Work Requirement for ABAWDs -- Funding Supplement**

12. 2013 Wisconsin Act 20 established work requirements for certain able-bodied adults, ages 18 through 49, without dependent children (ABAWDs) as a condition of receiving FoodShare benefits. Individuals may generally meet these requirements by working, or participating in a work program, for a minimum of 80 hours per month.

An ABAWD may be exempt from the work requirements for several reasons, such as if the person is unfit for employment, responsible for the care of a child under age six, caring for an incapacitated person, receiving unemployment compensation benefits, a student, or regularly participates in an alcohol or other drug addiction (AODA) treatment or rehabilitation program. Non-exempt ABAWDs may receive three months of time-limited FoodShare benefits in a 36-month period in which the ABAWD is subject to, but not complying with, the work requirement.

13. These requirements were implemented in Kenosha, Racine and Walworth Counties in July, 2014, and all remaining counties in April, 2015. This change affects IM workload because IM workers will spend more time processing and reviewing FoodShare cases to determine who is an ABAWD, whether each ABAWD qualifies for an exemption from the work requirement, and whether participating ABAWDs are meeting work requirements. IM workers must process

eligibility changes for ABAWDs who do not meet the work requirement, re-enroll compliant individuals, and track various periods of eligibility and ineligibility for FoodShare benefits.

14. In developing the 2013-15 budget provisions relating to the work requirements for ABAWDs, the administration used the DHS IM workload model to estimate the annualized statewide cost to all IM agencies of implementing the work requirements. Based on its model, DHS estimated that the total annualized costs would be approximately \$6.6 million (all funds). Under Act 20, the additional funding provided to support IM functions relating to the FoodShare work requirement was allocated between MilES (to support state IM positions) and the consortia and tribes to reflect the estimated distribution of non-exempt ABAWDs in Milwaukee County and the rest of the state.

15. 2013 Wisconsin Act 20 increased funding for IM agencies and tribes by \$3,219,500 (\$1,674,100 GPR and \$1,545,400 FED) in 2014-15 to meet anticipated IM-related workload relating to the FoodShare work requirements. In addition, the bill provided \$1,143,000 (\$594,400 GPR and \$548,600 FED) in 2014-15 to support 32.0 additional state positions at MilES to meet anticipated workload relating to the work requirements. The FoodShare work requirement supplement IM agencies and tribes received in CY 2015 totaled \$4,730,100 (all funds).

16. As the work requirements for ABAWDs receiving FoodShare benefits have only been recently implemented on a statewide basis, the actual costs the IM consortia, tribes, and MilES will incur resulting from this change is not known. However, the additional workload for IM agencies to implement the ABAWD work requirements is likely to continue, rather than decrease, even though the need to maintain the annualized amount of additional funding provided as part of Act 20 for 2014-15 cannot be assessed at this time. For this reason, the Committee could maintain the CY 2015 FoodShare work requirement supplement for CYs 2016 and 2017, as recommended by the Governor (Alternative B-1).

17. Alternatively, the Committee could maintain the amount of funding in the bill recommended by the Governor for the FoodShare work requirement supplement, but budget the funding that would be provided in 2016-17 as one time-funding so that it would be removed as a standard budget adjustment as part of the 2017-19 budget (Alternative B-2). Under this option, the Governor and the Legislature would consider the need to provide this supplement as part of the next biennial budget, after DHS completes its planned study of IM costs.

### **C. MilES Staff**

18. State employees in Milwaukee Enrollment Services (MilES) conduct IM functions for residents in Milwaukee County. MilES is currently authorized 470.0 positions (234.54 GPR positions, 235.17 FED positions, and 0.29 PR positions). The 2013-15 budget act provided 70.0 additional positions (35.0 GPR positions and 35.0 FED positions), beginning in 2015-16, to meet anticipated workload increases resulting from the ACA, based on the same model and assumptions DHS used to estimate additional funding that would be needed for the IM consortia and tribes. Similar to the IM consortia and tribes, MilES workload has increased with the enactment of ACA, but, the ongoing staffing needs for MilES are not known.

19. As MiES staff perform the same activities as IM consortia staff, it could be argued that any potential decrease in workload for the IM consortia would also occur for MiES.

20. Currently, there are 59.0 vacant positions in MiES (30.63 GPR positions and 28.37 FED positions), which is approximately 12.6% of the total number of authorized positions for MiES. DHS indicates that these positions are vacant for several reasons.

First, from February, 2014 through November, 2014, the MiES Director position was vacant, resulting in delayed recruitment and hiring efforts.

Second, some positions provided in Act 20 to implement new work requirements for FoodShare recipients who are ABAWDs have not been filled because the work requirements took effect in Milwaukee County (and statewide) on April 1, 2015.

Third, DHS has determined that it needs to retain 16.0 vacant positions to fund quarterly IM worker training courses. MiES trains groups of 40 IM workers for about six weeks every quarter.

Fourth, 3.0 positions that have been vacant for more than 12 months would be deleted as part of another initiative in the 2015-17 budget bill to delete positions in all state agencies that have been vacant for more than 12 months. DHS maintained these vacancies with the expectation that this initiative would be approved by the Legislature.

21. In 2014-15, DHS reclassified and reallocated positions from MiES to other bureaus in the Division of Health Care Access and Accountability to meet other income maintenance-related workload demands, and permitted several "pool coded" positions to expire, resulting in a total reduction of 11.0 full-time equivalent (FTE) positions. Pool coded positions are positions that the administration creates on a temporary basis to meet short-term staffing needs.

22. Based on the administration's arguments that some of the positions authorized in Act 20 are no longer available and uncertainty regarding future MiES workload, the Committee could maintain the current number of authorized staff in MiES (Alternative C-1)

23. In light of the Governor's recommendation to budget for reductions in the ACA supplement for IM agencies (while retaining funding in unallotted reserve for potential supplements), the Committee could also reduce staffing for MiES.

First, the Committee could delete all 59.0 current vacant positions in MiES, except the following: (a) 32.0 positions provided in Act 20 to implement the ABAWD work requirements; (b) 16.0 positions to support IM worker training; and (c) 3.0 positions that would be deleted under a separate item in the bill relating to the deletion of long-term vacancies. Under this option, 8.0 positions (-5.13 GPR positions and -2.87 FED positions), would be deleted and funding would be reduced by \$448,800 (-\$287,800 GPR and -\$161,000 FED), beginning in 2016-17 (Alternative C-2).

Second, the Committee could delete 25% of the 70.0 additional positions that were provided in Act 20 to support ACA-related workload (-17.50 positions) and delete \$981,600 (-\$510,500 GPR and -\$471,200 FED), beginning in 2016-17 (Alternative C-3).



## ALTERNATIVES

### A. ACA Supplemental Funding

1. Adopt the Governor's recommendations.

2. Adopt the Governor's recommendation, but reduce funding by \$1,716,000 (-\$1,755,000 GPR and \$39,000 FED) in 2015-16 and by \$3,070,100 (\$8,800 GPR and -\$3,078,900 FED) in 2016-17 to reflect reestimates of the funding needed for this purpose, including the assumption that enhanced funding would be available for costs through CY 2016, and the deletion of federal funding budgeted in unallotted reserve.

<b>ALT A2</b>	<b>Change to Bill</b>
GPR	- \$1,746,200
FED	<u>- 3,039,900</u>
Total	- \$4,786,100

3. Modify the Governor's recommendation by reducing funding in the bill to reflect reestimates of the funding needed for this purpose (-\$1,755,000 GPR and \$39,000 FED in 2015-16 and \$8,800 GPR and -\$3,078,900 FED in 2016-17), including the assumption that enhanced funding would be available for costs through CY 2016, and the deletion of federal funding budgeted in unallotted reserve.

In addition, transfer \$1,192,200 GPR in 2015-16 and \$3,069,100 GPR in 2016-17 from amounts budgeted in unallotted reserve in DHS to the Joint Committee on Finance program supplements appropriation and direct DHS to seek the release of this funding from the Committee under s. 13.10 of the statutes to supplement funding allocations to IM consortia and tribes if DHS determines that there is a need to supplement budgeted IM allocations to meet ACA-related workload costs.

<b>ALT A3</b>	<b>Change to Bill</b>
GPR	- \$1,746,200
FED	<u>- 3,039,900</u>
Total	- \$4,786,100

4. Modify the Governor's recommendation by: (a) deleting GPR funding that would be budgeted in unallotted reserve (-\$1,192,200 in 2015-16 and -\$3,069,100 in 2016-17); and (b) reducing funding in the bill to reflect reestimates of the funding needed for this purpose (-\$1,755,000 GPR and \$39,000 FED in 2015-16 and \$8,800 GPR and -\$3,078,900 FED in 2016-17), including the assumption that enhanced funding would be available for costs through CY 2016, and the deletion of federal funding budgeted in unallotted reserve.

<b>ALT A4</b>	<b>Change to Bill</b>	
GPR	-	\$6,007,500
FED	-	<u>3,039,900</u>
Total	-	\$9,047,400

5. Modify the Governor's recommendation by deleting all funding that would be provided for the ACA supplement, beginning in calendar year 2016. Reduce funding by \$5,361,900 (-\$3,928,700 GPR and -\$1,433,200 FED) in 2015-16 and by \$9,819,800 (-\$4,890,500 GPR and -\$4,929,300 FED) in 2016-17 to reflect reestimates of the funding needed for this purpose including the assumption that enhanced funding would be available for costs through CY 2016.

<b>ALT A5</b>	<b>Change to Bill</b>	
GPR	-	\$8,819,200
FED	-	<u>6,362,500</u>
Total	-	\$15,181,700

**B. FoodShare Work Requirement Supplement**

1. Adopt the Governor's recommendation to maintain funding for the FoodShare work requirement supplement in CYs 2016 and 2017 at the CY 2015 level (\$4,731,100).

2. Modify the Governor's recommendation by budgeting all GPR funding for the FoodShare work requirement supplement for 2016-17 (\$2,365,000) in one-time funding so that it would be removed as a standard budget adjustment as part of the 2017-19 budget.

**C. Miles Funding and Positions**

1. Adopt the Governor's recommendation to maintain the current position authority for Miles to perform IM services.

2. Modify the Governor's recommendations by deleting 8.0 positions (-5.13 GPR positions and -2.87 FED positions) in Miles, beginning in 2016-17, to reflect anticipated phase-down of workload associated with implementing the ACA and BadgerCare Plus eligibility requirements. Reduce funding in the bill by \$448,800 (-\$287,800 GPR and -\$161,000 FED) in 2016-17-16 to reflect this change.

<b>ALT C2</b>	<b>Change to Bill</b>	
	Funding	Positions
GPR	- \$287,800	- 5.13
FED	- <u>161,000</u>	- <u>2.87</u>
Total	- \$448,800	- 8.00

3. Modify the Governor's recommendations by deleting 17.5 positions (-9.10 GPR positions and -8.40 FED positions) in Miles, beginning in 2016-17, to reduce by 25% the number of additional positions provided in Act 20 to DHS to meet workload relating to the ACA and BadgerCare Plus eligibility requirements. Reduce funding in the bill by \$981,700 (-\$510,500 GPR and-\$471,200 FED) in 2016-17 to reflect this change.

ALT C3	Change to Bill	
	Funding	Positions
GPR	- \$510,500	- 9.10
FED	<u>- 471,200</u>	<u>- 8.40</u>
Total	-\$448,800	- 17.50

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