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Top 10 Reasons to Improve upon the Governor's Medicaid Plan

Updated June 10, 2013

Governor Walker's budget will reduce the number of uninsured Wisconsinites by adding to BadgerCare about 80,000 childless adults with income below the federal poverty level (FPL). However, the Governor proposes to do so by ending BadgerCare coverage for almost 90,000 parents and several thousand childless adults over the poverty level.

Although the Governor's plan, which has been approved by the Finance Committee would be a positive step for coverage of adults who don't have dependent children, alternative options would yield substantial savings for the state budget, cover far more people, reduce uncompensated care for hospitals, and help Wisconsin employers and the state economy. The following is a summary of some of the key reasons why state legislators need to keep an open mind and adopt the most cost-effective plan for our state:

1. **We can cover a lot more people for a lot less money** – A Legislative Fiscal Bureau (LFB) analysis shows that the Governor's plan would cover far fewer people and at considerably greater expense than if the state expands coverage for childless adults to 133% of the federal poverty level.

    - Covering childless adults in BadgerCare to 133% of FPL and retaining current eligibility of parents would cover far more people, yet would cost the state almost $76 million GPR less in the 2013-15 budget, compared to the Governor's proposal.[1]
    - A compromise that sets the eligibility limit at 133% of FPL for both childless adults and parents would save the state nearly half a billion dollars through FY 2021,[2] compared to setting the cap at 100%, but would cover almost 85,000 more people in BadgerCare than the Governor's plan.

2. **Many parents who now have coverage will become uninsured** – Although the parents who lose BadgerCare coverage are potentially able to buy coverage through the new insurance exchange, with federal subsidies, some who have offers of employer sponsored insurance will be ineligible for the new subsides. Many others will be unable to afford the higher co-pays and deductibles.

3. **Removing nearly 90,000 parents from BadgerCare would create a hardship for low-income families struggling to make ends meet** – Those who qualify for subsidized coverage through the exchange will nonetheless have significantly higher costs than they do now in BadgerCare, and some will become uninsured because very low income families will have great difficulty affording the copays and deductibles.

4. **Keeping parents in BadgerCare is better for kids**. – The Governor's proposal would split many children and parents into separate health plans, which complicates coverage for low-income families. Another advantage of keeping parents in BadgerCare is that the experience in Wisconsin and other states has shown that when parents enroll in Medicaid they are more likely to get their kids enrolled as well.

5. **BadgerCare coverage ensures that low-wage parents can stay in the workforce**. – The BadgerCare eligibility ceiling for parents has been 200% of FPL since 1999, when Tommy Thompson and the legislature first created BadgerCare and wanted to be sure that low-wage workers wouldn't have to exit the workforce to get the health care they need. The Walker proposal would cut in half the income ceiling that Thompson championed.

6. **Covering childless adults to 133% of FPL would improve access to mental health care**. – The single most effective way to improve access to mental health services in Wisconsin is to close the gap in BadgerCare.

7. **To reduce uncompensated care and the "hidden tax"** – The Walker Administration estimated that the Governor's proposal will result in 28,000 more uninsured Wisconsinites than a plan that expands coverage of childless adults to 133% of FPL. (We think that figure underestimates the difference by assuming that virtually all BadgerCare parents above the poverty level would be covered through the exchange.) Alternatives to the Governor's plan can significantly reduce the amount of uncompensated care that becomes a cost which providers pass along to patients with insurance (often referred to as the "hidden tax").[3]

8. **Moving adults from BadgerCare into exchanges will impose a large tax on employers** – Under the Affordable Care Act, a tax will be imposed on larger employers (with at least 50 full-time equivalent employees) whose workers receive premium assistance tax credits for coverage purchased through the exchanges. A recent report[4] by the Jackson Hewitt Tax Service estimates that not expanding BadgerCare coverage of childless adults to 133% of the poverty level will cost Wisconsin employers between $24 million and $36 million per year. (That estimate doesn't include the even larger cost for Wisconsin employers of workers moved from BadgerCare into the exchange.)

9. **The Governor's plan is a very risky and unnecessary gamble** – Ending coverage for adults over the poverty level in 2014 is a very risky strategy for both the affected families and health care providers because there is no guarantee that the new health care exchange will be a smoothly operating and affordable option for low-income adults. Because there are so many potential problems and uncertainties, the Wisconsin Hospital Association is urged lawmakers to delay reducing BadgerCare coverage for two years.

10. **Improving access to coverage saves lives** – States that have extended Medicaid coverage to childless adults have seen fewer deaths - especially those caused by disease, accidents, injuries, and drug abuse.[5]

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[1] This cost differential is based on a comparison of alternatives 1 and 3 in the May 30, 2013, Legislative Fiscal Bureau paper, #321; and according to table 3 (p.22) of that paper, alternative 3 would cover an estimated 123,3000 more adults (92,300 more parents and 31,00 more childless adults).

[2] According to LFB paper #321, p. 19, the Governor's plan is expected to cost $460 million GPR more from January 2014 through June 2021. The Joint Finance's Committee's action of adding $30 million GPR for hospitals in 2013-15 (as described in the footnote below) brings the difference in cost to $490 million.

[3] The Finance Committee acknowledged that uncompensated care will be a problem, and they added $30 million GPR to help the hospitals with the higher cost (in the 2013-15 biennium only). That amendment is an improvement, but it's not the efficient way to remedy the problem, which will continue long after the additional funding for hospitals ends.

[4] *The Supreme Court's ACA Decision and Its Hidden Surprise for Employers*, Brian Haile, Jackson Hewett Tax Service, March 13, 2013.

[5] See the September 2012 study published in the New England Journal of Medicine: http://www.nejm.org/doi/full/10.1056/NEJMsa1202099