

## Evaluation of Last Year's BadgerCare Changes Makes Strong Case against New Waiver

The preliminary evaluation of changes to BadgerCare that were implemented in July 2012 shows that requiring premiums for low-income families causes a dramatic decline in their participation in the program. The evaluation results have important implications for part of the waiver recently submitted by the Wisconsin Department of Health Services (DHS) to make changes next year in BadgerCare and Transitional Medicaid.

### The proposed waiver

In August 2013, DHS submitted a waiver proposal that would change Wisconsin's Medicaid coverage in two important respects, beginning in January 2014:

- First, it would provide comprehensive Medicaid coverage via BadgerCare for all adults below the poverty level who don't have dependent children, which is expected to result in an increase of about 80,000 childless adults in BadgerCare.
- Second, it would restrict Transitional Medical Assistance (TMA) by requiring premiums for all adults over the poverty level and precluding their participation in TMA for 12 months if they fail to pay a premium.<sup>i</sup>

TMA is a category of Medicaid that grew out of welfare reform and extends eligibility by 12 months for parents who are lifted above the poverty level by a new job or a raise. It is intended to help families that are just moving into the work force by giving them a transition period before they have to begin paying premiums.

A more controversial part of the changes DHS intends to put into place in January 2014 will eliminate BadgerCare coverage for roughly 90,000 parents and 5,000 childless adults with income over the federal poverty level. Although that change is the most contentious part of the department's plans, it does not require a waiver because the Affordable Care Act (ACA) doesn't require states to maintain their current Medicaid coverage of parents and childless adults in 2014, once the new health insurance Marketplace is operational.

Approval of the proposal to cover more childless adults seems very likely because it is consistent with the intent of the ACA to improve access to health insurance for low-income adults. However, the proposed changes relating to TMA are inconsistent with federal statutes and regulations in a number of respects, and run counter to the intent of the ACA by restricting access to affordable coverage.

The Centers for Medicare and Medicaid Services (CMS) will take public comments on the proposed waiver [online](#) until September 22.

### Results to date of last year's BadgerCare changes

The proposed change to TMA would build on the following policy changes approved by CMS that took effect in Wisconsin in July 2012:

- Applying premiums to all parents and childless adults in BadgerCare with income over 133% of the federal poverty level (FPL). Parents up to 150% of the poverty level and all childless adults in the BadgerCare Core Plan had previously been exempt from premiums.
- Applying premiums for the first time to parents in TMA with income above 133% of the poverty level.
- Excluding adults from BadgerCare for 12 months (instead of 6) for missing a premium payment.

The DHS justification for those changes was that they were consistent with or similar to the premiums that would generally be charged for adult coverage under the ACA and would serve as an early test of the effects of those policies. CMS approved the policy changes for parents and childless adults over 133% of the poverty level, and conditioned that approval upon a requirement that DHS conduct an evaluation of the impacts on the affected individuals.

Although that evaluation is ongoing, DHS issued some [preliminary results](#) in December 2012 and an update of that analysis in the spring of 2013.<sup>ii</sup> Based on those preliminary results, it is clear that requiring premiums for low-income adults causes many to lose their BadgerCare coverage. Focusing on the most comparable group – the 18,544 parents and caretakers on BadgerCare who in July 2012 had incomes between 133% and 150% of FPL, the DHS data show the following effects over the first six months of implementation:

- Only 31% of the adults in that income range who were participating in BadgerCare or TMA in July 2012 were still enrolled in the premium-paying category six months later.
- Failure to pay a premium caused 21% of the original 18,544 to lose their coverage within six months.
- Slightly over two-fifths of relevant enrollees lost coverage due to premium payments: Among the initial group of about 18,500 BadgerCare or TMA enrollees who were required to pay premiums, almost half either lost coverage for some other reason (such as an offer of employer-sponsored insurance) or moved below the premium-paying threshold. Of the remaining premium-paying enrollees, 41% lost their coverage due to non-payment of a premium.

The proposed waiver would apply similar changes to an even lower income population: parents between 100% and 133% of the federal poverty level. In May 2013, there were about 14,000 Wisconsin parents in TMA in that income range. This population is even more likely to be adversely affected by the proposed premiums than the parents above 133% of poverty who were included in the initial demonstration project.

The effects of the July 2012 changes are continuing to be studied by the UW Population Health Institute. Although continuing evaluation is very important, the unambiguous findings from the preliminary evaluation should help to inform the choices made regarding the pending proposals for changing BadgerCare and TMA.

### **CMS options with respect to the Transitional Medicaid proposal**

The current federal authorization for Wisconsin to charge premiums for parents in TMA who are over 133% of the poverty level expires in January 2014, and the proposed waiver seeks to 1) extend that authorization and 2) to apply premiums (at rates slightly higher than those for the new Marketplace coverage) to all parents above the poverty level. With that in mind, federal officials appear to have three general options:

1. Approve the TMA waiver changes as proposed. This would mean that premiums start at the poverty level and apply to all parents in TMA. (Variations on this option could include minor adjustments to bring the premium amounts in line with those in the new Marketplace, and/or to limit the penalty for missing a premium payment).
2. Reject the TMA changes. A rejection of these policy changes would mean continuing this important transition period for families who have just climbed above the poverty level – in light of the clear evidence that similar premiums have had severe consequences for families between 133% and 150% of the poverty level.
3. Partially approve the proposal by renewing the existing authority to require premiums for parents in TMA who are above 133% of FPL, but not expanding that to lower income parents.

## Conclusion

Applying premiums to families participating in Transitional Medical Assistance (TMA) is contrary to longstanding Medicaid law and to the intent of Congress in the Affordable Care Act. The fact that the U.S. Supreme Court made it optional for states to expand adult coverage to 133% of the federal poverty level (FPL) is not a reason for waiving federal statutes that provide a transition period for people who have recently gotten a job or a promotion that lifts them above the poverty level. Quite to the contrary, the Supreme Court ruling and the decision by Wisconsin lawmakers to drop BadgerCare eligibility to the poverty level make TMA more important than ever.

Since July 2012, Wisconsin has been conducting an experiment on the effects of charging premiums for low-income adults who were previously eligible for BadgerCare coverage (or TMA) without a premium; the results over the first six months of that experiment are alarming. Focusing specifically on the initial group of BadgerCare participants with incomes between 133% and 150% of the poverty level, and then further narrowing that focus by excluding those who fell out of that group for other reasons (such as an income reduction dropping them below the premium-paying category), non-payment of the newly required premiums caused over two-fifths (41%) of those BadgerCare enrollees to lose their coverage.

When experiments are conducted on human subjects, the common practice is to halt the evaluation if preliminary results show that people are being harmed. In light of that common sense practice and the very disturbing results demonstrated in the first six months of this experiment, we think it's clear that the federal statutes relating to Transitional Medicaid should not be waived. Federal officials should adopt the second of the options we outlined, which would reject all of the proposed changes relating to TMA. Or, at a bare minimum, we believe CMS should adopt the third option to reject the portion of the proposed waiver that would apply premiums to the lowest income parents in that transitional program.

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<sup>i</sup> Eligibility in Transitional Medical Assistance (TMA) is for 12 month from when a family's income goes over the poverty level. Since people who miss a premium would be excluded from the program for 12 months, the effect is to end their Medicaid eligibility – unless or until the family's income drops below the poverty level.

<sup>ii</sup> To make that update accessible, we have posted it on the WCCF website (<http://wccf.org/pdf/Impact-of-BC-Premiums.pdf>) because it does not appear to be on the DHS website.