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555 West Washington Ave, Suite 200
Madison, WI 53703

www.wccf.org
☎ 608-284-0580
608-284-0583

Q & A Summary of the Upcoming Changes to BadgerCare

May 7, 2012

The federal Department of Health and Human Services (HHS) has approved a portion of the cost-cutting changes that the Walker Administration has been seeking to make to BadgerCare. This document answers some of the basic questions about those changes, such as who will be affected, how, and when.

How will the changes affect people currently eligible for BadgerCare?

The changes to BadgerCare that begin this year will affect adults, but not children or pregnant women. All non-pregnant, non-disabled adults in BadgerCare with income over 133 percent of the federal poverty level (FPL) will be affected by one or more the following changes, which will soon be implemented:

- Lowering the income level where adults have to pay premiums (to 133% FPL, instead of 150%).

  Example: Mary Smith is a single mom with two children and an income of $27,000 per year (about 140% FPL). She previously had no premium for her BadgerCare coverage. Beginning in July, she will have premiums of $935 per year, which is 3.5% of her monthly gross income.

- Increasing premiums for adults over 150% of FPL, based on sliding-scale premiums for adults over 133% of FPL. (See the table on page 3.)

  Example: Jenna Brooks is a single mother with two children and an income of $33,400 per year (about 175% FPL). She previously paid $816 annually ($68 per month) for BadgerCare coverage. Beginning in July, her premiums will double, to $1,632 annually ($136 per month), which is nearly 5% of her monthly gross income.

- Dropping adults for a year, rather than six months, if they fail to make a premium payment.

  Example: Mark Johnson is a single father with one child, making just less than $10 per hour. A particularly difficult month of expenses made it impossible for him to pay his $50 BadgerCare premium (and when he set his annual budget, families at that income level had no premiums). He is now uninsured and has to get any necessary care in emergency rooms for the next 12 months (instead of six months under the previous suspension policy).

- Ending BadgerCare coverage of parents and caretaker relatives if they have access to employer-sponsored insurance and their portion of the premium for employee-only coverage would cost not more than 9.5% of family income (regardless of how high the deductibles and co-pays are for that coverage).

  Example: Knute Erickson and his brother Kip run a farm near Lodi. Knute also works half time at a local feed mill to bring in some more steady income. He has an offer of health insurance there for $210 a month, which is 7% of his $3,000 per month total income, but it's just a catastrophic plan. Knute is a single parent of two children, and the whole family is now eligible for BadgerCare. The new changes will make Knute ineligible, even though he cannot afford the employer plan because it has a $10,000 per year deductible.

- Ending eligibility of the spouse of an employee who has an offer of employer coverage that meets the condition noted above (if that plan could also cover the spouse), even if inclusion of the spouse would raise the premium above the 9.5% standard.

  Example: Knute is living with his girlfriend Ingrid and her daughter, and they are planning to get married in June. Ingrid helps on the farm and makes about $10,000 a year at a part-time job, which isn't enough to lift their combined income above the eligibility ceiling for adults in BadgerCare. Under the new policies that take effect in July, Ingrid won't be eligible for BadgerCare because after she is married she could be on the high deductible plan offered by Knute's employer. Even though covering both Knute and Ingrid would raise the cost of the premiums to 12 percent of their combined income, both adults would be ineligible for BadgerCare. If they go through with the marriage, both parents are likely to be uninsured.

- Ending retroactive eligibility for parents and caretaker relatives in families with income above 133% of the poverty level.

  Example: After showing up at the emergency room uninsured, John Rodgers was admitted to the hospital with a severe and costly medical condition. He acquired devastating medical debt, which he couldn't afford on his $2,200 per month income for his family of three. He soon learned that he and his family were eligible for BadgerCare Plus. Though he is now covered for future medical costs, his current medical bills are not covered, even though he was eligible for BadgerCare when they were acquired. In the past, retroactive eligibility would have allowed John to move forward with BadgerCare insurance coverage without outstanding expenses from the three months prior to his actual enrollment in the program.

How much is 133% of the federal poverty level?

The following table shows the annual, monthly and hourly income for a family at 133% of the federal poverty level in 2012, assuming one wage earner.

Family Size	1	2	3	4	5	6
Annual income	$14,856	$20,123	$25,390	$30,657	$35,923	$41,190
Monthly income	$1,238	$1,667	$2,116	$2,555	$2,994	$3,433
Hourly Income*	$7.14	$9.67	$12.21	$14.74	$17.27	$19.80

* *The hourly figure assumes the person is working 40 hours per week for 52 weeks per year.*

How many people will be affected by those changes?

DHS estimates that 48,000 people will have higher BadgerCare premiums. Based on previous DHS figures, it appears that at least 17,000 adults will lose their BadgerCare coverage.

Another DHS proposal, which is still being reviewed by federal officials, would create an Alternative Benchmark Plan that would result in higher premiums and limited benefits for more than 300,000 BadgerCare participants in families with income above the poverty level.

How will the BadgerCare changes affect premiums for program participants?

The following table is a comparison of the current BadgerCare premiums with the new monthly premiums that will take effect in July for families with one or more non-pregnant, non-disabled

adults enrolled in BadgerCare. It shows examples of the change at particular income levels. For more detailed information about the premiums, go to page 3 of this April 27 DHS memo.

Examples of the New BadgerCare Premiums

Percentage of Poverty	140%	160%	175%	200%
Family Size	**Three-person family (1 parent, 2 children)**			
Monthly income	$2,227	$2,545	$2,784	$3,182
Premium now	$0	$27	$68	$154
New premium	$78	$114	$136	$200
Family Size	**Four-person family (2 parents, 2 children)**			
Monthly income	$2,689	$3,073	$3,361	$3,842
Premium now	$0	$54	$136	$192
New premium	$94	$138	$165	$242
Family Size	**Five-person family (2 parents, 3 children)**			
Monthly income	$3,151	$3,601	$3,939	$4,502
Premium now	$0	$54	$136	$225
New premium	$110	$162	$193	$284

When will the changes take effect?

All of the changes noted above will take effect on July 1, 2012. However, the new policy for people who have an offer of employee coverage (or a spouse with such an offer) will be phased in because it won't apply to current BadgerCare participants until they come up for renewal or take a new job.

The federal approval ends on July 1, 2013, because the federal health care reform law doesn't let a state reduce eligibility unless it certifies that it has a budget deficit or anticipates having one in the next fiscal year. Wisconsin hasn't certified yet that it has or expects to have a deficit in the 2013-14 fiscal year. If DHS is able to do that, the changes will probably be approved again by federal officials.

Are there other changes in the works?

A couple of other cost-cutting changes to BadgerCare might follow later this year or next:

- *Expediting terminations of eligibility* – CMS has given the state the green light to move people off BadgerCare more quickly after they are determined to no longer be eligible, but DHS has delayed implementing that policy change. Apparently more time is needed to make the system changes and to work out with managed care organizations how this will affect the monthly capitation rates.
- *Alternative Benchmark Plan* – DHS is still seeking federal approval of a proposal to create a plan with much higher co-pays and more limited benefits, which would cover families with income over the poverty level. If it is approved, the Alternative Benchmark Plan would adversely affect more than 300,000 BadgerCare participants.

Will the changes affect the services that BadgerCare participants can receive?

For now, no. However, as we noted previously, DHS has applied for federal approval of a waiver that would allow the state to create an Alternative Benchmark Plan with narrower health care coverage and much higher co-pays.

How will the BadgerCare changes affect the Medicaid budget?

According to DHS, the changes will reduce BadgerCare spending by about $28 million in state funds (plus $42 million in federal matching funds) in the 2012-13 fiscal year. Since one of the significant changes will take effect gradually, the cost-savings will grow in the next biennium.

The most recent DHS estimate of the Medicaid deficit for the 2011-13 biennium is $81.7 million (in state General Purpose Revenue, or GPR). That does not take into account that DHS is making a number of changes to Medicaid that are expected to save $69.3 million GPR. Thus, the net deficit is roughly $12.4 million GPR, without making any changes to BadgerCare. A recent Wisconsin Budget Project paper summarized alternatives for closing that deficit.

Did federal officials approve all of the changes proposed by the Walker Administration?

No, a number of the original DHS proposals were not approved by CMS:

- Making the higher premiums and other changes apply to children (which DHS estimated would have caused more than 29,000 children to lose their BadgerCare coverage).
- Requiring increased documentation of residency.
- Ending presumptive eligibility (aka "express" eligibility) for children.
- Applying the exclusion of eligibility for adults with offers of employer coverage to parents and caretakers with income between 100% and 133% of the poverty level.
- Excluding young adults who might be able to get coverage from a parent's employer-sponsored insurance.
- Ending Transitional Medical Assistance (TMA), which is a welfare reform initiative that enables families below the poverty level to remain in the same category of BadgerCare coverage for up to 12 months after their income increases above the poverty level. [1]
- Broadening the definition of the family unit to count the income of all adults, except grandparents, in the definition of the household (yet not counting all of the adults for purposes of household size).

What effect will the changes have on the administration of the state's public assistance programs?

The changes that take effect in July are likely to put a very heavy strain on caseworkers who administer public benefits in Wisconsin, and that can make it even more difficult for applicants and enrollees to get through to caseworkers to address issues relating to their eligibility, enrollment status and premiums. Many of the changes increase administrative complexity, especially the following:

- *Different policies above and below 133 percent of the poverty level* – BadgerCare will become a much less seamless program than it has been, with significant changes in eligibility and costs as income moves above or below 133% of the poverty level. That creates considerably more work for caseworkers who are already struggling to stay above water.
- *Premiums for Transitional Medical Assistance (TMA)* – As of July 1, 2012, many of the adults in TMA will have to start paying premiums. DHS estimates that about 11,500 adults in TMA are over 133% of the poverty level and will be subject to the premiums. However, since the state currently does not track the income of families during their 12 months in TMA,

[1] TMA is not being eliminated, but CMS is allowing the state to apply premiums to the adults with income over 133% of the poverty level.

determining which adults in that category owe premiums will be a huge challenge for the people administering BadgerCare, and the failure to do it well could be very costly for the affected families.

- *Much more complicated "crowd-out" rules* – The eligibility rules for people with an offer of employer coverage have gotten much more complicated. The new standard of being ineligible if the premium for employee-only coverage does not cost more than 9.5% of family income will be much more difficult to monitor because eligibility will change as family income fluctuates, and any time the cost of the coverage changes. Another complication is that the new standard will apply for some BadgerCare participants above 133% of poverty, while the existing standard will continue to apply to all enrollees above 150% of poverty.
- *Different policies for children and parents* – BadgerCare will become much more complicated for participants, applicants and caseworkers because much different rules relating to eligibility and premiums will apply to children and parents.
- *Requiring much more frequent reporting of income changes* – The new policies require participants to report income changes more frequently, and any small change in income can change the premiums. Coupled with the fact that far more people will be subject to premiums, the reporting, revising and monitoring of family income will become a much more time-consuming part of administering BadgerCare.
- *Higher stakes for missing a premium* – Adults over 133% of the poverty level will be ineligible for 12 months if they miss a premium. That makes debates about the appropriate premium level and the timeliness of payments a much higher stakes issue to be resolved, and is likely to mean that more time is required of caseworkers in communication with participants about those matters.

How will the changes affect children and pregnant women?

Because the federal health care reform law requires states to maintain their current eligibility standards, the BadgerCare changes do not include the provisions proposed by DHS that would have adversely affected children and pregnant women. However enrollment could fall off a little for a couple of reasons. First, reducing enrollment of parents may slowly suppress participation of children in BadgerCare because parents who enroll are more likely to sign up their kids. Second, enrollment of children and pregnant women could be adversely affected if the changes slow the application process and tie up caseworkers – as we discussed in the previous answer.

How will the BadgerCare changes affect people with disabilities?

The changes only affect BadgerCare enrollees, not people who are eligible for Medicaid because of a disability. However, some BadgerCare participants do have disabilities and will be affected by the changes (including childless adults with mental illness who are enrolled in the BadgerCare Core Plan). Commendably, DHS decided to exempt some children and parents with disabilities from one the major changes. Specifically, the increased premiums and the restriction on eligibility for people with an offer of employer coverage won't apply to people with a disability if that disability has been determined by the Social Security Administration or the Disability Determination Bureau.

Will the changes affect the rapidly declining enrollment of childless adults?

There are currently about 28,000 childless adults in the BadgerCare Core Plan, and more than 128,000 on the waiting list. The number enrolled has been declining rapidly over the past couple of years as people fail to renew their coverage for one reason or another. That sort of attrition is common in public benefit programs, but the difference is that there has been a freeze on enrolling

people in BadgerCare Core. Although the budget bill assumed an average enrollment of 43,000 per month, the Walker Administration appears to be unwilling to lift the freeze.

The changes to BadgerCare will gradually drop an estimated 1,755 childless adults from the Core Plan – by applying premiums to those above 133 percent of the poverty level. However, one bit of positive news is that the federal Dept. of Health and Human Services has asked DHS to develop and implement a plan to reduce the number of eligible childless adults who fail to get renewed. This plan must include targeted outreach to enrollees prior to the annual redetermination date, as well as to those who have fallen off the Core Plan, to help them re-enroll before being placed indefinitely on the waiting list.

What effect will the BadgerCare changes have on uncompensated care?

Most of the more than 17,000 adults who lose their BadgerCare coverage because of the policy changes are likely to become uninsured. As a result, many of them will rely on emergency rooms as their primary source of care. That's a very costly way to provide health care services, and much of that spending by hospitals becomes uncompensated care that gets shifted onto other health care consumers. In contrast to BadgerCare spending, where federal matching funds cover at least 60 percent of the cost, our health care system gets no federal match on the spending for uncompensated care. Thus, although the BadgerCare cuts enable DHS to spend less, Wisconsinites pay out of a different pocket for the uncompensated care, and we pay more because we don't benefit from the federal cost-sharing.

What happens if the Affordable Care Act is repealed or struck down by the Supreme Court?

If the maintenance of effort requirements in the federal health care reform bill are repealed by Congress or if the entire law is struck down by the Supreme Court, the Walker Administration can revive its original plan to cut BadgerCare. Based on DHS estimates, it appears that their initial plan would have eliminated cover for at least 47,000 more people, including over 29,000 children.

In addition, repeal of the law or a Supreme Court decision striking down the Medicaid expansion would mean that Wisconsin won't extend health insurance to tens of thousands of childless adults up to 133% of the federal poverty level. There are currently more than 128,000 people on the waiting list for the BadgerCare Core Plan, and most of them would probably be covered in 2014 if the ACA is not changed (with the federal government paying nearly all of the costs for newly eligible childless adults).

It is unclear at this point what state policymakers would do if the ACA is no longer in place. Electors should ask candidates whether they would resurrect any of the plans to cut BadgerCare that have been shelved because of the requirements in that law for states to maintain their current coverage.

Jon Peacock
Sara Eskrich