



For immediate release

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50 Wisconsin Organizations Unite to Call Upon Federal Government to Reject DHS Waiver

Madison- In an effort to prevent more than 64,000 Wisconsinites from losing their BadgerCare coverage, 50 organizations from throughout Wisconsin, call on U.S. Health and Human Services (HHS) Secretary Sebelius to deny the recent request from the Wisconsin Department of Health Services (DHS) for a waiver of federal maintenance of effort (MOE) requirements.

As outlined in the attached letter to HHS, a diverse and broad group of organizations urge rejection of the waiver for reasons including:

- The waiver would jeopardize the care of 168,000 Wisconsinites, including more than 64,000 who are expected to drop out of BadgerCare.
- Approving the waiver would cost 29,000 children their BadgerCare coverage.
- The waiver would have disproportionate impact on people with disabling conditions
- The waiver would harm many extremely low-income families.
- The waiver would result in cost-shifting, not cost savings.
- The waiver would increase red tape and reduce enrollment efficiency.

The Save BadgerCare Coalition also faulted the DHS process, which precluded an opportunity for meaningful public input, because the essential details of the proposal were not made available in advance of any public hearings.

Wisconsin has long been a national leader in ensuring that its residents have access to quality health care, and BadgerCare—an immensely popular and effective program—has been a major part of that success story. Approval of DHS' waiver proposal would reverse that progress and would conflict with the goal of the health care reform law to make health care better and more affordable.

To be connected with representatives from the signing organizations, or BadgerCare enrollees who can speak to the impact these changes will make in their lives, please contact Bob Jacobson.

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The Save BadgerCare Coalition includes a broad and diverse alliance of advocates for public health, disability rights, women's health, the aging community, children's health along with working individuals and families that depend on Medicaid including BadgerCare for their health, well-being and economic security. For more information visit www.savebadgercare.org.

December 1, 2011

Secretary Kathleen Sebelius
U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington D.C. 20201

Dear Secretary Sebelius,

The 50 undersigned groups urge you to deny the recent request from the Wisconsin Department of Health Services (DHS) for a waiver of federal maintenance of effort (MOE) requirements. The effects of the changes proposed by DHS are clearly at odds with congressional intent to significantly reduce the number of uninsured Americans by building on the Medicaid and CHIP coverage that states already have in place. In fact, we question the premise that the MOE standards in the Affordable Care Act (ACA) can be waived, particularly when the proposed changes would undermine rather than enhance Medicaid coverage.

Approval of the DHS waiver request would be very damaging for Wisconsin and a dangerous national precedent. A waiver would reduce BadgerCare coverage by more than 64,000 people and would conflict with the MOE requirements of federal law. A waiver would increase bureaucratic red tape and the number of uninsured children in Wisconsin, reversing decades of progress made on both fronts under Republican and Democratic governors.

A waiver would also increase low-income families' out-of-pocket health care costs, pricing needed care out of reach for some, and it could be particularly harmful for children with special health care needs and other people with disabling conditions who rely on BadgerCare. In addition, a waiver would imply HHS' approval of a process that lacked meaningful public input based upon the fact that essential details of the proposal were not made available in advance of any public hearing opportunities.

As you may know, the budget repair bill approved by the Wisconsin Legislature and Governor Walker in March and the state's subsequent biennial budget bill delegated broad (and potentially illegal) authority for DHS to request an MOE waiver. Both bills also established a fallback position if the waiver is not approved. If the state does not receive an MOE waiver by December 31, 2011, the budget bills delegate to DHS the legislative authority to reduce the income ceiling for parents and childless adults in BadgerCare to 133 percent of the federal poverty level (beginning on July 1, 2012).

[The attached document](#) prepared by the Wisconsin Council on Children and Families (WCCF) summarizes the major substantive differences between the MOE waiver request by DHS and the alternative statutory year-end "trigger" to lower the income ceiling for adults. The WCCF analysis compares the anticipated effects, based on a Wisconsin Legislative Fiscal Bureau (LFB) analysis of DHS assumptions. Although we still firmly believe that there are other options, the fact that our current state administration appears intent on limiting the choices to those two alternatives has made us consider more narrowly whether the MOE waiver request would be worse than lowering the income ceiling for adults.

After careful consideration and analysis of the options, we have concluded that the MOE waiver should be denied. Our numerous reasons for reaching this conclusion include the following:

The proposed waiver would jeopardize the care of 168,000 Wisconsinites, including more than 64,000 who are expected to drop out of BadgerCare. – According to the Fiscal Bureau’s compilation of the DHS assumptions, an estimated 64,748 people would lose their BadgerCare coverage as a result of the proposed changes, and an additional 104,000 would have higher premiums or would be affected in other ways. (These figures don’t count the even larger group of BadgerCare participants who would be affected by approval of the alternative benchmark plan, which does not require an MOE waiver, or the less direct effects of changes that will hamper the enrollment process.) The Department suggests that many of these individuals will now access coverage on the private market and through employers. Overall, we think the department’s estimates of the number of people who would lose BadgerCare and those who gain access to other coverage are both too optimistic. The key point is that the number of people who would be adversely affected by the MOE waivers would far surpass the estimated 53,000 who would lose BadgerCare from the reduction of adult eligibility.

Approving the waiver would cost 29,000 children their BadgerCare coverage. – Approval of an MOE waiver is expected to reduce the number of children covered by BadgerCare by more than 29,000, and that estimate fails to take into account some of the proposed changes (such as eliminating presumptive eligibility). DHS has not provided an estimate of how many of the more than 29,000 children who lose their BadgerCare coverage would become uninsured, but we suspect it could be at least two thirds of the total. If so, that would increase the number of uninsured children in the state by roughly 30 percent. Eroding coverage of children is very clearly a violation of the intent of Congress in enacting the MOE standards.

The waiver would have disproportionate impact on people with disabling conditions. – Many people with disabilities are able to work and have active lives because BadgerCare Plus programs allow them to manage their illnesses and conditions. Numerous empirical studies show that increasing Medicaid premiums and copays causes people to either drop coverage or not obtain needed care or medicines for chronic conditions because they can no longer afford it. The burden of cost-sharing clearly falls disproportionately on beneficiaries in poor health. Therefore, we believe that many individuals with disabilities will have their conditions deteriorate, be unable to work, or end up in the hospital if Wisconsin is allowed to raise premiums and copays.

The waiver would facilitate no useful demonstration. – The Ninth Circuit decision in August reinforced the ruling in Beno v. Shalala that Section 1115 Research and Demonstration proposals must have experimental value, as well as promote the objectives of the statute. The DHS waiver proposal fails on both standards. DHS has attempted to justify that the MOE waiver is simply an early test of measures in the ACA that will take effect in 2014. We disagree. Some of the changes, such as the state’s proposed affordability test for private coverage, do bear a faint resemblance to portions of the ACA, but upon closer inspection the differences are quite pronounced. In contrast to the ACA, the department’s proposed use of the 9.5 percent standard would limit Medicaid eligibility by applying an ACA test intended to affect eligibility for premium credits, not for Medicaid, and DHS would also apply that standard to children and a lower income population than the ACA. As a result the DHS plans would adversely affect many low-income children and parents in BadgerCare who won’t be negatively affected by the ACA.

Granting the waiver would set a dangerous national precedent. – We look at the alternative options primarily through a Wisconsin lens, but we can also step back from our parochial vantage point and recognize that there would be extremely important national implications of approving the sweeping MOE-related changes proposed by DHS. Allowing the Wisconsin MOE waiver would set a very negative national precedent – paving the way for significant erosion of Medicaid coverage for low-income families and individuals, counter to the intent of the ACA.

The waiver would harm many extremely low-income families. – Some of the changes that DHS has proposed would affect families with very low incomes. For example, the proposed changes relating to eligibility of people with offers of employer-sponsored insurance would exclude parents with income down to the federal poverty level (FPL) and children down to 133 percent of FPL. The lowest income families are the most likely not to be able to afford employer coverage. Few families below 150 percent of poverty will be able to afford private insurance that requires them to pay premiums of as much as 9.5 percent of their income, on top of other cost sharing that can be as much as 40 percent of the total value of the employer coverage. Families and individuals well below the poverty level (particularly the homeless) are likely to be excluded by the new requirement for documentation of residency.

The proposed changes would increase red tape and reduce enrollment efficiency. – The efficiency of the state’s system for processing applications and renewals for BadgerCare and other public benefits will be impeded by a number of the proposed policy changes that require an MOE waiver. (See page 3 of the [Nov. 11 WCCF paper](#) about the effects of the proposals on children’s coverage.) Although the DHS documents talk a lot about “real time” eligibility determinations, several elements of the proposals take the system for processing applications in exactly the opposite direction and are likely to obstruct the operation of an efficient online enrollment system for Medicaid and Exchange applications in 2014.

Granting the waiver now increases the damage to Wisconsin. – We do not want to see Wisconsin roll back Medicaid coverage of adults to 133 percent of FPL effective next July, but it’s important to consider that the damage done would be limited to a period of 18 months, at which point the ACA’s non-Medicaid mechanisms for providing subsidized exchange through the state’s exchange will commence. Many of the harmful MOE-related changes that DHS has proposed, by contrast, would probably be continued indefinitely. Moreover, even if Wisconsin is granted an MOE waiver, the Administration might still decide to reduce the income ceiling for adults prior to 2014.

DHS’ proposals unfairly penalize stable families. – The Administration defends many of its proposals on the grounds that they would address current inequities, but most of the changes are unfair for low-income working families. For example, DHS argues that the state should count the income of unrelated adults who live in the same household with a BadgerCare recipient because to do otherwise creates a marriage disincentive. There are several flaws in that argument. First, in contrast to the spouse of a parent on BadgerCare, another adult in the household isn’t eligible for coverage. Second, when a couple is married Wisconsin now counts not only the income of both adults, but their expenses as well; yet the DHS proposal counts an unrelated adult’s income, but does not count him or her in the family size. Counting the benefit of two-adult households but not the cost just doesn’t add up. Third, it’s extremely unfair to address an alleged marriage disincentive by applying the proposed changes to the wide variety of other situations that may lead adults – especially those with low incomes – to live in the same household.

Detail on the DHS proposal was not made available to the public to allow meaningful input.

Although DHS did accept public comments on its website and provided an outline of their proposed changes while they solicited feedback in public hearings, detail on the proposal was not made available until November 8 when the Wisconsin Legislative Fiscal Bureau (LFB) submitted its comprehensive analysis of the MOE-related proposals to the Joint Finance Committee. This detail was provided less than 48 hours prior to the committee’s public meeting to vote on the proposals and following all opportunities for public input. DHS never held a briefing on the details of the proposal following the release of the LFB analysis. We believe this process is contrary to the Affordable Care Act’s requirement for a process when applying for demonstration waivers that involves “public notice and comment at the State level, including public hearings, sufficient to ensure a meaningful level of public input.” Until the release of the Fiscal Bureau analysis a typical parent or affected individual did not have a way to assess impact on his/her personal situation and therefore could not testify in a meaningful or sufficient manner.

The waiver would result in cost-shifting, not cost savings. – We support many of the plan amendments that DHS has proposed – particularly those that would truly result in reforming health care and reducing costs. By contrast, the state’s MOE waiver proposal would merely shift costs from state government to Wisconsin families, businesses, and local and federal government.

There are many ways that Wisconsin could have balanced the budget without pursuing these harmful cuts to Medicaid. For example, we know the cuts that have been proposed could have been avoided by simply cutting in half the new tax breaks that have been enacted this year by the Wisconsin Legislature. We will continue to work on better options, including passage of Assembly Bill 339, which would repeal the arbitrary December 31 trigger date for reducing adult coverage to 133 percent of FPL. In addition, we will offer alternative ways of balancing Wisconsin’s budget without undermining the letter and the spirit of federal law.

In summary, approval of DHS’ waiver proposal would offer no substantive benefits and impose a high cost on our state and America’s effort to make health care better and more affordable. We strongly urge you to reject it. Thank you for your attention to our concerns.

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| ABC for Health | Religious Coalition for Reproductive Choice - Wisconsin |
| Arc-Wisconsin Disability Association | Reproductive Justice Collective |
| Autism Society of Greater Madison | Southeast Wisconsin Affiliate of Susan G. Komen for the Cure |
| Autism Society of Southeastern Wisconsin | Survival Coalition of Wisconsin Disability Organizations |
| Autism Society of Wisconsin (ASW) | United Council of UW Students |
| Brain Injury Association of Wisconsin | Warmline, Inc. |
| Citizen Action of Wisconsin | White Manor Resort - Northwest Wisconsin |
| Coalition for Wisconsin Aging Groups (CWAG) | Wisconsin Alliance for Women's Health |
| Community Action Coalition for South Central WI, Inc | Wisconsin Board for People with Developmental Disabilities |
| Community Advocates Public Policy Institute | Wisconsin Breast Cancer Coalition |
| Depression and Bipolar Support Alliance | Wisconsin Chapter of the American Academy of Pediatrics |
| Disability Rights Wisconsin | Wisconsin Coalition Against Domestic Violence (WCADV) |
| Epilepsy Foundation Southern Wisconsin | Wisconsin Coalition Against Sexual Assault |
| Equality Wisconsin FUND | Wisconsin Council of Churches |
| Focus on Community | Wisconsin Council on Children and Families |
| Greater Wisconsin Committee | Wisconsin Direct Care Giver Alliance (WIDCA) |
| Happy Tonics, Inc. | Wisconsin Federation of Nurses and Health Professionals |
| Health Care for the Homeless of Milwaukee | Wisconsin Prevention Network |
| Independent Living Council of Wisconsin | Wisconsin Section of the American Congress of Obstetricians and Gynecologists (ACOG) |
| League of Women Voters of Wisconsin Education Network | Wisconsin Voices |
| Linda & Gene Farley Wisconsin Chapter PNHP | Wise Women Gathering Place |
| Madison Mennonite Church | Women’s Medical Fund |
| Madison-Area Urban Ministry | |
| Mental Health America of Wisconsin | |
| NAMI Wisconsin | |
| NARAL Pro-Choice Wisconsin | |
| National Association of Social Worker, Wisconsin Chapter | |
| Planned Parenthood of Wisconsin | |

A Comparative Summary of the DHS Proposals for BadgerCare Changes and the Changes the State Plans to Make if the MOE Waivers Aren't Granted

The Wisconsin Department of Health Services (DHS) recently submitted a request to federal officials for approval of proposals that would make sweeping changes in the BadgerCare program. Most of those changes conflict with provisions in the federal health care reform law requiring states to maintain current standards relating to eligibility and enrollment. DHS is seeking a waiver of the so-called "maintenance of effort" (MOE) requirements.

If Wisconsin is not granted an MOE waiver by federal officials by December 31, 2011, the state budget bill directs DHS to reduce the income limit for BadgerCare to 133 percent of the federal poverty level (FPL), from the current 200 percent of FPL. The following table compares the substance of those two cost-savings alternatives and their effects.

DHS is also seeking federal approval to switch BadgerCare participants with family income above the poverty level into an "alternative benchmark plan" that covers fewer services and charges participants higher copayments. That change doesn't require a waiver, and DHS aims to make that change regardless of whether it gets an MOE or cuts eligibility of adults.

| Policy or impact | Current program | Changes resulting from MOE waiver * | Changes from cutting eligibility of adults |
|---|-----------------|-------------------------------------|---|
| Total # expected to lose BadgerCare coverage | NA | 64,748 | 53,161 |
| a) parents | NA | 33,750 | 47,125 |
| b) children | NA | 29,120 | None affected directly, though over time the reduction in parent coverage could indirectly cause a drop in kids covered |
| c) childless adults | NA | 1,392 | 6,036 |
| d) pregnant women & newborns | NA | 486 | 0 |
| Others affected (mostly from premium increases) | NA | At least 104,000 | 0 |
| Total # affected | NA | More than 168,000 | 53,000 |

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|---|---|--|------------------------------|
| Total spending cut | NA | \$225,760,000 | \$150,000,000 |
| a) State GPR share | NA | \$90,215,000 | \$60,000,000 |
| b) Lost federal match | NA | \$135,545,000 | \$90,000,000 |
| Income ceiling - kids | 300% of FPL | No change | No change |
| Inc. ceiling - parents | 200% of FPL | No change | 133% of FPL |
| Income ceiling – childless adults | 200% of FPL | No change | 133% of FPL |
| Eligibility of 19 to 26 year olds (parents, caretaker relatives and pregnant women) | Covered the same as other parents, caretaker relatives and pregnant women. | Excluded if their income is above 100% of FPL & they could potentially be covered by a parent’s employer-sponsored plan. | No change (from current law) |
| Eligibility restrictions for people with offers of employer coverage | Ineligible if family income is above 150% of FPL & they have an offer of coverage for an employer plan paying at least 80% of premiums. | For parents over 100% of FPL & kids over 133% of FPL, they would be excluded if they have access to a major medical plan with premiums less than 9.5% of family income. Expected to decrease enrollment by almost 28,000. | No change (from current law) |
| Definition of family income and size | Just count the family members (and caretaker relatives), but not grandparents. | Counts the income of all adults in a household (except grandparents) but doesn’t count the expenses of unrelated adults! Expected to decrease enrollment by almost 2,600. | No change (from current law) |
| Premiums | Sliding scale premiums for parents and caretakers over 150% of FPL, rising gradually to 5% of income. Premiums for kids start at 200% of FPL. | Flat premium of 5% of income for all families over 150% of FPL, regardless of whether the full family is covered or just the kids. Expected to make more than 19,000 drop out of BadgerCare and to increase premiums for more than 72,000. | No change (from current law) |

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|--|--|---|------------------------------|
| Express enrollment for pregnant women and BC+ kids | Allows express enrollment for pregnant women and most kids | Eliminated for kids | No change (from current law) |
| Transitional Medical Assistance (TMA) | Allows families who had incomes below 100% of FPL to remain on BC+ after a jump in earnings or child support | Would eliminate TMA. Expected to make more than 6,700 drop out of BadgerCare and to increase premiums for more than 72,000. | No change (from current law) |
| Documentation of residency | Can be required by a caseworker. | Would be required in all cases. | No change (from current law) |

* Note: The estimates of the cost savings and the number of people affected by the proposals are DHS projections, summarized by the November 10, 2011, [Legislative Fiscal Bureau memo](#) (see especially Table 6 on p. 28 of that memo).

Jon Peacock
November 14, 2011

Analyzing the Effects of the Proposed BadgerCare Changes: How Will the DHS Proposals Affect Health Care for Children?

(Updated November 11, 2011)

Some people seem to have the impression that the changes proposed by the Department of Health Services (DHS) to cut about \$554 million of state and federal spending for Medicaid and BadgerCare were designed to protect the current coverage for Wisconsin's children. Unfortunately, that is not the case; if the DHS proposals are implemented, they will have very negative effects on health care for children in our state. In fact, if federal waivers are approved, some of the changes will more adversely affect health insurance coverage of children than the coverage of parents.

This issue brief provides an overview of how the proposed BadgerCare changes would affect health care for kids. It has been updated to reflect new or revised information in the most current DHS documents and the November 10 Legislative Fiscal Bureau analysis.

Denying BadgerCare coverage to children in families with offers of employer insurance

Many low-wage workers may be offered employer-sponsored insurance, but it's often unaffordable. DHS proposes denying BadgerCare to workers and their family members when they are offered employer insurance, even in cases when they can't afford it. The proposal by DHS deems employer coverage "affordable" if it costs less than 9.5 percent of household income. For example:

- A family of five that currently pays \$54 a month in BadgerCare premiums could instead pay \$330 for an employer-sponsored insurance plan premium – an increase of \$3,312 per year (based on 9 percent of their income).
- A single mom who has two children and an income of \$20,000 per year (about \$9.60 per hour, or 108% of FPL) would have to pay \$1,800 more per year for her premium if her employer coverage costs 9 percent of her income.

DHS estimates that this change would result in 11,274 children and 16,588 parents (or caretakers) losing their eligibility for BadgerCare.

Making coverage unaffordable for many families

Many of the proposed changes will increase BadgerCare premiums, and some of the largest increases will apparently be for families who only need coverage for their children. Researchers have found that premium increases cause a sharp drop in insurance coverage, leading many people to rely on emergency rooms as a primary source of care and causing an increase in cost shifting to other people with insurance. In addition to the change noted above, relating to families that have offers of employer coverage, other policy changes that will significantly increase premiums include the following:

- *Extending premiums to children between 150% and 200% of the poverty level* – BadgerCare premiums currently start at 150% of the federal poverty level (FPL) for parents and at 200% of FPL for children. Thus, if a family between 150% and 200% of FPL has employer coverage for the parent(s) but not for the child or children, there is no premium. Under the DHS proposals, such a family could have to pay a premium of up to 9.5% of income for their employer coverage.

- *Increasing BadgerCare premiums to 5% of income* – The current premiums can reach 5% of income for parents near 200% of the poverty level, but they are considerably less than that for lower income families and also for child-only coverage above 200% of FPL. Raising premiums to 5% of household income for all families above 150% of FPL, coupled with increasing co-pays and deductibles, is likely to make BadgerCare unaffordable for many families with children. DHS estimates that the increased premiums would cause a drop of about 12,100 children and more than 6,100 adults in BadgerCare.
- *Expanding the definition of family income* – One DHS proposal would include in a family’s income the earnings of all adults residing in the household for at least 60 days (except grandparents who aren’t applying for Medicaid), regardless of whether those adults are eligible for coverage or are related to the family members eligible for coverage. However, although their income would be counted, the DHS proposal says the change “does not extend to including the financial needs of other adults as it pertains to household size.” This change would make BadgerCare much less affordable for some families by increasing the measure of household income and thereby increasing premiums, regardless of whether the newly-counted income is available to the family, and even though the additional adults wouldn’t be counted in family size for purposes of determining the family need.
- *Eliminating Transitional Medicaid* – The department proposes eliminating the Transitional Medical Assistance (TMA) category of eligibility, which is a welfare reform initiative that enables children and parents below the poverty level to remain in the same category of BadgerCare coverage for 12 months after their income increases above the poverty level. Eliminating it appears to adversely affect roughly 81,000 BadgerCare participants. DHS estimates that more than 2,500 children will lose their BadgerCare coverage, as will more than 4,100 adults. Most of the rest are likely to have increases in premiums and co-pays and reductions in health care services covered. We are particularly concerned that it could cause interruptions in coverage for families who have brief spikes in income or child support.

The compounded effects of all of the proposed changes are likely to cause very substantial increases in premiums – thereby pricing coverage out of reach for thousands of children and parents.

Locking children out of BadgerCare for 12 months if a parent misses a premium payment

Under current BadgerCare policy, eligibility is suspended for 6 months if a family misses a premium payment. However, the suspension is only imposed upon family members for whom the premium applies, and since there isn’t a premium for children under 200% of the poverty level, their coverage isn’t affected (only the adults lose their eligibility). The proposed changes would apply premiums to all children above 150% of the poverty level and would increase the lock-out period to 12 months. As a result, the DHS proposals could result in 12-month terminations of coverage among the 44,000 children in BadgerCare in families with incomes between 150% and 200% of the poverty level.

In light of the other changes that will increase premiums and co-pays, far more families are likely to occasionally miss a premium payment and have their coverage suspended, and the number of children who lose their eligibility will increase dramatically.

Creating administrative inefficiency and hurdles for enrollment

A number of the proposed changes will make the enrollment process much more cumbersome and will reverse the progress Wisconsin has made in creating an efficient online enrollment system. These changes are likely to suppress enrollment in BadgerCare and other public benefit programs. Some of

the changes that would significantly increase work for caseworkers and create delays and inefficiency include:

- *Routinely requiring documentation of residency* – State residency has always been a requirement for eligibility, but routinely requiring documentation of residency could significantly slow enrollment and will make applying online impractical for the vast majority of people who don't have fax machines or electronic scanners.
- *Changing the family unit* – The expansion of the family unit to include the income of unrelated adults in the household will generate much more work for caseworkers and will exacerbate differences in how family income is defined for purposes of determining eligibility for health care and other benefits (creating significant administrative inefficiencies).
- *Access to employer-sponsored insurance* – As noted previously, DHS proposes making families above the poverty level ineligible for BadgerCare if they have access to employer-sponsored insurance that costs less than 9.5% of family income. Applying this sort of requirement to far more families (those between 100% and 150% of the poverty level) will create much more work for program administrators and delays in the application process for many more families.
- *Eliminating express enrollment for children* – Express enrollment expedites the process of getting children and pregnant women into BadgerCare and Medicaid. Eliminating it for children might not increase administrative costs, but it will create delays in enrolling children and getting them the health care they need when they need it (while also resulting in an increase in uncompensated care for providers). This will become a greater problem as the other changes noted above significantly slow enrollment.

Reducing covered services and increasing cost-sharing

One of the changes that DHS proposes that does not require a federal “maintenance of effort” waiver (but must be submitted to the Finance Committee for review) is moving all families above the poverty level into a “benchmark” plan that covers a narrower range of health care services. This change is expected to reduce covered services for about 263,000 BadgerCare participants, including more than 157,000 children.

We are still trying to sort out the details, but the change will probably mean that some children and parents, especially those with greater needs, have difficulty getting specific health care services they need. This is one change that might not be as detrimental for kids as it is for parents. Federal law requires states to provide children in Medicaid a benefit called Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) or “Health Check.” This entitles children enrolled in Medicaid and BadgerCare to receive comprehensive examinations and diagnosis of their medical problems, and the treatment they need to remedy those problems – even if that treatment is no longer part of the covered services routinely provided through the new benchmark plan.

Although the continued existence of Health Check is somewhat reassuring, parents may have to be more diligent and assertive to ensure their children get services that aren't explicitly part of the benchmark plan. The DHS proposal doesn't indicate if or how the department will satisfy its legal obligation to ensure that thorough exams and follow-up treatment aren't an idle promise for the children in BadgerCare.

The new Benchmark Plan coverage will also include higher copayments. Whereas BC+ co-pays are now minimal for families below 200% of FPL, the new co-pays will be as much as 5 percent of income for families below 150% of FPL, and are uncapped for families above that level. According to DHS

calculations for various hypothetical families at 150% of FPL, the combined premiums and co-pays will be in the range of 8% to 11.4% of family income.

Conclusion

The proposed changes will adversely affect children in many ways. The following is a brief summary that aggregates into four categories the key ways in which the proposed changes would reduce access to health care for children and parents, if the DHS proposals are approved by the Joint Finance Committee and by federal officials. The changes include:

- Raising premiums, co-pays and deductibles, to the point where health insurance is priced out of reach of thousands of Wisconsin families. The premium increase alone will cause more than 12,000 children to lose BadgerCare coverage, according to the DHS estimate.
- Making many children and parents ineligible for affordable coverage by eliminating Transitional Medicaid, by creating a 12-month suspension of eligibility for missing a BadgerCare premium, and by counting as part of family income the income of unrelated adults living in the household (even though they aren't counted for purposes of family size and financial need).
- Reducing the scope of health care services covered by BadgerCare for families over the poverty level, which affects more than 157,000 children and 105,000 parents.
- Creating additional red tape that will slow applications, substantially increase administrative workload and costs, and make it much more difficult for applicants or participants to get timely assistance from caseworkers.

In most respects the proposed changes will have the same or similar effects for kids and their parents, but there are a few ways in which the adverse consequences will be greater for children:

- Premiums will be extended to children between 150% and 200% of the poverty level, which will negatively affect families who have access to employer coverage that does not include dependents. (Currently, the premiums only apply to the parents in that income range, not to their children.)
- Children between 150% and 200% of the poverty level will be suspended from BadgerCare for 12 months if their parents miss a premium. (Now the lock-out period is 6 months and doesn't apply to children in that income range.)
- The state will no longer use express enrollment to expedite coverage of children, which will deny BadgerCare coverage for urgently needed care to kids whose applications are held up by red tape (such as the new requirements to provide documentation of state residency or to verify the income of non-related adults living in the household).

For both children and parents, the proposed changes won't truly reduce costs. Instead, the changes will reduce access to preventive care, increase reliance on emergency rooms, and result in a significant increase in uncompensated care, the cost of which is shifted onto other health care consumers in our state.

Jon Peacock, WCCF research director
November 11, 2011