

Health Insurance Coverage of Childless Adults Scheduled to Begin in July

(June 4, 2009)

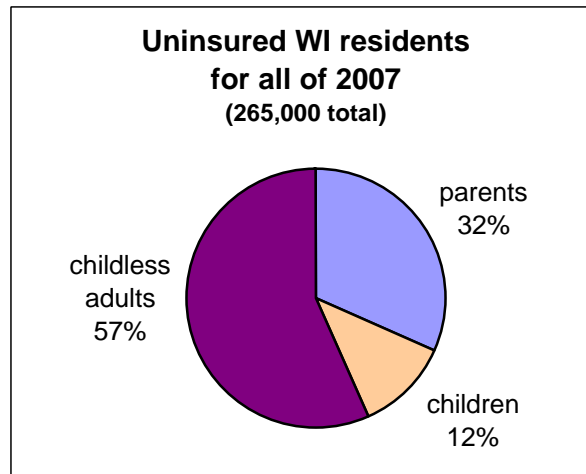
Executive Summary

In July 2009, Wisconsin plans to initiate a statewide program to make a basic health insurance plan available to low-income uninsured adults who don't have dependent children. The Department of Health Services (DHS) will begin accepting applications on June 15, and coverage will begin after July 15.

The new benefit is known as the BadgerCare Plus Core Plan. Eligible adults must have income below 200 percent of the federal poverty level (\$21,660 per year for a single person or \$29,140 for a married couple). To qualify for coverage, the individual must not currently have access to insurance from an employer and cannot have had private insurance in the previous 12 months. However, there are several "good cause" exceptions, such as being laid off or fired from a job through no fault of one's own.

Adults without dependent children are the most chronically uninsured segment of Wisconsin's population. The pie chart illustrates that they comprised about 57 percent of the 265,000 people who were uninsured for all of 2007.

The biennial budget bill enacted in October 2007 directed DHS to develop the plan for childless adult coverage and to seek a federal waiver. The state got that waiver in December 2008, but couldn't implement the plan statewide until a funding source was found. However, by reallocating existing funding sources, DHS was able in January to begin phase 1 of the BadgerCare Plus Core Plan, by replacing replacing Milwaukee County's General Assistance Medical Program Milwaukee County's General Assistance Medical Program



Program and similar but much smaller programs in other counties.

The recession made it challenging to expand the Core Plan statewide, but several state and federal developments enabled it to proceed. The federal economic stimulus plan provides states a very large infusion of Medicaid funds, and the budget repair bill approved by the legislature in February 2009 imposed an assessment on hospitals that will be used both to increase hospitals' Medicaid reimbursement rates and to fund the childless adult coverage. Another key factor in the Governor's decision to move ahead with the Core Plan and in the Wisconsin Hospital Association endorsement of the hospital assessment is the importance of reducing the "hidden tax" – i.e., the cost shifted onto other health care consumers because of uncompensated care provided to the uninsured.

Statewide implementation of BadgerCare Plus will be a tremendous step forward in Wisconsin's efforts to reach the Governor's goal of ensuring that 98 percent of state residents have access to health insurance.

Introduction

As Wisconsin strives to continue reducing the number of uninsured residents, a significant challenge is to improve insurance access for adults who do not have dependent children. This paper examines the size of the problem and the state's plans to insure childless adults with incomes below 200 percent of the federal poverty level.

Sizing up the need

Adults without dependent children are the most chronically uninsured residents of Wisconsin. As in most other states, childless adults have been ineligible for Medicaid coverage regardless of how poor they are, unless they are elderly or have a disability. According to the most recent Family Health Survey conducted by the Department of Health Services (DHS), there were 265,000 Wisconsin residents who were uninsured for all or part of 2007. Of those, 150,000 (57%) were childless adults between the ages of 18 and 64.

Table 1 – Uninsured childless adults below 200% of the poverty level, ages 19-64 (66,000 average: 2005-07)

	Number	Percent (of the 66,000)
White, non-Hispanic	47,000	71%
Black, non- Hispanic	7,000	10%
Hispanic	8,000	11%
Below poverty level	24,000	36%
100-199% poverty level	42,000	64%
Employed full time	30,000	45%
Not employed	25,000	38%

DHS combined their survey data from 2005 through 2007 to be able to take a closer look at the characteristics of the childless adult population. They found an average of 66,000 who were uninsured for a full year and had incomes below 200 percent of the federal

poverty level. Table 1 shows some of the characteristics of the low-income childless adults.

BadgerCare Plus Core Plan

The BadgerCare Plus legislation that was signed into law in October 2007 (as part of the 2007-09 budget bill) authorized the Department of Health Services (DHS) to seek a federal Medicaid waiver to allow the state to begin covering childless adults in January 2009. That waiver was granted by the Center on Medicare and Medicaid Systems in December 2008.

Key elements of the plan for covering childless adults include the following:

- The income eligibility limit is 200 percent of the federal poverty level (see Table 2 on the next page).
- People are ineligible if they have access now to employer-subsidized insurance, or are entitled to or receiving Medicaid, Medicare or other BadgerCare Plus coverage.
- People are also generally ineligible if they had private insurance in the previous 12 months, but there are a number of “good cause” exceptions listed on the next page.
- Childless adults that qualify for BadgerCare Plus will remain eligible for 12 continuous months; unless they become eligible for Medicaid, Medicare or other BadgerCare Plus coverage or no longer reside in Wisconsin.
- The state has developed a basic benefit package for childless adults as an HMO benefit. The Core Plan covers basic services, such as primary and preventive care and generic drugs.
- There is a \$60 nonrefundable application fee.
- There are nominal co-pays for people below the poverty level, and somewhat

higher co-pays for people between 100% and 200% of poverty.

- Co-pays are waived for preventive services.
- All applicants must fill out a Health Needs Assessment (HNA) to complete their enrollment.
- All participants will be required to get a comprehensive physical exam within the first year of enrolling.

The federal waiver authorizing the Core Plan requires the state to apply rather restrictive standards to limit participation of people who have been insured or have recently had access to employer-sponsored insurance. In general, eligibility is limited to people who have not had private insurance in the last 12 months; however, there are “good cause” exceptions for people who:

- were laid off or fired from a job through no fault of their own;
- stopped working due to a health condition (of their own or of a spouse, child, or parent);
- lost coverage due to the death or divorce of the policyholder, or
- whose job no longer offers insurance for any employees; or
- whose COBRA coverage period ended.

Table 2 – Income Limit for Eligibility of Childless Adults
(200% of the 2009 Federal Poverty Level)

	Household size	
	1	2
Annual income	\$21,660	\$29,140
Monthly income	\$1,805	\$2,428
Hourly income	\$10.41	\$14.01

Among the estimated 66,000 uninsured Wisconsin residents who meet the income and

age criteria, DHS projects that about 40,800 will be enrolled in the Core Plan by the end of the 2009-11 biennium.

Financing and Phase-in

The recession has made it much more challenging to launch a significant expansion of public health care coverage. One key factor is that the state legislation authorizing the BadgerCare Plus Core Plan was approved in 2007, when the economy was much stronger. Although that bill didn’t fund the program, it initiated the process of designing and setting up the Core Benefit, and that process picked up momentum after the needed federal waiver was approved in December 2007.

Once the waiver had been obtained, the state proceeded with the first phase of the Core Benefit – replacing the previous General Assistance Medical Program (GAMP) in Milwaukee and other counties’ General Assistance programs. On January 1, 2009, a total of 12,898 people were converted to the BadgerCare Plus Core Plan (including 12,349 in Milwaukee County, 316 in Winnebago County, 41 in Dane County, and 192 in the rest of the state). The conversion was limited to people enrolled on December 26, 2008. The state was able to accomplish that phase by simply reallocating the funding already spent for GAMP and by capturing additional federal funds.

The conversion of those individuals to the Core Plan was coupled with the elimination of GAMP, and that program’s demise kept pressure on the state to continue with plans to implement the new program statewide and to accept new enrollees in the former General Assistance counties.

Despite the elimination of GAMP, the recession created doubts about whether the state would be able to find the funding during a recession to initiate childless adult coverage.

Ultimately, however, several developments at the state and federal level made it possible to finance the new coverage:

➤ *Hospital assessment* – The most important of those developments is a new state law, signed on February 19, 2009, that imposes an assessment on hospitals and will generate more than \$300 million per year. That new state revenue will leverage substantially more federal matching funds for Medicaid expenditures. The Wisconsin Hospital Association (WHA) signed off on the proposal, with the understanding that most of the new revenue would be used to increase Medicaid reimbursement rates for hospitals and fund the new coverage for adults without dependent children. With the WHA endorsement, the assessment was enacted as part of the state’s budget repair and economic stimulus bill (2009 Act 2).

➤ *Federal Medicaid match rate* – The American Recovery and Reinvestment Act, which was signed by President Obama on February 17, 2009, provides a temporary (27-month) increase in the federal match rate for Medicaid. That is expected to provide Wisconsin about \$1.25 billion in additional federal funding to help finance Medicaid and BadgerCare Plus during a time of growing enrollment and declining state revenue.

➤ *CHIP funding* – Also in February 2009, Congress passed a bill reauthorizing the Children’s Health Insurance Program (CHIP). It increases and stabilizes Wisconsin’s CHIP allocation, which pays about 72 percent of the cost for children in families with incomes over 133 percent of the federal poverty level. It also provides performance bonus funds that could be a big boost to states like Wisconsin that have had substantial increases in coverage of lower income children. Like the increase in the Medicaid match rate, the additional CHIP funding helps relieve pressure on the state to cut other parts of the Medicaid budget or to delay childless adult coverage.

Another significant factor in the state’s decision to cover childless adults is what is sometimes referred to as the “hidden tax” – the cost shifted onto other health care consumers because of uncompensated care provided to the uninsured. When Governor Doyle announced in May that the state would proceed with plans to cover childless adults statewide, he cited the hidden tax as a key reason to expand public coverage. Increasing state coverage alleviates that problem and captures federal funding to help finance the expansion.

The biennial budget bill contains a total of \$93.8 million for expanding the childless adult coverage statewide, including \$37.3 million of state funds (made possible by the hospital assessment) and \$56.5 million of federal matching funds. Table 3 shows the enrollment projections and funding by fiscal year.

Table 3 – Childless Adult Funding (in millions) and Expected Caseload

	2009-10	2010-11
Average caseload	24,900	39,500
State GPR funds	\$11.0 M	\$26.3 M
Federal funds	\$16.5 M	\$40.0 M
Total funds	\$27.5 M	\$66.3 M

Unlike BadgerCare Plus coverage of children and parents, the new Core Plan is not an entitlement. If enrollment exceeds current projections, DHS will need to either seek legislative approval for additional funding or ration the care by capping enrollment and/or scaling back the benefit package.

Conclusion

The statewide implementation in July 2009 of the BadgerCare Plus Core Plan for adults without dependent children will be a huge step forward in Wisconsin’s efforts to reach the Governor’s goal of ensuring that 98 percent of state residents have access to health insurance.

For More Information

The Department of Health Services website has a number of documents with useful information about the new BadgerCare Plus Core Benefit for adults without dependent children:

- **[Frequently Asked Questions](#)** – This webpage provides answers to a long list of common questions about the BadgerCare Plus Core Benefit.
- **[Enrollment](#)** – This 1-page fact sheet provides an overview of the program and information on how to apply.
- **[Benefits Comparison](#)** – This is a 6-page table that provides a more detailed comparison of benefits in the BadgerCare Plus Core Plan with those in GAMP in Milwaukee or other counties' General Relief Medical Programs.
- **[Eligibility Comparison](#)** – This 7-page DHS table compares the BC+ Core Plan and GAMP with respect to eligibility, application procedures and fees, the enrollment process, cost-sharing, and renewal requirements.
- **[Fact Sheet: Childless Adults in Wisconsin](#)** – This is a 1-page DHS fact sheet that summarizes data relating to the characteristics of the 66,000 low-income childless adults in Wisconsin.
- **[Table: Uninsured Low-Income Childless Adults Ages 19-64, Wisconsin, 2005-2007](#)** – This 2-page table presents the detailed data from the Department of Health Services' analysis of the characteristics of the low-income childless adult population, derived by combining the most recent three years of Family Health Survey data.

Jon Peacock, Research Director
June 3, 2009