

New Opportunities to Protect and Improve BadgerCare Plus

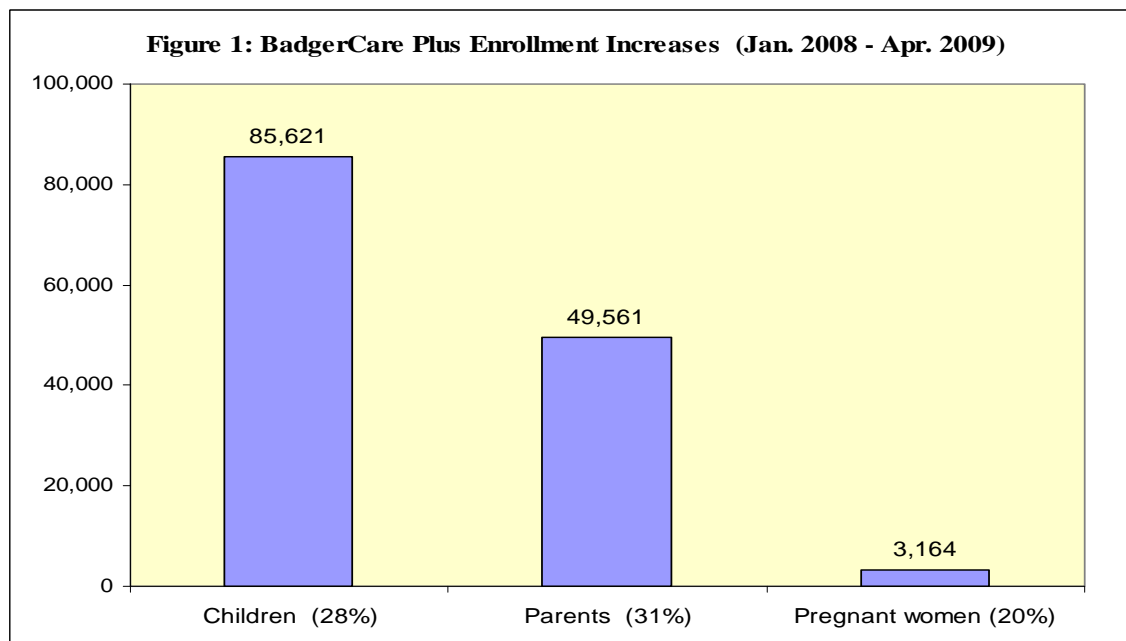
Wisconsin has made tremendous strides in improving access to health insurance for children and parents, thanks to the enactment of BadgerCare Plus. In addition, the state plans to start covering low-income childless adults in mid-July 2009.

The recession makes the improved health care safety net all the more important, but it also strains the ability of the state to sustain those gains. Fortunately, the federal economic stimulus bill and the new law reauthorizing the Children’s Health Insurance Program (CHIP) give states tools that should enable Wisconsin to protect BadgerCare Plus and move even closer to the goal of making health insurance accessible to all children in the state.

This paper reviews recent trends in enrollment of children and parents in BadgerCare Plus. It also summarizes some of the new policy options available to states to improve children’s coverage and the financial assistance that will help Wisconsin cover more children. It focuses primarily on the new performance bonus funds included in the CHIP Reauthorization Act (CHIPRA) because the state will have to decide to make policy improvements in BadgerCare Plus to qualify for the bonus funding.

BadgerCare Plus enrollment trends

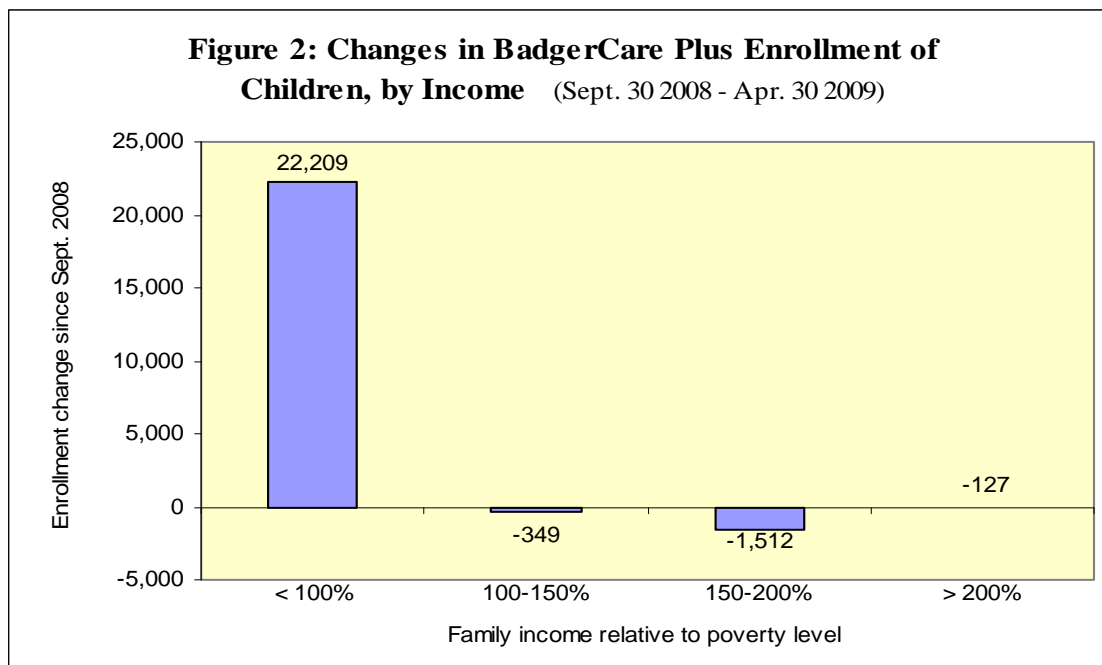
Coverage of kids has increased sharply since the implementation of BadgerCare Plus began in mid-January 2008. As the bar graph illustrates, the number of enrolled children has grown by more than 85,000, or nearly 28 percent, during that period, and enrollment of parents has climbed by 31 percent. In addition, there has been a 20 percent increase in coverage of pregnant women.



(Source: WCCF analysis of DHFS enrollment data)

Enrollment growth has accelerated in 2009, on the heels of the sharp increase in the state’s unemployment rate. In the first 4 months of the year, enrollment in BadgerCare Plus grew by 7 percent.

The effect of the recession can be seen not only in the number of people enrolled in BadgerCare Plus, but also in the family income levels of the new enrollees. Figure 2 shows the enrollment trends for children from September 30, 2008, through April 30, 2009, among the different income categories. It illustrates that all the net growth in enrollment has been among families with incomes below the poverty level. Of course, children in the higher income categories continue to get enrolled, but the new enrollees in those income groups have been eclipsed by the number of families with declining income who have moved into lower income categories.



(Source: WCCF analysis of DHFS enrollment data)

Federal Financial Assistance

Federal changes enacted this year provide Wisconsin with increased financial assistance for BadgerCare Plus in a number of different ways, but three are particularly important: temporarily increasing the federal share of Medicaid costs, increasing and stabilizing CHIP funds, and providing bonus funds for states with large increases in Medicaid enrollment of kids. This article focuses primarily on the bonus funding because – in contrast to the other two sources of increased aid – the state needs to make policy changes to be eligible for the increased funding.

- *Economic stimulus funding* – The American Recovery and Reinvestment Act (ARRA) helps states cope with falling tax revenue and rising public assistance caseloads by providing a temporary increase in the federal share of Medicaid spending. That share is known as the federal Medical Assistance percentage (FMAP). States with higher unemployment rates will get larger increases, and a state’s FMAP could rise further if the recession keeps driving up the state’s unemployment rate.

Wisconsin's FMAP would have been 60.0 percent in 2009-10, but it is now expected to be 70.5 percent during that fiscal year. The temporary increase, which will apply to all Medicaid spending between October 1, 2008 and December 31, 2010, is currently expected to save Wisconsin \$1.25 billion. That very substantial financial boost helps the state to preserve Medicaid and BadgerCare Plus and reduce the amount of cost-cutting needed in the biennial budget bill.

- *CHIP funding* – The new law reauthorizing the Children's Health Insurance Program (CHIP) significantly increases CHIP funding nationally. There were tight caps on prior state allocations of CHIP funds, but the new law will generally allow states to get as much CHIP funding as they need to serve all CHIP-eligible children. Wisconsin will receive an increase of at least \$16.8 million in the current fiscal year, but the actual increase could prove to be considerably more than that. The original CHIP law penalized states like Wisconsin that had already significantly expanded access to subsidized health insurance for children, because states could not receive the higher CHIP matching rates¹ for kids enrolled in the pre-CHIP expansions. The new CHIP law will help Wisconsin fiscally by allowing the use of CHIP funds for almost all enrolled kids above 133 percent of the federal poverty level. In contrast to the FMAP increase, the CHIP financing changes are permanent.
- *Performance bonus funding* – One goal of the CHIP Reauthorization Act (CHIPRA) is to increase enrollment of low-income children. But most states can only use CHIP funds (with their more generous matching rate) for children above 133 percent of the poverty level. With that in mind, Congress was concerned that states that succeed in significantly increasing enrollment among lower income kids wouldn't get as much federal help as states whose changes primarily benefited higher income children. To address that concern, CHIPRA sets aside \$3 billion for "performance bonus" funding to reward states that have had large increases in Medicaid-eligible children. The requirements and bonus calculations are a bit complex, but it's an important topic because Wisconsin could be one of the chief beneficiaries of the new bonus funding.

To qualify for bonus funding, the growth in Medicaid enrollment of children must exceed a threshold that climbs each year. In addition, the state must meet 5 of 8 standards for improving enrollment or retention. For federal fiscal year (FFY) 2009, the average enrollment of children in Medicaid must grow by at least 8 percent compared to the average enrollment in FFY 2007, plus the percentage change in the state's child population over that 2-year period. The threshold will continue to grow each year based on child population growth plus 3.5 percentage points per year for 2010, 2011 and 2012, and 3.0 percent for each of the following three years. It is always measured relative to FFY 2007, which is fortuitous for Wisconsin because our enrollment was much lower then.

If a state meets the growth standard and has implemented at least 5 of the 8 policies for simplifying and improving enrollment or retention, the performance bonus funding is an increase in the federal share of the spending for the children above the threshold. The "tier 1" bonus is 15 percent of the state's share of the cost of covering those children (based on average costs for all low-income kids), but states with larger gains in enrollment – 10 percent or more above the threshold – will receive a "tier 2" bonus equal to 62.5% of the state share of costs for that portion of the enrollment growth.

The following table illustrates the potential savings in a hypothetical state that had 200,000 children enrolled in Medicaid in FFY 2007 and increases that number by 25 percent to 250,000 children in FFY 2009. It assumes an average cost for coverage of \$100 per month and a state share of that cost of 36 percent (which is Wisconsin's approximate share for the current state fiscal year). It also assumes that the state's child population has increased by about 0.5 percent in the last two years.

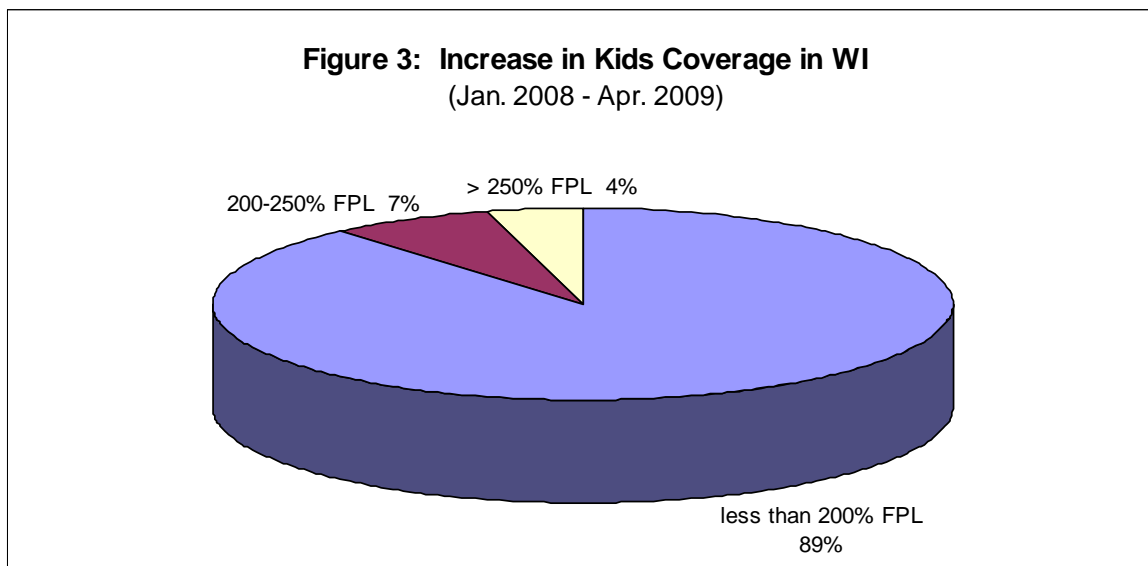
Table 1: Hypothetical Bonus Funding Example

FFY 2007 MA enrollment of kids	200,000
FFY 2009 bonus threshold ²	217,000
110% of the bonus threshold	238,700
FFY 2009 MA enrollment of kids	250,000
New kids between threshold & 110% (tier 1 kids)	21,700
New kids above 110% of threshold (tier 2 kids)	11,300
Annual cost per child (\$100/month)	\$1,200
State share of annual cost per child (36%)	\$432
Tier 1 bonus (15% of state share)	21,700 kids x \$432 x 15% = \$1,406,160
Tier 2 bonus (62.5% of state share)	11,300 kids x \$432 x 62.5% = \$3,051,000
Total bonus for FFY 2009	\$4,457,160

(The potential bonus funding will decrease a little in FY 2010 because the stimulus bill increases the enhanced federal match rate that year. On the other hand, it will increase after December 2010, when the enhanced federal match rate from the economic stimulus bill is no longer in effect. Since that will increase the state share of costs, it also increases the potential savings from the tier 1 and tier 2 bonuses.)

The BadgerCare Plus data routinely published by DHS do not divide children’s enrollment figures by Medicaid and CHIP enrollees. Without those enrollment figures, we can’t estimate how much bonus funding Wisconsin might be eligible for in the next year or two. However, our analysis of the accessible enrollment data suggests that Wisconsin could receive a sizeable amount for many years to come. Here are some of the enrollment trends supporting that conclusion:

- Since BadgerCare Plus began in mid-January 2008, enrollment of children has grown by more than 27 percent (85,621 additional children in Medicaid and CHIP combined).
- As Figure 3 shows, almost nine-tenths of the increased enrollment since the inception of BadgerCare Plus has been among families with income below 200 percent of the federal poverty level (FPL).³
- As illustrated in Figure 2, all the net growth from October through April has been among families below the poverty level.



Performance bonus simplification conditions

At the moment, there are only 3 standards (among the 8 options) that Wisconsin clearly seems to meet: using joint applications for CHIP and Medicaid, eliminating the assets test for children, and eliminating the requirement for face-to-face interviews. A summary of the other 5 standards follows. Among those, there are one or two that Wisconsin might be close to meeting, but assessing that will be difficult until the Center on Medicare and Medicaid Systems (CMS) clarifies the standards.

- *12-months continuous eligibility* – Many states provide 12-months continuous eligibility for all children (regardless of changes in family income in that period). Wisconsin does that for infants, but not for other children. This change would significantly reduce churning, reduce administrative costs and the workload for county caseworkers, and improve continuity of care. However, it would require a statutory change and might be harder to accomplish than some of the other options.
- *Administrative or ex parte renewals* – States can enable participants to be renewed administratively using information already available to the state. DHS is planning changes in the late fall that will bring Wisconsin closer to meeting this standard, but those changes won't be in place in time to qualify Wisconsin for bonus funding in FFY 2009 or 2010.
- *Presumptive eligibility* – States may allow children who appear to be eligible to be presumed eligible and receive coverage for up to 60 days, while a formal determination is being made. Wisconsin currently employs this option (known here as “express eligibility”) for Medicaid-funded kids, but to meet this standard the state would need to apply it to all children. That change appears to require amending the statutes. Before such a change is made, the state should assess how well the current express eligibility process is working.
- *Express lane eligibility* – CHIPRA gives states exciting new options for using information from other means-tested programs to determine children's eligibility for Medicaid or CHIP. Wisconsin might be able to make a case that it already meets this standard by using information from Food Share applications for purposes of expediting BadgerCare Plus enrollment. However, the state needs additional information from CMS about what it will take to meet this standard.
- *Premium assistance* – The new law also gives states more flexibility for implementing premium assistance policies that subsidize employer-sponsored coverage, when it is more cost-effective to subsidize and supplement that private coverage rather than enrolling the individual or family in the public plan. Wisconsin has already gone further than many other states in utilizing premium assistance, though it has been a less effective option than many people had hoped. DHS needs clarification from CMS with respect to what states have to do to meet this standard for purposes of eligibility for bonus funding.

CHIPRA requires states to have 5 of the 8 standards in place for the full fiscal year in order to be eligible for performance bonus funding for that year. CMS will probably relax that requirement in the current fiscal year, since the new federal law wasn't approved until we were already more than a third of the way into FFY 2009 (which ends on September 30). Although CMS needs to resolve the matter of eligibility for bonus funds this year, it's clear that Wisconsin needs to have 5 of the 8 standards in place by October 1, 2009, in order to qualify for bonus funding in FFY 2010.

Utilizing new CHIPRA options

Qualifying for the performance bonus funding should be a very high priority for Wisconsin, but the state should not be content to do the minimum necessary to access those funds. All 8 of the policy standards have merit and deserve consideration by Wisconsin policymakers. In addition, there are other new options created by CHIPRA that can help our state close in on the goal of health care coverage for all children. The following is just a partial list of the new options that merit consideration by policymakers:

- *New citizenship documentation option* – States are given the option of using Social Security records to help applicants document citizenship, which should facilitate the enrollment of people who don't have driver's licenses or passports.
- *Purchasing pools ("buy-in" option)* – The new law allows states to establish purchasing pools that serve families wishing to purchase coverage and employers with fewer than 250 employees (if at least one employee is CHIP-eligible or has a CHIP eligible child). The state may use CHIP funds to subsidize premiums for those eligible for CHIP.
- *Coverage for legal immigrant children* – CHIPRA allows states to extend coverage to (and receive federal matching funds for) lawfully residing immigrant kids, without making them wait 5 years before they are eligible for Medicaid or CHIP financed coverage.
- *Using tax records and other public databases* – To help states utilize the express lane enrollment options discussed above (in the section relating to performance bonuses), the new law gives states increased access to other public program databases. Removing that barrier to other databases creates intriguing possibilities for identifying potentially eligible children, such as the inclusion of questions about access to health insurance on tax forms or school lunch applications.
- *Improving access to translation services* – CHIPRA helps states increase access to translation services for people whose primary language is something other than English, to assist them when they are applying for coverage, renewing coverage or utilizing services. It increases the federal matching rate for translation services to 75 percent for Medicaid children and about 77 percent in Wisconsin for CHIP-funded children.

Conclusion

The CHIP Reauthorization Act (CHIPRA) will help maintain and build upon the success of the BadgerCare Plus program in closing in on the goal of making quality, affordable health care accessible for all Wisconsin children. It increases and stabilizes CHIP funding allocations, and it gives states a number of new policy options that can help expand coverage and remove barriers to enrollment.

CHIPRA also sets aside a very substantial appropriation of performance bonus funds for states that have had large increases in Medicaid enrollment of children and that meet 5 of 8 federal standards for improving enrollment or retention of children. Wisconsin policymakers should make it a very high priority to meet 5 of those standards by October 1, 2009, in order to qualify for bonus funds in federal fiscal year 2010.

Footnotes

¹ The federal matching rate for CHIP spending in Wisconsin is about 72 percent and isn't affected by the temporary increase in the Medicaid matching rate from the economic stimulus bill.

² I assumed that the threshold would increase 8.5% during that two-year period, which is a reasonable assumption but a slight oversimplification of the process for calculating the threshold. If the hypothetical state's child population is increasing 0.25% per year, then the precise calculation would be to raise the base of 200,000 children by 4.25% each year, which because of compounding would produce a two-year increase of 8.68% (or 17,361 children).

³ The publicly accessible DHS dataset does not include income information for all families, but for purposes of this analysis it was assumed that all the children who are not in the Benchmark Plan are in families with incomes below 200% of the federal poverty level (FPL). If that's incorrect we may have slightly underestimated the growth in enrollment of children above 200% of FPL.

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