

# Wisconsin's BadgerCare Program

The following is a summary and analysis of the new family-based health care plan that Wisconsin began to implement on July 1, 1999.

## 1) What is BadgerCare?

BadgerCare is the program enacted by the Legislature and Governor Thompson in the fall of 1997 (1997 Act 27) to make health care coverage available for the working poor. It provides family-based coverage for uninsured families with incomes between the current Medicaid limits and 185% of the federal poverty level (FPL). BadgerCare is financed with a combination of federal Title 19 and Title 21 funding, state revenue, and premiums (paid by families with incomes above 150% of FPL). The necessary federal waivers for BadgerCare were approved on January 22, 1999.

## 2) Who is eligible for BadgerCare, and how does it compare to Wisconsin's Medicaid and Healthy Start income eligibility standards?

Prior to 1999, children younger than 6 and pregnant women were covered by the Healthy Start program if the family's income was below 185% of the FPL. Medicaid covered children ages 6 through 14 to 100% of FPL. Parents and older children (ages 15 to 18) were covered under the old AFDC income standard, which usually meant 57% of FPL for a family of three.

Under BadgerCare the 185% of FPL standard that applied just for Healthy Start will apply to the entire family. As a result, BadgerCare should create a relatively simple and seamless program from the perspective of participants. The other significant change is that once a family is enrolled in BadgerCare it can stay in the program until its income exceeds 200% of FPL. Unlike the state's Medicaid program, BadgerCare does not have an assets test. (A budget provision to eliminate the assets test for MA was vetoed by the Governor.)

Wisconsin currently charges no premiums for participants in Medicaid or Healthy Start. BadgerCare requires participants with incomes above 150% of FPL to pay a monthly premium of 3 percent of the family's income.

## 3) When did BadgerCare begin?

BadgerCare was intended to take effect on July 1, 1998, but was delayed while state and federal officials negotiated issues relating to the structure and financing of BadgerCare. That agreement was finally reached in late January 1999, and the program began on July 1, 1999.

One small piece of the health care eligibility expansion, coverage of children ages 15 through 18 up to 100% of the FPL (the so-called "OBRA" children), took effect in April 1999.

#### **4) Why was there an impasse between state and federal officials regarding the approval of BadgerCare?**

There were two principal impediments to federal approval of BadgerCare: the issue of whether or to what extent federal Title 21 funds could be used for adults, and the question of whether Title 19 (Medicaid) funds could be used in a non-entitlement program.

The state initially proposed paying for BadgerCare with federal funding under Title 21 (the Child Health Insurance Program – “CHIP”) and a 29% state match. The federal Health Care Financing Administration (HCFA) maintained that the Title 21/CHIP legislation was intended by Congress primarily for the expansion of health care for children and contains only a very narrow exception for covering adults. HCFA concluded that most of the parents Wisconsin proposed covering do not fall within that exception. HCFA officials told the state that BadgerCare could be approved if the state used the CHIP funding for children and Medicaid funding (with a 41% state match) for most of the parents. State officials were open to the suggestion of a hybrid approach; however, because Medicaid is an entitlement program, using it as part of the funding mix proved to be quite problematic, since the BadgerCare legislation explicitly says that it is not an entitlement program.

#### **5) How was the impasse resolved?**

After about 15 months of negotiations, state and federal officials reached an agreement that follows the outline of the compromise suggested by HCFA in a letter it sent to the state in August, 1998. Under this agreement, federal Title 21 funds (with a 29% state match) will be used for children and for a small subset of parents (in certain situations where the state will buy employer-sponsored health insurance for families). Parents will generally be funded under Title 19 (with a 41% state match).

The compromise allows the state to establish a procedure for setting a lower income eligibility ceiling if BadgerCare enrollment is projected to exceed budgeted levels. This aspect of the agreement accommodates the chief concern of those who wanted BadgerCare to be a non-entitlement program, by allowing the state to cap its financial responsibility. It also satisfies advocacy groups who were concerned about preserving the entitlement nature of Medicaid (Title 19). They were opposed to any plan using a cap on Medicaid spending that might turn away families who were eligible under the previous Medicaid standards, but they were willing to support an approach that controlled costs by ratcheting back the expansion of benefits. Under the agreement, once families have enrolled in BadgerCare they will not be removed if the income eligibility limit is lowered, as long as they continue to meet the eligibility criteria in place when they were enrolled.

Another significant aspect of the agreement is that it allows the state to use premiums (of up to 3.5% of family income) to capture federal matching funds.

#### **6) How many Wisconsin residents will be affected by BadgerCare?**

It is important to make a distinction between the number of uninsured families who will be eligible for BadgerCare and the number that will actually participate. The current consensus

estimate of DHFS and the Legislative Fiscal Bureau is that about 67,500 individuals (more than 25,000 children and nearly 42,000 parents) will enroll in BadgerCare.

The enrollment projections assume 85% participation among uninsured families below 150% of FPL and 35% enrollment among uninsured families in the premium-paying category – 150% to 185% of FPL. (The 35% enrollment assumption is based on a 1997 study of experience in other states showing that enrollment among the working poor drops off sharply as premiums increase.) DHFS also projects that the implementation of BadgerCare and the publicity regarding availability of health coverage will result in enrollment of 7,300 additional children in Medicaid.

#### **7) How will BadgerCare affect the number of uninsured people in Wisconsin?**

There have been many different estimates of the number of uninsured Wisconsin residents. Most of these have been in the range of 6 to 10 percent of the state population, meaning that Wisconsin has roughly 300,000 to 500,000 uninsured people. DHFS and the Fiscal Bureau project that BadgerCare, coupled with its expected boost to Medicaid enrollment, will decrease the number of uninsured children and parents by about 75,000.

The most recent state estimates put the number of uninsured children in Wisconsin at about 110,000 – or approximately 8% of the state's children. BadgerCare and the indirect increase in Medicaid enrollment are expected to decrease the number of uninsured children by about 33,000.

One of the larger groups of uninsured children and parents is among those who are eligible for Medicaid. Because of the uncoupling of Medicaid and welfare benefits, and current confusion among low-income families regarding Medicaid eligibility, the Medicaid rolls have dropped sharply. From January 1995 to January 1999 the number of low-income children and parents enrolled in Medicaid dropped by more than 132,000, or nearly 50%. Although some of that decline was offset by growth in Healthy Start, there was a combined drop in the two programs of 96,700 children and parents. The publicity surrounding BadgerCare was expected to reverse the decline in Medicaid enrollment; however, that has not happened yet.

The Legislature approved a broad range of budget amendments to improve Medicaid and BadgerCare outreach and simplify the enrollment process, but all of those measures were vetoed by the Governor.

#### **8) Has BadgerCare growth met expectations?**

Although BadgerCare has grown fairly rapidly over the program's first several months, the total enrollment at the end of October (32,654) is 19 percent below the consensus estimates used as the basis for the state budget bill, and the number of enrolled children (9,115) trails expectations by 41 percent. It appears that delays in the implementation of BadgerCare held down its growth in the first three months, but the enrollment of adults has gotten back on track. On the other hand, enrollment of children continues to significantly lag the projections, and the reasons for this are not clear.

**9) Is Wisconsin the first state to implement a family-based health care plan?**

A number of states preceded Wisconsin in implementing family-based health care systems that provide coverage for parents as well as children. MinnesotaCare provides coverage to families earning up to 275% of the federal poverty level (FPL). Rhode Island covers families to 185% of FPL and the District of Columbia to 200%. Vermont covers adults up to about 150% of FPL and children to 225% of poverty. As of January 1999, five other states had expanded their Medicaid programs in recent years to cover parents up to at least 100% of poverty.

**10) How much does BadgerCare cost?**

The Legislative Fiscal Bureau and DHFS projected that once BadgerCare was at full enrollment in the 2000-01 fiscal year the annualized cost would be \$97.6 million: \$34.2 million in state GPR funding, \$61.7 million from federal funds, and \$1.7 million from premiums charged to participants over 150% of FPL. Each dollar the state spends was anticipated to leverage (on average) nearly two dollars in federal funding (nearly \$2.50 under Title 21 for children's coverage and almost \$1.50 under Title 19 for the adults).

**11) How does Wisconsin compare with other states in utilizing the federal KidCare (Title 21) dollars?**

Because of the impasse regarding BadgerCare's approval, Wisconsin lagged other states in this starting a CHIP program and utilizing Title 21 funds. Many states have gone beyond Wisconsin in the coverage of children. As of August 1, 1999, 33 other states either had begun to cover or had plans to cover children to 200% of FPL or higher. Five of those states have extended health care eligibility for children to 300 percent of the federal poverty level.

**12) Will BadgerCare use all of Wisconsin's federal allocation under Title 21?**

Title 21 (CHIP) allocated funding to each state for expansion of children's health care. Wisconsin's CHIP allocations (which require a 29% state match) are about \$38.5 million per year, and will total about \$193 million over the first five federal fiscal years (October 1997 through September 2002). Based on the budget projections from June 1999, it appears that BadgerCare will utilize about \$75 million of the federal CHIP funds during the remainder of that five-year period, which amounts to just 39 percent of the state's CHIP allocation. Once the program is at full utilization, the annualized expenditures were expected to be 67 percent of the state's CHIP allocation (however, the actual percentage may fall short of that level because the ratio of children to adults has been significantly lower than anticipated through the first four months of the program).

Options for utilizing a larger percentage of the federal funding could include lowering premiums to increase the participation rate, increasing the income eligibility cap (at least for children), and instituting presumptive eligibility for children. The latter change would apply to the state's Medicaid program, but the added costs are counted against a state's CHIP allocation.

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