

# WISCONSIN BUDGET PROJECT

An initiative of the Wisconsin Council on Children and Families, Inc.



## Summary of Health Care Highlights of the 2009-11 Budget

October 22, 2009

Despite the very deep budget deficit, lawmakers were generally able to protect the state's health care safety net, and they followed through on the commitment to initiate coverage for adults without dependent children. The budget bill (Act 28) also included some significant policy changes to improve the private insurance market.

The following document summarizes the major provisions relating to health care in the 2009-11 budget bill. (A more comprehensive summary of the health care budget measures and the challenges ahead can be found on the WCCF website.)

### Maintaining and Improving BadgerCare Plus

Thanks to an infusion of federal funding from the economic stimulus bill, the state's budget writers were able to protect and improve BadgerCare Plus:

- *Access to BadgerCare Plus* – The bill protects current eligibility standards and cost-sharing policies for BadgerCare Plus – maintaining the state's progress toward the goal of making health care accessible for all children.
- *Childless adult coverage* – The budget fulfills the state's commitment to expand coverage to adults without dependent children, beginning on July 15, 2009 – using funding from the new hospital assessment approved in the February 2009 budget repair bill. (The state estimates that it has enough funding to cover about 54,000 childless adults, and to try to keep enrollment from going far over that number the state is putting people who apply after October 9 on a waiting list.)
- *New BC+ buy-in option* – The bill creates a narrow new eligibility category for coverage under the BadgerCare Plus Benchmark Plan for certain people who lose their insurance because of the bankruptcy of a family member's employer, if the individual received coverage through a voluntary employment benefit association.
- *Medical home pilot project* – It directs DHS to develop a pilot project that increases reimbursement to physicians for services provided as part of a Patient-Centered Medical Home recognized by the National Committee on Quality Assurance.
- *Family planning* – The bill expands the Family Planning Waiver to low-income men, who will be able to get family planning health care such as sexually transmitted infections testing and treatment.

### Finding \$600 million from “rate reforms”

Notwithstanding the increased federal funding and the hospital assessment, there is also bad news for Medicaid in the budget bill. Act 28 directs DHS to cut \$205 million of state General Fund spending for Medicaid and BadgerCare Plus spending over the next two fiscal years, and a total of about \$600 million in combined state and federal funds. The department worked with providers in developing a “rate reform” plan that is intended to maintain current coverage levels,

continue expansion of coverage to the uninsured, and avoid across-the-board cuts to providers. The major elements of that plan include the following:

- Almost \$212 million of savings from managed care;
- More than \$142 million in pharmacy cost-savings;
- About \$72 million from long term care;
- \$48.8 million in physician savings;
- An estimated \$50 million in administrative savings, including \$20 million from a one-month delay in claims payments; and
- \$25.2 million in hospital savings.

### **Dental Issues**

The budget doesn't include any major measures that address the severe shortage of oral health providers who will take BC+ patients, but there are a few modest budget provisions relating to dental care:

- *Dental education study* – The bill directs the State Building Commission to study the feasibility of the state having a role in expanding access to dental education.
- *Milwaukee dental clinic grant* – The budget contains \$200,000 for a one-time grant to the Milwaukee Health Services clinic for dental services and equipment.
- *Delivery of dental services in SE WI* – The Governor vetoed a provision that would have required DHS to use a fee-for-service (FFS) model for delivery of dental services in southeast Wisconsin, consistent with the rest of the state. Nevertheless, there is still a good chance that DHS will make that change in 2010.

### **Disability and Mental Health Issues**

The budget bill contains a number of measures relating to care for people with disabilities, including the following:

- It continues to expand Family Care statewide, but over three years instead of two.
- The bill provides funds to increase the number of long-term support waiver slots for children with disabilities by 1,000 over four years.
- It charges counties for the state share of the Medicaid costs for caring for children and elderly patients at the state mental health institutes. Those charges are partially offset by increased funding for county community support programs.
- The bill directs DHS to seek a waiver allowing home or community-based Medicaid services to children served by the Birth-to-Three program, which would leverage additional federal funds.
- It reduces state funding to Independent Living Centers by 56%, or more than \$500,000, but restores their base funding level in the next budget.
- The budget increases funding for elderly and disabled transportation by \$1 million.
- The bill restructures Southern Wisconsin Center and encourages 70 residents to voluntarily return to the community within two years.

## Non-fiscal Policy Changes

The final budget bill contains a number of non-fiscal policy measures relating to insurance coverage, including the following:

- *Autism coverage requirement* – The bill requires insurance policies to cover autism spectrum disorder.
- *Expanding coverage of dependents* – It includes the provisions of Senate Bill 70 requiring family insurance policies to offer coverage for certain dependents until age 27.
- *Pre-existing conditions* – The bill significantly narrows the options for denying claims because of preexisting conditions (by defining such conditions as things that occurred in the past year and are reflected in writing in the person's medical record).
- *Uniform application form* – In order to assist consumers, the bill requires the development and use of a uniform application form for health insurance, and also requires regular reporting of policy denials and rescissions.
- *Contraceptive equity and prescription protection* – It requires insurance plans that cover prescription drugs to also include coverage for prescription contraceptives; and in order to ensure that no woman is refused her birth control prescription at the pharmacy counter, the bill requires all pharmacies to have someone available to dispense birth control prescriptions.

## Challenges Ahead

The next biennial budget is sure to be another very tough one for the financing of Medicaid and BadgerCare Plus, and the state could face additional financial challenges even before the end of the current biennium. The states challenges are exacerbated by these factors:

- *Temporary federal relief* – One of the keys to balancing the Medicaid and BadgerCare Plus budget was a substantial boost in the federal match rate for Medicaid provided by the federal stimulus bill. The increased federal share of costs is scheduled to expire at the end of 2010. Replacing that funding will require \$634 million in the 2011-13 biennium.
- *Rapidly climbing enrollment* – The recession is causing many Wisconsin residents to lose their jobs, and causing some employers to eliminate or reduce their health care benefits. The result has been very rapid growth in BadgerCare Plus, and the average enrollment in this biennium could be substantially higher than the state estimated just a few months ago.

On the positive side, the Children's Health Insurance Program Reauthorization Act (CHIPRA) contains performance bonus funding for states like Wisconsin that have large enrollment increases among lower income children whose coverage is financed with Medicaid funds (provided that the state also manages to satisfy a number of standards for improving enrollment and retention). That legislation should help Wisconsin protect and improve BadgerCare Plus.

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October 22, 2009

WCCF's work on this comparative summary was made possible by financial support from the Centene Foundation, although the analysis and opinions expressed are solely those of WCCF.