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Health Care Coverage – June 10 (2010 Issue # 4)  
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NOTE: The U.S. Senate begins debate this week on whether to restore **Medicaid Fiscal relief** to the jobs bill that was approved by the House a couple of weeks ago. Without that relief, WI will have to figure out how to close a \$273 million GPR deficit in the Medicaid budget. See item # 1, below, and also the recent WCCF blog post (<http://wiskids.blogspot.com/2010/06/house-rejection-of-medicaid-relief.html>).

In this issue:

1. House Jobs Bill Drops Relief (FMAP) for WI's \$273 Million Medicaid Deficit; Attention Turns to Senate
2. DHS Begins Taking Applications for Unsubsidized "Basic" Plan for Adults on Waiting List
3. High Risk Pools Should Be Considered before Signing Up for BadgerCare Plus Basic
4. DHS Expects WI to save \$745 Million from Health Care Reform Law
5. WCCF Summarizes Reform Law's Implications for WI Children and Low-income Households
6. Governor Approves Bonding for Rural Dental Education Facility
7. Governor Signs Mental Health Parity Law
8. CMS Issues Rules on Cost Sharing for Medicaid and CHIP Coverage
9. Wisconsin Projected to be One of Top Beneficiaries of Medicare Reimbursement Change

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**1. HOUSE DROPS RELIEF (FMAP) FOR WISCONSIN'S \$273 MILLION MEDICAID DEFICIT; ATTENTION TURNS TO SENATE**

States across the country are in a dire fiscal situation as the recession cuts into state revenue and substantially increases demand for safety net services, such as Medicaid. One of the few rays of hope for states has been a proposed \$24 billion, six-month extension of the Medicaid fiscal relief (FMAP) provided to states by the Economic Recovery Act. Both houses of Congress had approved that proposal, but in somewhat different form, and the majority of states have been counting on that relief.

Unfortunately, the House removed that relief from the jobs bill it passed just before the Memorial Day break. The action now turns to the Senate, where a substitute amendment (<http://www.cqpolitics.com/wmspage.cfm?docID=cqmidday-000003678557>) offered

Tuesday in the Finance Committee would restore the 6-month extension of Medicaid relief. The full Senate is likely to vote on the bill next week, and rounding up 60 votes there will be very challenging.

The consequences of not extending that relief are frightening. As I explained in a WCCF blog post (<http://wiskids.blogspot.com/2010/06/house-rejection-of-medicaid-relief.html>) Tuesday, Wisconsin would receive roughly \$350 million if the Medicaid relief were extended, which would fill an **estimated \$273 million GPR deficit in our state's Medicaid budget**. The blog discusses the much larger amount of state and federal funding (upwards of \$750 million) that might have to be cut if the federal relief isn't approved, and if the state can't raise taxes or find other GPR savings to protect the Medicaid budget.

A good NY Times article (<http://www.nytimes.com/2010/06/08/us/08/medicaid.html?hpw>) Tuesday reinforces the points made in a new report (<http://www.cbpp.org/cms/index.cfm?fa=view&id=3207>) by the Center on Budget and Policy Priorities - that failure to extend the Medicaid relief would result in more drastic MA cuts, large losses in public and private sector jobs, and further stress for the economy.

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## 2. DHS STARTS TAKING APPLICATIONS FOR "BASIC" PLAN FOR ADULTS ON WAITING LIST

Adults without dependent children who are on the waiting list for the BadgerCare Plus (BC+) Core Plan now have the option of signing up for an unsubsidized plan known as BadgerCare Plus Basic. The new option was approved by the Legislature at the close of the 2009-10 session, and was signed into law by the Governor as Act 219 (<http://www.legis.state.wi.us/2009/data/acts/09Act219.pdf>).

Eligibility for the Basic Plan is limited to childless adults on the waiting list for the BC+ Core Plan. As of the end of April, that plan was serving a little over 60,000 childless adults, and it now has a waiting list of more than 50,000. People were allowed to start signing up for the Basic Plan on June 1, and coverage - which will cost \$130 per month for a bare bones benefit package - begins on July 1. To read more about the plan, see the Governor's June 1 press release ([http://www.wisgov.state.wi.us/journal\\_media\\_detail.asp?locid=19&prid=5179](http://www.wisgov.state.wi.us/journal_media_detail.asp?locid=19&prid=5179)) or go to the DHS website (<http://dhs.wisconsin.gov/badgercareplus/basic/information.htm>).

On the closing day of the legislative session, the Assembly gave final approval to the BadgerCare legislation. To my surprise, the governor didn't use his item veto to remove any of the amendments added by the Legislature, such as the monthly verification requirement, which could make implementation more cumbersome. You can read a summary of the bill and the amendments in an April 20 Legislative Council memo ([http://www.legis.state.wi.us/2009/data/lc\\_amdt/sb484.pdf](http://www.legis.state.wi.us/2009/data/lc_amdt/sb484.pdf)).

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### 3. HIGH RISK POOLS SHOULD BE CONSIDERED BEFORE SIGNING UP FOR BADGERCARE PLUS BASIC

Many of the people on the BadgerCare Plus Core Plan waiting list will be unable to afford the \$130 per month premium for the Basic Plan. For others who can afford to pay that, BC+ Basic isn't necessarily their best option. They might be better served by enrolling in the state's current Health Insurance Risk-Sharing Plan (HIRSP) <http://www.hirsp.org/> or the new federal Temporary High Risk Insurance Pool, which is being established pursuant to the health care reform law.

To its credit, DHS has included information on the new BC+ Basic webpage <http://dhs.wisconsin.gov/badgercareplus/basic/pdf/p-00148.pdf> noting that it's important to consider other options before signing up for the \$130 per month basic plan. It encourages potential participants to examine the options relating to high risk pools carefully, because once someone signs up for BC+ Basic, they might become ineligible to sign up for one of the alternatives. The discussion of those alternatives begins on p. 6 of the DHS information about BC+ Basic posted at:

Most states are scrambling to set up the new high risk pools that will be subsidized under the health care reform act, although some have decided to allow federal officials to set up the coverage in their states. Wisconsin's share of the funding for the pools will be \$73 million over the next 4 years. According to the DHS webpage noted above: "The Federal Pool will offer the same medical and drug benefits as HIRSP. There is no preexisting condition waiting period under the Federal Pool. In most cases, the Federal Pool premium will be lower than the HIRSP premium. Enrollment is expected to begin in July 2010, for coverage beginning August 1, 2010."

For more information about HIRSP or the Federal Pool, potential participants can contact HIRSP Customer Service at 1-888-253-2698 or visit <http://www.hirsp.org/> (exit DHS).

A substantial challenge for WI is to enroll enough relatively healthy people in BadgerCare Plus Basic to avoid higher-than-expected average costs that could lead to higher premiums and more adverse selection. By helping serve people with preexisting conditions, the new high risk pools could improve the prospects of BadgerCare Plus being financially viable.

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### 4. DHS EXPECTS WI TO SAVE \$745 MILLION FROM HEALTH CARE REFORM

A recent Kaiser Commission report(<http://www.kff.org/healthreform/upload/Medicaid-Coverage-and-Spending-in-Health-Reform-National-and-State-By-State-Results-for-Adults-at-or-Below-133-FPL.pdf>) by two Urban Institute researchers (John Holahan and Irene Headen) analyzes the costs to states and the federal government of some of the Medicaid provisions of the new health care reform act. Specifically, the report examines the impact and cost of the portions of the act relating to Medicaid coverage for adults

with incomes at or below 133% of the federal poverty level (FPL). The Kaiser report prompted DHS to release its own fiscal estimate, which takes a broader view of the act's implications and concludes that the law will actually save our state about \$745 million over the 6-year period from 2014 through 2019.

The Kaiser report is generally good news for states, because it indicates that roughly 95% of increased Medicaid spending for low-income adults would be borne by the federal government. Analyzing two different assumptions about the level of participation, the report estimates that Wisconsin's share of the increased cost in our state would be in the range of \$205 million to \$314 million over the 6-year period, but that would be only 4.6% - 6.0% of the total cost increase.

The DHS estimate of a \$745 million savings, which was reported in a May 26<sup>th</sup> Journal Sentinel article (<http://www.jsonline.com/business/94933334.html>), is based on a much broader analysis of the new law's effects. Although I have yet to see the details of the DHS analysis, I believe there are 3 key factors that make the new law very advantageous for WI fiscally:

-- Over the first several years (2014-16), WI would get 100% federal funding for all childless adults at or below 133% of poverty who are enrolled in Medicaid, gradually phasing down to a 90% federal match. (Unlike the next 2 points, this first source of cost savings is included in both the Kaiser and the DHS analysis.)

-- WI could move many parents and childless adults from BC+ into the new health insurance Exchanges (where there is no state cost-sharing), if their income is between 133 and 200% of FPL. Alternatively, the state could keep those adults in BC+ but use an option in the new law to transfer into BadgerCare Plus 95% of the federal funding that would have been spent for Exchange subsidies for the adults in the 133-200% income range.

-- The federal match rate for kids covered by CHIP funding will increase to 95% in WI, beginning in 2015 (unless CHIP isn't reauthorized, in which case states could save substantial funding for kids coverage by using either of the two options for adults described in the previous point).

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## 5. WCCF SUMMARIZES REFORM LAW'S IMPLICATIONS FOR WI CHILDREN & FAMILIES

A recent article (<http://www.wccf.org/wkj/610/story1.html>) I wrote for the WisKids Journal analyzes the implications of the health care reform act for children and low-income households in WI. The article concludes that the reform bill contains many very positive features for children and childless adults in Wisconsin. It protects and enhances the gains that have already been made for children and will significantly improve access to health insurance for adults without dependent children.

The article also summarizes the law's many positive elements for moderate and higher income parents. Those improvements include new subsidies through the Exchanges for adults who have incomes between 200% and 400% of the poverty level. Most parents will continue to have employer-based coverage, but the private insurance reforms contained in the bill will give parents and other workers the peace of mind that their insurance won't be rescinded and that coverage won't be denied based on the insurer's contention that the needed care resulted from a preexisting condition.

**WCCF's chief concern** is ensuring that state lawmakers implement the new law in a way that protects the health of Wisconsin families. If Wisconsin legislators choose to reduce BC+ coverage of adults to 133% of the poverty level and to move those adults into the new Exchanges, which take effect in 2014, many low-income families will be worse off because they would get a narrower benefit package with much higher cost sharing. In addition, parents and children would probably be covered in separate plans.

To read more, go to: <http://www.wccf.org/wkj/610/story1.html>

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## 6. GOVERNOR APPROVES BONDING FOR RURAL DENTAL EDUCATION FACILITY

In mid-May the Governor signed Senate Bill 656, which paves the way for construction of a rural dental education outreach facility in Marshfield by authorizing \$10 million in general fund supported borrowing. Final approval of the bond is contingent upon the Marshfield Clinic raising half of the funding needed for the \$20 million facility, but I have no doubt that that will be accomplished.

A news report (<http://www.waow.com/Global/story.asp?S=12485286>) by WAOW quoted Governor Doyle as noting at the signing ceremony that, "70% of children eligible for dental care are not getting the services they need because they can't find a dentist who is willing to see them."

The bill now becomes Act 361 (<http://www.legis.state.wi.us/2009/data/acts/09Act361.pdf>). You can read more in the Legislative Fiscal Bureau memo ([http://www.legis.state.wi.us/lfb/2009-11Bills/2010\\_04\\_07\\_SB656.pdf](http://www.legis.state.wi.us/lfb/2009-11Bills/2010_04_07_SB656.pdf)) about the bill.

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## 7. GOVERNOR SIGNS MENTAL HEALTH PARITY BILL

On April 29, Governor Jim Doyle (D) signed into law a mental health parity bill, SB 362, which complements the federal parity law enacted in 2008. Wisconsin law previously required employers to offer a minimum of \$7,000 of Mental Health/Substance Use (M/SU) coverage annually. The new law, Act 218 (<http://www.legis.state.wi.us/2009/data/acts/09Act218.pdf>), requires group health plans of businesses with 10 or more employees to offer M/SU coverage at a level equal to that of general health care.

Act 218 augments the Federal Wellstone-Domenici Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA). That federal law does not mandate M/SU coverage, but requires that all employer-sponsored group health plans with 51 or more employees that offer M/SU coverage do so on an equal basis with general health care. The new state law (Act 218) applies to smaller employers, except for those who self insure. (Although the federal MHPAEA applies to self-insured employer plans, another federal law prohibits states from regulating such plans.).

Act 218 provides that if businesses' health insurance premiums increase by 2% in the first year or 1% the following year, businesses may opt out and offer coverage at the previous level of \$7,000 annually. Lawmakers project that the law will affect 700,000 individuals.

A recent Legislative Council memo ([http://www.legis.state.wi.us/2009/data/lc\\_act/act218-sb362.pdf](http://www.legis.state.wi.us/2009/data/lc_act/act218-sb362.pdf)) summarizes both the federal law and Act 218. For a broader overview, see the May 3 article (<http://insurancenewsnet.com/article.aspx?id=186347>) on Insurance News Net.

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## 8. CMS ISSUES IMPROVED RULES ON COST SHARING FOR MEDICAID & CHIP COVERAGE

In late May the Centers on Medicare and Medicaid Services (CMS) issued a final rule on the premiums and cost-sharing that states can charge Medicaid and CHIP beneficiaries. The rules result from cost-sharing provisions in the Deficit Reduction Act of 2005 and changes relating to Native Americans included in the American Recovery and Reinvestment Act of 2009 (ARRA).

As Jocelyn Guyer of the Center on Children and Families wrote in a recent blog post <http://theccfblog.org/2010/06/new-final-cost-sharing-rule-contains-notable-improvements-hint-save-the-shoeboxes-for-school-project.html>

"This rule has been kicking around for quite a while - it was first issued by the Bush Administration in November of 2008 and since then has been subject to a number of revisions and delays. Within the confines of what is allowed under the DRA and Recovery Act, the latest changes are explicitly aimed at better protecting low-income people from premiums and cost-sharing charges that could adversely affect their access to care."

Jocelyn's blog outlines a number of parts of the rule. She said the most significant change from the Bush Administration's draft is that the revised rule doesn't allow the "shoebox" method of tracking cost sharing, where families were expected to figure out the cap and keep records of all their expenditures. Under the final rule, states (not families) are responsible for tracking and making sure that premiums and other cost-sharing charges faced by low-income beneficiaries don't consume more than 5% of their income.

Other significant changes include clearer protection of preventive care for children, and requirements for states to document that they have given the public advance notice and opportunity to provide input about major changes in cost-sharing rules.

The new rule also implements a requirement of the Recovery Act that Native Americans are exempt from premiums and cost-sharing charges if they secure care (or are eligible to secure care) from an Indian Health Provider. Also, the cost of protecting Native Americans from the cost-sharing charges cannot be passed along to Indian health care providers in the form of reduced payments for providing services.

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#### 9. WISCONSIN PROJECTED TO BE ONE OF TOP BENEFICIARIES OF MEDICARE REIMBURSEMENT CHANGE

As I have noted previously in this newsletter and on the WCCF blog, Rep. Ron Kind and other members of the WI Congressional delegation fought for funding in the new health care reform law to reward low-cost hospitals in states like WI, which have long been penalized by the Medicare reimbursement system (notwithstanding the quality of the care they provide). That funding was included in the bill, and the Obama Administration indicated a few weeks ago how \$400 million for that purpose will be distributed over the next two years.

According to a May 30 NY Times article (<http://www.nytimes.com/2010/05/31/health/policy/31health.html?scp=3&sq=Medicare%20reform%20hospital%20payment%20Wisconsin&st=cse>), WI will be about the third largest beneficiary of those funds - receiving about 8% of the \$400 million, which is tied with Iowa. The DHS formula divides the funding among 415 hospitals in 273 counties ranked among the lowest 25 percent of Medicare spending throughout the country. To the surprise of many, New York hospitals will get the largest share of the funding (12%), because there are many low-cost hospitals in rural parts of the state.

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