

What's At Stake with Possible Medicaid/BadgerCare Waiver Policy Changes?

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The recently enacted Wisconsin biennial budget requires more than \$466 million in unspecified cuts to BadgerCare and Medicaid programs. The bill also authorizes the Wisconsin Department of Health Services (DHS) to make policy changes that supersede state Medicaid and BadgerCare statutes. For many of the more than 1.1 million Wisconsinites served by Medicaid and BadgerCare, those changes could undermine their ability to get the health care they need.

The only legal limit on the department's options for rewriting the state's public health care benefits are provisions of federal law known as "maintenance of eligibility" or "maintenance of effort" (MOE) provisions that protect eligibility for Medicaid-funded programs. The budget bill requires DHS to submit a waiver exempting the state from those federal protections. If the state does not receive a federal waiver by December 31st, 2011, the budget directs DHS to reduce eligibility for adults (other than pregnant women and people with disabilities) to 133 percent of the poverty level, beginning July 1, 2012. The Legislative Fiscal Bureau has estimated this will end coverage for 60,000 Wisconsin adults.

The overarching goal of any changes to Medicaid and BadgerCare needs to remain *minimizing the number of new uninsured Wisconsinites*. When assessing the possible changes the Department may be seeking through the waiver, to be unveiled in the coming weeks, it is critical to keep this objective front and center, recognizing that policy changes have a real impact on the ability of Wisconsinites to maintain their insurance coverage and get the health care they need.

Some of the potential proposals that would have particularly detrimental effects for Wisconsin's health care system include the following:

- **Increase out of pocket costs for Wisconsin families** – DHS has suggested requiring premiums and other cost-sharing of up to 5 percent of family income for all families with incomes above the poverty level.
 - **Consequence:** Higher premiums mean more Wisconsin families lose coverage and become uninsured. An analysis by the Georgetown Center for Children and Families shows that changing premiums to 3-4 percent of family income would result in between 49,400 and 87,300 fewer children and their parents participating in BadgerCare Plus.¹
- **Make it harder for workers to get the care they and their families need.** – DHS has discussed the possibility of seeking a federal waiver to allow the state to deny eligibility to people who have an offer of employer sponsored insurance, regardless of whether they can afford that coverage. Under current state law, children and parents who have an offer of employer coverage are eligible for BadgerCare if the family income is below 150 percent of the federal poverty level or the employer pays less than 80 percent of the premiums.

¹ Alker, Heberlein, and Prater, Georgetown Center on Children and Families, "The Impact of Premiums on Families in BadgerCare Plus," May 2011, http://ccf.georgetown.edu/index/cms-filesystem-action?file=ccf_publications/state-specific/wisconsin_premium.pdf

- **Consequence:** When low-wage workers have access to employer-sponsored insurance, it's often unaffordable. If DHS adopts a proposal to deny BadgerCare to any workers who have an offer of employer insurance, even if they can't afford it, these Wisconsinites will become uninsured. Research by the Robert Wood Johnson Foundation found that these sorts of measures do not increase private coverage².
- **Increase paperwork to make it harder for eligible children and/or pregnant women to get covered.** –The budget bill allows DHS to eliminate the current policy of providing express enrollment to expedite coverage for pregnant women and newborns.
 - **Consequence:** More than 25,000 pregnant women are insured through BadgerCare each year. Ending express enrollment could prevent some of them from getting cost-effective prenatal care early in their pregnancy, and that can result in premature births and huge expenses for neonatal intensive care. Eliminating express enrollment for newborns could interrupt the continuity of care that gives babies a better chance at a healthy start.
- **Add duplicative paperwork burdens to deny coverage to eligible kids and families.** – Under current state law, DHS regularly reviews the eligibility of each BadgerCare enrollee every 12 months. In addition, the department may make investigations of eligibility whenever there is reasonable ground to believe that an applicant or enrollee may not be eligible. DHS has floated the idea of requiring renewal of eligibility more frequently.
 - **Consequence:** Moving from 12-month eligibility to a shorter period burdens families with more frequent paperwork barriers, causing many children, families, and individuals to lose their coverage, despite the fact that they are still eligible. The increased paperwork would raise administrative costs and increase “churning” of people in and out of coverage, disrupting the continuity of care needed for a more cost-effective health care system. It would also create more uninsured families. When the state of Washington replaced its 12-month continuous eligibility with a 6-month period, over 30,000 children lost coverage in the 2 years that followed. After the program returned to 12-month continuous eligibility, 30,000 children gained coverage by the end of the year.³

The Legislature charged DHS officials with cutting more than \$466 million from Medicaid and BadgerCare. It did not charge the agency with increasing the number of uninsured Wisconsinites. Doing so would harm our state's health care providers, who would face increased use of emergency rooms, a loss of revenue due to more uncompensated care, and “adverse selection” (as cost increases depress participation by healthier individuals, which increases the average costs for those who continue their coverage). To mitigate their own financial consequences, providers would likely shift costs to families and employers with private insurance, thereby increasing health insurance costs for everyone.

DHS should instead look to eliminate inefficiencies in the system and creatively generate savings through real reform, rather than cost shifting. Expanded use of provider assessments could also be a way of closing the budget hole, while mitigating the harmful effects of reducing access to insurance and increasing cost shifting.

²Blewett and Call, Robert Wood Johnson – The Synthesis Project, “Revisiting Crowd-Out,” September 2007.

³ Horner, D. Program Design Snapshot: State Buy-In Program for Children. Dawn Horner, Center for Children and Families. November 2008