



Wisconsin's 2007 Health Care Proposal: BadgerCare Plus

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Where Did the State's Coverage Expansion Efforts Start?

In 1999, Wisconsin became one of the first four states to take advantage of the opportunity to use federal SCHIP funds to provide Medicaid coverage to more parents as well as children. That year, the state implemented the BadgerCare program.¹ BadgerCare is open to children and parents with incomes up to 185 percent of the federal poverty level (\$31,765 for a family of three in 2007). Once families are enrolled in BadgerCare, they are allowed to remain in the program as long as their income is no higher than 200 percent of poverty (\$34,340 for a family of three in 2007). Enrollment in the program has been largely successful: As of January 2007, nearly 30,000 children and more than 66,000 adults had BadgerCare coverage.² In addition, children's enrollment in Medicaid has increased substantially since BadgerCare was created.

Even with the success of BadgerCare, the state still has a substantial number of uninsured residents. In Wisconsin, there are nearly 549,000 uninsured people, which is approximately 11.5 percent of the population that is under the age of 65.³ Furthermore, state surveys indicate that the number of uninsured children continues to rise, perhaps in part because fewer businesses are offering health insurance to their employees.⁴

To address this problem, Wisconsin Governor Jim Doyle introduced BadgerCare Plus as part of his "affordability agenda." This agenda, first unveiled in January 2006, is designed to make health coverage affordable and accessible to all children. BadgerCare Plus could significantly increase the number of children and adults eligible for state-sponsored coverage. In February 2007, the governor's BadgerCare Plus proposal was introduced as one component of the state's 2007-2009 Biennial Budget Bill, SB 40. The state began holding public hearings on the bill in April 2007. The bill is not expected to pass until fall 2007, at the earliest.

Advocates see the BadgerCare Plus proposal as a critical first step on the path toward universal health coverage and have been actively gathering support for this legislation.

As this report was going to press, the Wisconsin State Senate approved a groundbreaking health reform initiative, known as Healthy Wisconsin, as part of the state's Biennial Budget Bill. Healthy Wisconsin would build on the BadgerCare Plus plan and provide affordable, comprehensive coverage for all Wisconsinites. For more information, see Families USA's *Healthy Wisconsin: Good Medicine for Wisconsin's Economy*.

Who Will Be Eligible for BadgerCare Plus?

BadgerCare Plus will replace all of BadgerCare, as well as family coverage under the Medicaid program. Current Medicaid and BadgerCare recipients will not lose any of their benefits. The new program will expand health coverage for both children and their parents or caretakers.

Currently, children, pregnant women, and parents are eligible for coverage under BadgerCare if their family incomes are below 185 percent of poverty. Relatives who care for children of absent parents are currently eligible for public coverage at much lower income levels—about 50 percent of poverty (\$5,105 for an individual in 2007). If BadgerCare Plus passes, eligibility levels for these groups will increase substantially.

There are some exceptions to these expansions in eligibility. Generally, individuals and families with incomes above 150 percent of poverty (\$25,755 for a family of three in 2007) will not be eligible for BadgerCare Plus if their employer offers a health plan to its workers and pays at least 80 percent of the plan premium. Individuals and families with incomes above 150 percent of poverty will also not be eligible for the program if they had access to employer-sponsored coverage in the previous 12 months for which their employer paid at least 80 percent of premiums, or if they will have access to such coverage in the next three months. However, the state will make exceptions to this rule for pregnant women, some children, young adults enrolled in foster care on their 18th birthday, and people who involuntarily lose their health coverage.⁵

BadgerCare Plus will provide benefits under two different plans: 1) the regular Medicaid plan, referred to as the Standard Plan; and 2) the Benchmark Plan.

1. BadgerCare Plus Standard Plan: The following groups will be eligible for benefits.

- Children whose family incomes are below 200 percent of poverty (\$34,340 for a family of three in 2007);
- Parents and caretakers of children whose incomes are below 200 percent of poverty (this includes farmers and other self-employed parents with unadjusted incomes below 200 percent of poverty, see page 3);⁶
- Pregnant women with family incomes below 200 percent of poverty;
- Children under the age of one whose mothers, on the day of the child's birth, were eligible for and receiving benefits under Medicaid or the BadgerCare Plus Standard Plan;
- Young people between the ages of 19 and 21 who were in the foster care system on their 18th birthday; and
- Some migrant workers and their dependents.⁷

2. BadgerCare Plus Benchmark Plan: The following groups will be eligible for benefits.

- Children whose family incomes are between 200 and 300 percent of poverty (between \$34,340 and \$51,510 for a family of three in 2007);
- Pregnant women whose family incomes are between 200 and 300 percent of poverty, as well as some pregnant women with higher incomes and high medical expenses;
- Children under the age of one whose mothers, on the day of the child's birth, were eligible for and receiving benefits under the BadgerCare Plus Benchmark Plan; and
- Farmers and other self-employed parents whose incomes, after they are adjusted for depreciation, fall below 200 percent of poverty (see below).

In addition, children in families with incomes above 300 percent of poverty may purchase Benchmark Plan coverage at full cost.

Children with family incomes below 150 percent of poverty and pregnant women with incomes below 300 percent of poverty can be considered presumptively eligible for BadgerCare Plus for up to two months while all of the necessary application paperwork is being collected.

Wisconsin plans to simplify its eligibility rules under the new BadgerCare Plus program. Currently, the state uses a complex set of income deductions and exclusions in determining whether a family's income is low enough to qualify for BadgerCare or Medicaid. The state will eliminate many of these deductions and exclusions when it raises the overall income eligibility levels under BadgerCare Plus. While the combination of raising income eligibility levels and simplifying the rules will benefit a large number of people, a smaller number of people, estimated at 1 percent of current Medicaid enrollees (approximately 2,700 parents and caretakers), may lose their eligibility. To ease the transition for these parents and caretakers, the state has agreed to allow these enrollees to retain their health coverage for 18 months, regardless of family income.

Parents Who Are Farmers or Who Are Otherwise Self-Employed

In order to extend coverage to more self-employed parents, Wisconsin plans to restructure its income eligibility test. Under the new income test, parents who are farmers or who are otherwise self-employed may deduct excess income related to farm equipment (depreciation) from their family incomes when calculating their eligibility for BadgerCare Plus.

Farmers and other self-employed parents with gross incomes below 200 percent of poverty will be eligible for the BadgerCare Plus Standard Plan. Families whose incomes fall below 200 percent of poverty after they are adjusted for depreciation will be eligible to buy into the BadgerCare Plus Benchmark Plan by paying premiums determined on a sliding scale. The new income eligibility test will expand coverage to up to 13,000 self-employed parents.

Childless Adults

BadgerCare Plus does not directly expand coverage for childless adults, but it does require the Wisconsin Department of Health and Family Services to apply for a federal Medicaid waiver that would create a demonstration project to expand coverage for this group. If the waiver is approved, the demonstration project would provide limited coverage to childless adults under the age of 65 who are not eligible for BadgerCare Plus or Medicare. Childless adults in the demonstration project would receive coverage only for primary and preventive care, rather than the more comprehensive coverage offered to BadgerCare Plus enrollees. The state will make further decisions regarding income eligibility and cost-sharing for this group if the waiver is approved. This demonstration project, which would be phased in over three years starting in 2009, would expand coverage to thousands of adults with incomes below 200 percent of poverty.

Employer-Sponsored Coverage and “Crowd Out”

The legislation includes measures to prevent “crowd out” of employer-sponsored insurance. “Crowd out” refers to the substitution of public health coverage for private coverage. In essence, the state would try to keep employers from dropping their coverage of low-wage workers when BadgerCare Plus becomes available.

Generally, individuals and families with incomes above 150 percent of poverty will not be eligible for BadgerCare Plus if:

- Their employer offers a health plan to its workers and pays at least 80 percent of the plan premium, *or*
- They have had access to health coverage through their employer in the previous 12 months for which their employer paid at least 80 percent of premiums, or they will have access to such coverage in the next three months.

However, the state will make exceptions for pregnant women, some children, young adults enrolled in foster care on their 18th birthday, and people who involuntarily lose their health coverage.

The state also plans to significantly expand the Health Insurance Premium Payment (HIPP) program, which is currently part of BadgerCare. The HIPP program helps low-income families pay the employee contribution for their job-based insurance. Under the expansion, the state will help pay for employer coverage when it is “cost effective”—that is, when helping pay for job-based coverage costs less than providing BadgerCare Plus.

HIPP provides a way for the state to reduce crowd out of employer coverage and hold down its costs. HIPP can also benefit families by reducing their cost-sharing or by providing wrap-around coverage for medical services that are not covered by their employer coverage.

How Much Will People Pay for Coverage?

Under BadgerCare Plus, four groups of people will have to pay premiums. These groups are as follows:

- Children with family incomes above 200 percent of poverty (\$34,340 for a family of three in 2007);⁸
- Parents with family incomes between 150 and 200 percent poverty (between \$25,755 and \$34,340 for a family of three in 2007);
- Pregnant women with family incomes above 200 percent poverty; and
- Parents who are farmers or who are otherwise self-employed whose gross income is above 200 percent of poverty but who qualify because, when that income is adjusted for depreciation, it falls below 200 percent of poverty.

BadgerCare Plus participants will also be required to pay copayments for services they receive, as follows:

- For enrollees in the Standard Plan, the copayments will be the same as they are under the current Medicaid program.
- For enrollees in the Benchmark Plan, copayments will vary depending on the type of service. For example, there will be a \$5 copayment for generic prescription drugs and a \$15 copayment for physician services, including physical exams.
- To encourage enrollees to find a “medical home” (a regular source of care),⁹ participants will be charged a copayment of \$75 for using emergency room services to treat non-emergency conditions.
- There will be no copayments for preventive services such as immunizations, well-child visits, smoking cessation programs, and prenatal care.

For people whose incomes are below 200 percent of poverty, as well as some pregnant women with higher incomes, premiums and cost-sharing together will be capped at 5 percent of family income. For people whose incomes are above 200 percent of poverty, premiums alone will be capped at 5 percent of family income. People with incomes above 200 percent of poverty will also be charged higher copayments. Children in families with incomes above 300 percent of poverty will be charged the full cost of premiums. The bill does not provide estimates of how much these premiums will be.

If an enrollee does not pay his or her premium on time, the Wisconsin Department of Health and Family Services will terminate the enrollee's coverage, and the enrollee will not be eligible for BadgerCare Plus for the next six months. Even children will lose coverage for six months if their parents fail to pay their premiums on time.

The state also plans to make cost-sharing enforceable, which is now allowed in Medicaid with the passage of the Deficit Reduction Act (DRA). This means that individuals can be denied medical care if they cannot afford the copayment. For more specific information on copayments and co-insurance, please see Senate Bill 40 online at <http://www.legis.state.wi.us/2007/data/SB-40.pdf>.

What Benefits Will People Receive?

The Standard Plan will provide the same package of benefits as the current Medicaid package, including both mandatory and optional services, as well as Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) coverage for children.

The Benchmark Plan will be modeled on Wisconsin's largest commercial, low-cost health plan, which is currently sold by UnitedHealthcare. Some of the benefits covered under this type of plan include the following:

- inpatient and outpatient hospital services;
- physician services;
- home health services;
- physical, occupational, speech, and pulmonary therapy;
- treatment for mental health disorders, alcoholism, and other drug abuse problems;
- durable medical equipment; and
- transportation to obtain emergency care.

Four benefits will be added to the Benchmark Plan to make the coverage more comprehensive.

1. Prescription drug coverage: The legislation does not address out-of-pocket costs for brand-name drugs, but preferred generic drugs will be offered with a \$5 copayment. Enrollees may also use the state's discount prescription purchasing program, BadgerRx Gold.
2. Early childhood development services: Developmentally based screenings, assessments, health promotion services, and care coordination services will be offered to children under the age of six.
3. Dental services: Benefits will be similar to those offered under the state employees' HMO plan, which includes preventive and basic services. There will be limits on the number of services available to patients, and there will be a cap on the total amount of benefits available each year.¹⁰
4. Mental health and substance abuse treatment: Benefits will be similar to those offered under the state employees' HMO plan.

With respect to the dental benefits described in the list above, BadgerCare Plus will expand dental coverage to some of the new enrollees, providing increased access to oral health services for low-income families. This is in response to concerns raised repeatedly by state residents, who have said that the state's current system for providing oral health benefits is not meeting the needs of Wisconsin's low-income children and families. To address these concerns, the governor is soliciting proposals from health care providers to improve the dental health system under BadgerCare Plus. He has committed significant financial resources to fixing the dental health system in the state and expanding access to dental benefits.¹¹

In addition to the four benefits specified, pregnant women who are at high risk of poor birth outcomes and who have incomes above 200 percent of poverty will be eligible for smoking cessation services and a Prenatal Care Coordination Benefit. The BadgerCare Plus proposal explains that this benefit will include coverage for mental health and substance abuse counseling for women at risk for depression or substance abuse problems.

Who Will Provide Coverage?

Coverage for beneficiaries in both the Standard and Benchmark Plans will be delivered by a number of managed care organizations across the state. State officials hope to have everyone who participates in BadgerCare Plus enrolled in managed care within two years. The state will provide incentives for HMOs to participate in BadgerCare Plus and provide coverage in areas that are not currently served by HMOs.¹²

For BadgerCare Plus enrollees in the Standard and Benchmark Plans, dental benefits will be offered in the same way they are currently offered to Medicaid recipients. In most areas, dental benefits are provided through a fee-for-service system, but in four counties, benefits are provided through HMOs.

Are There Any Incentives or Mandates to Encourage Participation in This Expansion?

There are no mandates to make employers provide health coverage to their workers, and there is no requirement that individuals obtain health insurance. If BadgerCare Plus is passed, the state will provide financial incentives to HMOs to expand to their service areas and to lift enrollment caps.

How Will This Expansion Be Financed?

The BadgerCare Plus proposal will be financed with both federal and state funds.

- The Department of Health and Family Services will submit Medicaid and SCHIP state plan amendments, DRA state plan amendments, and a Section 1115 waiver to the Centers for Medicare and Medicaid Services (CMS).
- The state plans to renew its current BadgerCare waiver, which allows Wisconsin to use federal SCHIP funds to provide coverage for parents with incomes between 100 and 200 percent of poverty.
- The state has also proposed a separate Medicaid Section 1115 waiver to cover childless adults.

In addition, the BadgerCare Plus legislation establishes a Health Care Quality Fund, which will be comprised of funds gathered from taxes on cigarettes and other tobacco products, assessments on hospitals, and other sources. The Health Care Quality Fund would establish a Health Care Quality and Patient Safety Council, and it would be a funding source for several state health programs, including BadgerCare Plus.

The Department of Health and Family Services, in partnership with PricewaterhouseCoopers, modeled the financial impact that BadgerCare Plus would have on the state. They determined that administrative savings from streamlining eligibility, as well as the use of managed care, will generate enough savings to entirely fund the state's coverage expansions for children and parents.

Does BadgerCare Plus Reform State Insurance Regulations?

The state legislature is currently considering several private market reforms, including the Healthy Wisconsin Plan for universal coverage and the creation of a catastrophic reinsurance program for small businesses called the Healthy Wisconsin Authority. However, these reforms are not part of the BadgerCare Plus expansion itself.

What Other Major Provisions Does the Reform Include?

The BadgerCare Plus proposal also contains three new initiatives aimed at increasing provider and patient accountability.

1. The legislation would expand Wisconsin's pay-for-performance system, which provides financial incentives to providers for improving the health of their patients. The state will target five areas of patient care for improvement: 1) well-child visits and immunization rates, 2) reductions in smoking, 3) reductions in childhood obesity, 4) reductions in infant mortality, and 5) reductions in inappropriate emergency room use.

2. Policymakers are considering implementing non-binding member agreements that individuals must sign in order to enroll in BadgerCare Plus. These agreements would outline the responsibilities and rights of enrollees. For example, such an agreement could include statements such as “I will take my children to well-child check-ups,” “I will keep and be on time for scheduled appointments,” or “I will try to quit smoking.” Advocates note that the purpose of these agreements is unclear, since they would not be binding. However, such agreements would leave enrollees vulnerable to future punitive measures if benefits were made contingent upon complying with the agreements. Appropriate supports must be in place to ensure that BadgerCare Plus enrollees can meet the responsibilities outlined in these agreements.
3. Managed care organizations would be allowed to conduct pilot projects to test whether BadgerCare Plus enrollees improve their health behaviors when they are offered different types of incentives or discounts.

BadgerCare Plus will also change the application process for enrollees by adding new employer verification requirements. All enrollees with family incomes above 150 percent of poverty must have their employer verify their income and insurance status with the Department of Health and Family Services. Employers that do not provide the required verification to the Department of Health and Family Services within 30 days will have to pay a fine equal to the full per-member, per-month cost of coverage under BadgerCare Plus for the individual and his or her family.¹³

When Will the Program Begin?

The program is expected to begin on January 1, 2008, or when the state's waivers and/or Medicaid state plan amendments are approved, which the state hopes will be no later than January 2008. Coverage for childless adults is dependent on the approval of a separate Section 1115 waiver, and that coverage is expected to begin in January 2009 and will be phased in over three years.

What Are the Strengths and Weaknesses of BadgerCare Plus?

The strengths of this program include the following:

- It will expand coverage for uninsured children, pregnant women, and parents.
- It will reduce barriers to enrollment, especially because of the new presumptive eligibility determinations for children and the changes in the employer verification process.
- It will require the state to address the issue of coverage for childless adults.

Weaknesses of this program include the following:

- Legal immigrant children still must go without coverage, because BadgerCare Plus will not cover legal immigrant children. Advocates worry that this will not only hurt immigrant children in need of medical services, but it will also impair the state's ability to promote the program as a program that will cover all kids.
- The legislation sets a dangerous precedent by allowing the state to offer a less comprehensive benefits package under the new Benchmark Plan. Wisconsin has always provided comprehensive benefits to its Medicaid and SCHIP recipients, and the new Benchmark Plan departs from this history. Advocates are particularly concerned about the decision to move children and pregnant women with family incomes above 200 percent of poverty into the Benchmark Plan. Trends like this raise concern that if the state should experience economic hardships in the future, it may decide to trim benefits for other low-income enrollees as well.

The Future of Health Reform in Wisconsin—What's on the Horizon?

Recently, 34 different organizations in Wisconsin came together to form the “Big Tent Health Care Coalition.” This coalition is dedicated to fighting for comprehensive health reform for all people in Wisconsin. These advocates support both Governor Doyle's BadgerCare Plus proposal and the new Healthy Wisconsin plan for universal coverage.

For More Information:

More information on the BadgerCare Plus proposal can be found on the Wisconsin Department of Health and Family Services Web site at <http://dhfs.wisconsin.gov/badgercareplus/>.

The text of 2007 Wisconsin Senate Bill 40 is available online at <http://www.legis.state.wi.us/2007/data/SB-40.pdf>.

Endnotes

- ¹ The state obtained a Section 1115 waiver from CMS to implement the program.
- ² Wisconsin Department of Health and Family Services, *Medicaid Resources: BadgerCare Enrollment*, May 2007, available online at <http://dhfs.wisconsin.gov/medicaid8/caseload/enrollment/pdf/04bc.pdf>, accessed on June 29, 2007.
- ³ This number is based on calculations done for Families USA by Mark Merlis using 2004 and 2005 Census Bureau Current Population Survey data and was cited in Kimberly Bailey, Elizabeth McCarthy, and Kathleen Stoll, *Premiums versus Paychecks: A Growing Burden for Wisconsin's Workers* (Washington: Families USA, December 2006), available online at <http://www.familiesusa.org/assets/pdfs/premiums-vs-paychecks/wisconsin.pdf>.
- ⁴ Wisconsin Department of Health and Family Services, Division of Public Health, Bureau of Health Information and Policy, *2004 Wisconsin Health Insurance Coverage Report*, as cited in *Wisconsin BadgerCare Plus Program Proposal* (Madison, WI: Wisconsin Department of Health and Family Services, 2007), available online at <http://dhfs.wisconsin.gov/badgercareplus/docs/WIBCProposal.pdf>.
- ⁵ This includes people who involuntarily lose coverage due to job loss, death, divorce, the loss of an employer offer of coverage, or for any other reason that the Department of Health and Family Services determines is a good cause reason.
- ⁶ Parents or caretaker relatives with incomes below 200 percent of poverty are considered eligible for BadgerCare Plus even if their child has been temporarily removed from the home while the parent or caretaker relative is working toward meeting the conditions necessary to reunite the family.
- ⁷ Migrant workers and their dependents will be eligible for the BadgerCare Plus Standard Plan according to the same requirements that currently define their eligibility for Medicaid. Migrant workers and their dependents are eligible for Medicaid benefits if they moved to Wisconsin for fewer than 10 months to do seasonal work on a farm or farming-type job. They must also meet certain monthly income requirements. If a family has Medicaid in another state, it may be eligible for Medicaid in Wisconsin. More information can be found online at <http://dhfs.wisconsin.gov/Medicaid1/recpubs/factsheets/phc10053.htm>.
- ⁸ Native American/Alaska Native children are exempt from this requirement.
- ⁹ C. Hoffman, D. Rowland, and E. Hamel, *Medical Debt and Access to Health Care: Executive Summary* (Washington: Kaiser Family Foundation, September 2005), available online at <http://www.kff.org/uninsured/upload/7403ES.pdf>.
- ¹⁰ *Wisconsin BadgerCare Plus Program Proposal* (Madison, WI: Wisconsin Department of Health and Family Services, 2007), available online at <http://dhfs.wisconsin.gov/badgercareplus/docs/WIBCProposal.pdf>.
- ¹¹ The Department of Health and Family Services released a document stating that even if BadgerCare Plus doesn't pass, the state will continue its efforts to improve dental benefits delivery systems for current Medicaid enrollees. More information can be found online at <http://dhfs.wisconsin.gov/rfp/DHCF/pdf/DentalRFI.pdf>.
- ¹² *Ibid.*
- ¹³ There will be a \$1,000 cap on penalties for employers with fewer than 250 workers and a \$15,000 cap for employers with more than 250 workers. The caps for both groups last for six months, after which these fines continue to increase.



1201 New York Avenue NW, Suite 1100 ■ Washington, DC 20005

Phone: 202-628-3030 ■ E-mail: info@familiesusa.org

www.familiesusa.org