



## Health Coverage in Wisconsin:

# How Will Health Reform Help?

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President Obama signed into law a historic package of health reforms that will dramatically improve the state of health care in Wisconsin and across America. The new health reform law will guarantee that everyone—businesses large and small, seniors, children, those who currently have insurance, and those who don’t—have access to health coverage they can afford. The new law will address many of the problems in Wisconsin’s health care system so that residents will be able to obtain and keep high-quality, affordable coverage that meets their needs.

In this report, we discuss major gaps in Wisconsin’s current health coverage system—gaps that allow insurers to discriminate against people with pre-existing conditions, to charge premiums that are unaffordable for Wisconsin families and businesses, and to make obtaining care difficult even for those who have insurance. We also discuss the significant ways that health reform will address these gaps, providing help to residents across the state.

## Issue: Pre-Existing Conditions

### What Happens Now?

If you try to buy a private insurance policy in Wisconsin, most health insurers can refuse to sell you a policy because of any pre-existing conditions you have.<sup>1</sup> Or, an insurer can choose to sell you a policy only if it excludes coverage of your pre-existing conditions.<sup>2</sup>

### How Will Health Reform Help?

Insurance companies will no longer be able to discriminate against Wisconsinites based on pre-existing conditions. They will have to sell coverage to every person who applies, and that coverage will have to provide comprehensive benefits, including coverage for pre-existing conditions.

## Issue: Affordable Premiums for Middle-Class Families

### What Happens Now?

Wisconsin families are facing higher and higher costs for health insurance. Over the past decade (2000 through 2009), family health insurance premiums for Wisconsin workers rose 4.6 times faster than their median earnings.<sup>3</sup> One of the reasons premiums have become so burdensome for middle-class families is that they include a “hidden health tax”—on average, \$1,017 for each family with coverage in 2008.<sup>4</sup> This is the extra cost that families with insurance pay to make up for the care that doctors and hospitals provide to the uninsured.

### How Will Health Reform Help?

Wisconsinites with moderate incomes (up to \$88,200 for a family of four in 2009) will receive sliding-scale subsidies to use toward the purchase of a high-quality health insurance plan.<sup>5</sup> This will protect Wisconsin families from having to spend too great a share of their incomes on health insurance premiums. And, as residents gain coverage, the hidden health tax will diminish, making premiums more affordable for those who have insurance now.

## Issue: Coverage for the Uninsured

### What Happens Now?

More than one in four Wisconsin residents under the age of 65 (25.9 percent) were uninsured for one month or more during 2007-2008.<sup>6</sup> People with low incomes, along with those who work for themselves or for small employers, are especially likely to be uninsured. There is a common misperception that all low-income Americans can obtain coverage through the Medicaid program. In fact, Wisconsin residents with low incomes often

### How Will Health Reform Help?

Under health reform, 346,000 Wisconsin residents will gain coverage by 2019.<sup>8</sup> The path to coverage will depend on each resident’s situation: Some will enroll in coverage through their employers, while others will obtain coverage through a new marketplace, called an exchange, in which insurers must play by new rules to make sure that consumers receive quality coverage. Many other Wisconsinites will gain coverage

can't get insurance because Medicaid doesn't cover any adults under the age of 65 unless they are pregnant, are parents, or have a disability. (Working parents can get coverage if their incomes are less than 200 percent of the federal poverty level, or \$36,620 for a family of three in 2009.<sup>7</sup>) Other low-income adults can get some help obtaining health care through the BadgerCare Plus Core Plan, but the program currently has a waiting list to participate.

through Medicaid, as health reform expands the program to cover all low-income, uninsured residents, including adults without dependent children and those who do not have a disability. People who earn too little to purchase coverage will finally be able to obtain the care they need. And covering more residents will help reduce insurance premiums for Wisconsinites who already have coverage (see "Affordable Premiums for Middle-Class Families" on page 2).

## Issue: Help for Small Businesses

### What Happens Now?

Small businesses in Wisconsin have to struggle harder each year to provide coverage for their workers: Small business coverage is often more expensive than coverage for larger businesses, and small business premiums can skyrocket if one or two employees get sick.<sup>9</sup> In 2008, just over one-fourth (26.6 percent) of Wisconsin businesses with fewer than 10 workers (and 70.7 percent of those with 10 to 24 workers) offered health insurance to their employees, whereas nearly all firms with 50 or more workers (98.6 percent) offered coverage.<sup>10</sup>

### How Will Health Reform Help?

Small businesses in Wisconsin will receive tax credits to help with the costs of covering their workers. And, new exchanges (see "Coverage for the Uninsured" on page 2) will provide a marketplace where small businesses can shop for coverage that is comprehensive and affordable. Exchanges will make premiums more reasonable and predictable for small businesses, which are currently left to fend for themselves in an open market with few protections.

## Issue: Annual and Lifetime Caps on Coverage

### What Happens Now?

Currently in Wisconsin, a health insurance policy may stop paying your claims if you exceed an annual or lifetime cap on your coverage. Therefore, if you or a family member becomes sick and needs significant medical care, you may "run out" of coverage and have to foot the bills on your own.

### How Will Health Reform Help?

Insurance companies will be prohibited from placing annual or lifetime caps on Wisconsinites' insurance policies, making sure that they aren't left out in the cold if they get sick.

## Issue: Out-of-Pocket Costs

### What Happens Now?

Even when they have insurance, Wisconsin residents often have to spend a great deal out of their own pockets to obtain the health care they need. These out-of-pocket expenses come in the form of deductibles, copayments, and other cost-sharing. In 2009, 295,000 non-elderly Wisconsin residents *with insurance* were in families that spent more than 25 percent of their pre-tax income on health care.<sup>11</sup> Such high out-of-pocket costs are what drive many American families into debt—and even bankruptcy.

### How Will Health Reform Help?

Insurance plans will have to place caps on how much Wisconsinites are required to spend out of their own pockets for care. These caps will be set on a sliding scale, so that lower-income people will have greater protection from out-of-pocket costs. And Wisconsinites will also receive income-based help for paying copayments and other cost-sharing.

## Issue: Guaranteeing Value for Premium Dollars

### What Happens Now?

Currently in Wisconsin, health insurers can spend a large portion of your premium dollars on profits, administration, and marketing, instead of on providing health care.<sup>12</sup>

### How Will Health Reform Help?

Under health reform, insurers will be required to spend a set portion of premiums on actually providing care to Wisconsinites, not on profits, administration, and marketing. If insurers do not meet these requirements, they will have to provide rebates to policyholders.

## Issue: Premium Pricing Based on Gender

### What Happens Now?

If you try to purchase a private insurance policy in Wisconsin, you can be charged higher premiums based on your gender. For example, in one Wisconsin health plan, a 40-year-old woman is charged 38 percent more than a 40-year-old man for the same policy.<sup>13</sup>

### How Will Health Reform Help?

Insurance companies will be prohibited from charging Wisconsinites discriminatory premiums based on their gender. Under health reform, if a man and a woman purchase the same policy, the insurance company will have to charge them the same price for coverage.

## Issue: Premium Pricing Based on Health Status

### What Happens Now?

Insurers in Wisconsin often increase premiums based on consumers' current illnesses, health risks, or medical histories.<sup>14</sup> This unlimited rate hike can be so burdensome that it prices residents out of coverage altogether.

### How Will Health Reform Help?

Insurance companies will be prohibited from charging Wisconsinites more for their coverage based on their health status, finally putting an end to premium discrimination against those who are sicker.

## Issue: More Affordable Coverage for Medicare Enrollees

### What Happens Now?

Currently, Wisconsin seniors and people with disabilities who are enrolled in the Medicare Part D drug program face a gap in coverage called the "doughnut hole." This means that they may pay up to \$3,610 out of their own pockets in 2010 for prescriptions, on top of their annual Part D premiums. In addition, many preventive services that are covered in Medicare come with out-of-pocket copayments, co-insurance, and deductibles that discourage the state's 871,111 Medicare beneficiaries from using them.<sup>15</sup> And lastly, the Medicare hospital trust fund is projected to be insufficient to pay full benefits by as soon as 2017.

### How Will Health Reform Help?

Health reform will gradually eliminate the Part D doughnut hole by providing discounts on all drugs; the discounts increase each year until the doughnut hole closes entirely by 2020. Preventive care will also be more affordable for people with Medicare: All copayments, deductibles, and co-insurance for preventive services under Medicare will be eliminated. Other improvements, including extending the Medicare hospital trust fund by nearly a decade and strengthening assistance to low-income beneficiaries, will also make it easier for people with Medicare to obtain care, both now and in the future.

## Endnotes

<sup>1</sup> Ella Hushagen and Cheryl Fish-Parcham, *Failing Grades: State Consumer Protections in the Individual Health Insurance Market* (Washington: Families USA, 2008).

<sup>2</sup> Kaiser Family Foundation, *Individual Market Portability Rules (Not Applicable to HIPAA-Eligible Individuals), 2008* (Washington: Kaiser Family Foundation, December 2008), available online at <http://www.statehealthfacts.org/comparetable.jsp?ind=355&cat=7>.

<sup>3</sup> Kim Bailey, *Costly Coverage: Premiums Outpace Paychecks in Wisconsin* (Washington: Families USA, 2009).

<sup>4</sup> Kathleen Stoll and Kim Bailey, *Hidden Health Tax: Americans Pay a Premium* (Washington: Families USA, May 2009).

<sup>5</sup> The health reform bills that were passed by the House and the Senate, as well as the President's proposal for health reform, all include subsidies to help families earning up to 400 percent of the federal poverty level (\$88,200 for a family of four) pay their premiums.

<sup>6</sup> Kim Bailey, *Wisconsinites without Health Insurance* (Washington: Families USA, March 2009).

<sup>7</sup> Current eligibility levels are on file with Families USA.

<sup>8</sup> Calculations on file with Families USA. Families USA used national estimates of the reduction in the number of the uninsured from the Congressional Budget Office's analysis of the Health Care and Education Reconciliation Act of 2010 to arrive at state-by-state estimates of coverage gains. 2019 estimates of the uninsured were apportioned across the states, assuming that coverage gains would occur relative to the share of total non-elderly uninsured individuals residing in each state.

<sup>9</sup> Kaiser Family Foundation, *Small Group Health Insurance Market Rate Restrictions, 2009* (Washington: Kaiser Family Foundation, January 2009), available online at <http://www.statehealthfacts.org/comparetable.jsp?ind=351&cat=7>.

<sup>10</sup> Agency for Healthcare Research and Quality, *Medical Expenditure Panel Survey—Insurance Component, 2008, Table II.A.2: Percent of Private-Sector Establishments that Offer Health Insurance by Firm Size and State: United States, 2008* (Washington: AHRQ, 2008).

<sup>11</sup> Kim Bailey, *Too Great a Burden: Americans Face Rising Health Care Costs* (Washington: Families USA, April 2009).

<sup>12</sup> Claire McAndrew and Cheryl Fish-Parcham, *Medical Loss Ratios: Making Sure Premiums Dollars Go to Health Care—Not Profit* (Washington: Families USA, February 2010); America's Health Insurance Plans, *State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage: Summary of State Laws and Regulations* (Washington: AHIP, September 2009).

<sup>13</sup> Brigitte Courtot and Julia Kaye, *Still Nowhere to Turn: Insurance Companies Treat Women like a Pre-existing Condition* (Washington: National Women's Law Center, 2009).

<sup>14</sup> Kaiser Family Foundation, *Individual Market Rate Restrictions (Not Applicable to HIPAA Eligible Individuals), 2010* (Washington: Kaiser Family Foundation, January 2010), available online at <http://www.statehealthfacts.kff.org/comparetable.jsp?ind=354&cat=7>.

<sup>15</sup> Kaiser Family Foundation, *Total Number of Medicare Beneficiaries, 2008* (Washington: Kaiser Family Foundation, July 2008), available online at <http://www.statehealthfacts.org/comparetable.jsp?ind=290&cat=6&sub=74&yr=63&typ=1&sort=a>.

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