

Overview of Consequences of Wisconsin DHS Proposal to cut \$554 million from Medicaid

On Friday, September 30, 2011, DHS released plans to help cut \$554 million from Medicaid. Key aspects of the proposal require federal approval through a waiver from the Centers for Medicare & Medicaid Services (CMS). This is a preliminary assessment of the likely consequences of the proposed changes relating to BadgerCare Plus, with regard to the “maintenance of effort” waiver portion of the DHS proposals and the benchmark plan. Overview and analysis of the other proposals will be forthcoming.



DHS PROPOSAL	ANTICIPATED CONSEQUENCE
Increases BadgerCare premiums up to 5% of household incomes	Increases out-of-pocket costs for Wisconsin families, making health care coverage unaffordable. 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 (for families over the poverty level) would result in between 49,400 and 87,300 fewer children and their parents participating in BadgerCare Plus. Not only does this change increase premiums, but for the first time, BadgerCare Plus would require premiums for kids between 150% and 200% FPL.
Denies BadgerCare to individuals who are offered high cost employer-sponsored insurance that is deemed affordable by lowered DHS standards	Makes it harder for workers to afford and access the health care they and their families need. Many low-wage workers may be offered employer-sponsored insurance, but it's often unaffordable. DHS proposes denying BadgerCare to workers who are offered employer insurance, even if they can't afford it. This will result in individuals and families becoming uninsured due to financial barriers. The proposal by DHS deems employer coverage “affordable” if it costs less than 9.5% of household income, whether it covers only the employee or the entire family. For example, a family of 5 that currently pays \$54 a month in BadgerCare premiums could instead pay \$330 for an employer-sponsored insurance plan premium – an increase of \$3,312 per year.
Requires young adults from the ages of 19 through 26 to be covered under their parents' health insurance plan	Kicks young adults ages 19-26 off BadgerCare Plus. The Affordable Care Act ensures that young adults have the option of staying on their parent's insurance until they are 26. This plan mandates coverage under parent's insurance by making young adult ineligible for BadgerCare Plus. It presumes all young adults have parents who are willing and able to add them to their private insurance, and that the adult child lives in the same area as their parent.
Eliminates presumptive eligibility	Delays care for eligible children and/or pregnant women when they need it most. By making it harder for women to enroll in BadgerCare through presumptive eligibility, women will be delayed from getting cost-effective prenatal care early in their pregnancy and interrupt the continuity of care that gives babies a better chance at a healthy start.
Drastically increases penalty time for individual who misses a BadgerCare premium payment	Doubles amount of time individuals and families are suspended from health care coverage through BadgerCare. In light of premium increases, there will likely be more missed premium payment due to higher costs. This will result in many people being kicked off BadgerCare for a year, including many children (who now aren't generally suspended, because premiums don't apply to them).
Forces all individuals above 100% FPL into a more expensive Benchmark plan	Shifts over 200,000 beneficiaries into a higher cost-sharing and lower benefit plan. Increases the cost for low-income families, who are often living paycheck to paycheck, to purchase health insurance. For example, a single mother with two children making just under \$28,000 per year currently pays about \$10 a month in premiums but under the Benchmark plan would pay up to \$116 a month – an increase of \$1,272 a year.
Ends retroactive eligibility	Increases amount of uncompensated care and increases likelihood of health care bankruptcy. This would end the current practice of covering eligible individuals for up to three months before applying. For some with very expensive hospitalizations, these costs may bankrupt the person.
Changes the definition of the family unit	Counts the income of all adults living in the household in determining eligibility (except grandparents). This item counts the income of other adults living in the household (e.g., siblings, roommates, boyfriends or girlfriends), but appears not to count them on the expense side of the ledger. This is likely to put many BadgerCare enrollees over the income limits, and raise premiums for many others.
Assumes individuals no longer eligible for BadgerCare can afford private health care coverage	Creates higher health care costs with cost-shifting. With people losing BadgerCare coverage, and thus joining the ranks of the uninsured, this will result in cost shifting that will make health care more expensive for every Wisconsin family and small businesses. That loss of coverage among low-income households is also likely to lead to unfavorable outcomes for providers, who might face increased use of emergency rooms, a loss of revenue due to more uncompensated care, increased use of emergency rooms, and “adverse selection” (as cost increases, participation by healthier individuals decreases, which increases the average costs for those who continue their coverage).
Puts pressure on federal leaders to approve the waiver to change Medicaid	Drops 47,000 parents and 6,000 childless-adults from BadgerCare, if waiver not approved by federal government. The state budget requires DHS to obtain a “maintenance of effort” waiver from the federal government by 12/31/11. If the waiver is not approved, the budget forces DHS to drop BadgerCare coverage for 53,000 parents and childless-adults, making these Wisconsinites uninsured. For example, parents in a family of three or four, both working minimum wage jobs would be disqualified from BadgerCare.