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DATE: November 10, 2011
TO: Joint Finance Committee
FROM: Ken Taylor, Executive Director
SUBJECT: Proposed Changes to BadgerCare

I urge you to reject the changes proposed by the Department of Health Services (DHS) that, if approved by this committee and federal officials, would result in tens of thousands of Wisconsin families becoming uninsured. Although the Wisconsin Council on Children and Families supports many of the Medicaid changes proposed by DHS that will truly result in cost savings, rather than cost shifting, we have many significant concerns about the proposed changes to BadgerCare, and particularly the changes requiring waivers of the federal maintenance of effort (MOE) requirements.

Based on the following concerns, we urge you to reject the DHS plans to change BadgerCare.

Cost shifting – According to the DHS estimates, **nearly 65,000 people will lose their BadgerCare coverage** because of the proposed changes that require MOE waivers. That number is likely to be much higher when the effects of those premium increases and other changes are combined with the much higher cost-sharing in the alternative Benchmark Plan, which was analyzed separately. That point aside, most of those 65,000 people will end up uninsured and without timely access to preventive care, leading to a sharp rise in uncompensated care for hospitals, much of which becomes a hidden tax on people with insurance.

At least 29,000 children losing coverage – DHS projects that the changes requiring MOE waivers would result in more than 29,000 children losing their BadgerCare coverage. We think that estimate is probably too low for several reasons, but let's assume it's correct. If, as we believe, two-thirds or more of those children become uninsured, that would increase the number of uninsured children in our state by almost 30 percent, moving Wisconsin from having one of the lower percentages of uninsured kids to at or slightly below the national median.

Loss of federal bonus funds – The large drop in enrollment of children in BadgerCare will significantly reduce the performance bonus funding Wisconsin receives for the substantial growth in the number of Medicaid-funded children participating in BadgerCare. Wisconsin received [\\$23 million in performance bonus funds](#) last December, and should be able to receive similar amounts for the next couple of years. To the best of our knowledge, the reduction in that funding hasn't been factored into the DHS fiscal analysis of the proposed changes.

Unreasonable cost-sharing requirements – Parents making \$10 per hour and living paycheck to paycheck shouldn't be expected to pay as large a share of their income for health care costs as middle income families. Yet Attachment 5 at the end of the Fiscal Bureau analysis shows that the increased premiums, co-pays and deductibles would add up to a total in the range of 10 percent to 12 percent of income for low-income families in BadgerCare who are at or above 150

percent of the federal poverty level. That's going to cause many families in BadgerCare to become uninsured. DHS assumes that 21 percent above 150 percent of the poverty level would drop out of BadgerCare because of the increase in premiums, which is extremely worrisome, but that percentage is likely to be much higher when the increased co-pays and deductibles are also considered.

More than 350,000 people adversely affected – Our review of the Fiscal Bureau document indicates that more than 350,000 people in BadgerCare will be adversely affected because of the MOE-related changes, if they are approved. That includes the nearly 65,000 who DHS projects would lose their coverage, 263,000 between 100 percent and 200 percent of the poverty level who would be switched to the alternative benefit plan (and many of whom would be affected by higher premiums and other changes), at least 3,700 people in the BadgerCare Core plan who will be directly affected,), plus many of the children above 200 percent of the poverty level who will pay higher premiums, and many others who are below the poverty level (and affected by changes such as the 12-month suspensions, additional red tape, and elimination of presumptive eligibility).

A 65 percent jump in the projected cut resulting from the MOE-related changes – The documents released by DHS on September 30 indicate that the MOE-related changes would save \$54.4 million GPR. The LFB summary of the DHS projections puts the figure at almost \$78 million GPR on an annual basis and \$90.2 million GPR for the biennium (\$225.8 million All Funds). It would have been extremely useful to have gotten that information from DHS sooner to foster a more robust exchange of ideas about how one might pick and choose between different elements of the proposed changes – assuming the decision-making process was intended to be something more than a take it or leave it exercise.

Inadequate time for public input – More than eight months after the Legislature directed DHS to prepare a study of the options for cutting Medicaid spending, the public is finally getting – via the Legislative Fiscal Bureau analysis – the information that would allow for meaningful public input about changes that will adversely affect more than 350,000 Wisconsinites. We firmly believe that there should be public hearings now to help affected parties understand the changes and respond based on solid information about the proposals and the tradeoffs. It's not appropriate to be making critical decisions today less than 48 hours after we finally got critically important information about the number of people who will be adversely affected, and the cost cutting (and cost shifting) that results from those changes.