

## **Analyzing the Effects of the Proposed BadgerCare Changes: How Will the DHS Proposals Affect Health Care for Children?**

(Updated November 11, 2011)

Some people seem to have the impression that the changes proposed by the Department of Health Services (DHS) to cut about \$554 million of state and federal spending for Medicaid and BadgerCare were designed to protect the current coverage for Wisconsin's children. Unfortunately, that is not the case; if the DHS proposals are implemented, they will have very negative effects on health care for children in our state. In fact, if federal waivers are approved, some of the changes will more adversely affect health insurance coverage of children than the coverage of parents.

This issue brief provides an overview of how the proposed BadgerCare changes would affect health care for kids. It has been updated to reflect new or revised information in the most current DHS documents and the November 10 Legislative Fiscal Bureau analysis.

### **Denying BadgerCare coverage to children in families with offers of employer insurance**

Many low-wage workers may be offered employer-sponsored insurance, but it's often unaffordable. DHS proposes denying BadgerCare to workers and their family members when they are offered employer insurance, even in cases when they can't afford it. The proposal by DHS deems employer coverage "affordable" if it costs less than 9.5 percent of household income. For example:

- A family of five 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 (based on 9 percent of their income).
- A single mom who has two children and an income of \$20,000 per year (about \$9.60 per hour, or 108% of FPL) would have to pay \$1,800 more per year for her premium if her employer coverage costs 9 percent of her income.

DHS estimates that this change would result in 11,274 children and 16,588 parents (or caretakers) losing their eligibility for BadgerCare.

### **Making coverage unaffordable for many families**

Many of the proposed changes will increase BadgerCare premiums, and some of the largest increases will apparently be for families who only need coverage for their children. Researchers have found that premium increases cause a sharp drop in insurance coverage, leading many people to rely on emergency rooms as a primary source of care and causing an increase in cost shifting to other people with insurance. In addition to the change noted above, relating to families that have offers of employer coverage, other policy changes that will significantly increase premiums include the following:

- *Extending premiums to children between 150% and 200% of the poverty level* – BadgerCare premiums currently start at 150% of the federal poverty level (FPL) for parents and at 200% of FPL for children. Thus, if a family between 150% and 200% of FPL has employer coverage for the parent(s) but not for the child or children, there is no premium. Under the DHS proposals, such a family could have to pay a premium of up to 9.5% of income for their employer coverage.

- *Increasing BadgerCare premiums to 5% of income* – The current premiums can reach 5% of income for parents near 200% of the poverty level, but they are considerably less than that for lower income families and also for child-only coverage above 200% of FPL. Raising premiums to 5% of household income for all families above 150% of FPL, coupled with increasing co-pays and deductibles, is likely to make BadgerCare unaffordable for many families with children. DHS estimates that the increased premiums would cause a drop of about 12,100 children and more than 6,100 adults in BadgerCare.
- *Expanding the definition of family income* – One DHS proposal would include in a family’s income the earnings of all adults residing in the household for at least 60 days (except grandparents who aren’t applying for Medicaid), regardless of whether those adults are eligible for coverage or are related to the family members eligible for coverage. However, although their income would be counted, the DHS proposal says the change “does not extend to including the financial needs of other adults as it pertains to household size.” This change would make BadgerCare much less affordable for some families by increasing the measure of household income and thereby increasing premiums, regardless of whether the newly-counted income is available to the family, and even though the additional adults wouldn’t be counted in family size for purposes of determining the family need.
- *Eliminating Transitional Medicaid* – The department proposes eliminating the Transitional Medical Assistance (TMA) category of eligibility, which is a welfare reform initiative that enables children and parents below the poverty level to remain in the same category of BadgerCare coverage for 12 months after their income increases above the poverty level. Eliminating it appears to adversely affect roughly 81,000 BadgerCare participants. DHS estimates that more than 2,500 children will lose their BadgerCare coverage, as will more than 4,100 adults. Most of the rest are likely to have increases in premiums and co-pays and reductions in health care services covered. We are particularly concerned that it could cause interruptions in coverage for families who have brief spikes in income or child support.

The compounded effects of all of the proposed changes are likely to cause very substantial increases in premiums – thereby pricing coverage out of reach for thousands of children and parents.

### **Locking children out of BadgerCare for 12 months if a parent misses a premium payment**

Under current BadgerCare policy, eligibility is suspended for 6 months if a family misses a premium payment. However, the suspension is only imposed upon family members for whom the premium applies, and since there isn’t a premium for children under 200% of the poverty level, their coverage isn’t affected (only the adults lose their eligibility). The proposed changes would apply premiums to all children above 150% of the poverty level and would increase the lock-out period to 12 months. As a result, the DHS proposals could result in 12-month terminations of coverage among the 44,000 children in BadgerCare in families with incomes between 150% and 200% of the poverty level.

In light of the other changes that will increase premiums and co-pays, far more families are likely to occasionally miss a premium payment and have their coverage suspended, and the number of children who lose their eligibility will increase dramatically.

### **Creating administrative inefficiency and hurdles for enrollment**

A number of the proposed changes will make the enrollment process much more cumbersome and will reverse the progress Wisconsin has made in creating an efficient online enrollment system. These changes are likely to suppress enrollment in BadgerCare and other public benefit programs. Some of

the changes that would significantly increase work for caseworkers and create delays and inefficiency include:

- *Routinely requiring documentation of residency* – State residency has always been a requirement for eligibility, but routinely requiring documentation of residency could significantly slow enrollment and will make applying online impractical for the vast majority of people who don't have fax machines or electronic scanners.
- *Changing the family unit* – The expansion of the family unit to include the income of unrelated adults in the household will generate much more work for caseworkers and will exacerbate differences in how family income is defined for purposes of determining eligibility for health care and other benefits (creating significant administrative inefficiencies).
- *Access to employer-sponsored insurance* – As noted previously, DHS proposes making families above the poverty level ineligible for BadgerCare if they have access to employer-sponsored insurance that costs less than 9.5% of family income. Applying this sort of requirement to far more families (those between 100% and 150% of the poverty level) will create much more work for program administrators and delays in the application process for many more families.
- *Eliminating express enrollment for children* – Express enrollment expedites the process of getting children and pregnant women into BadgerCare and Medicaid. Eliminating it for children might not increase administrative costs, but it will create delays in enrolling children and getting them the health care they need when they need it (while also resulting in an increase in uncompensated care for providers). This will become a greater problem as the other changes noted above significantly slow enrollment.

### **Reducing covered services and increasing cost-sharing**

One of the changes that DHS proposes that does not require a federal “maintenance of effort” waiver (but must be submitted to the Finance Committee for review) is moving all families above the poverty level into a “benchmark” plan that covers a narrower range of health care services. This change is expected to reduce covered services for about 263,000 BadgerCare participants, including more than 157,000 children.

We are still trying to sort out the details, but the change will probably mean that some children and parents, especially those with greater needs, have difficulty getting specific health care services they need. This is one change that might not be as detrimental for kids as it is for parents. Federal law requires states to provide children in Medicaid a benefit called Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) or “Health Check.” This entitles children enrolled in Medicaid and BadgerCare to receive comprehensive examinations and diagnosis of their medical problems, and the treatment they need to remedy those problems – even if that treatment is no longer part of the covered services routinely provided through the new benchmark plan.

Although the continued existence of Health Check is somewhat reassuring, parents may have to be more diligent and assertive to ensure their children get services that aren't explicitly part of the benchmark plan. The DHS proposal doesn't indicate if or how the department will satisfy its legal obligation to ensure that thorough exams and follow-up treatment aren't an idle promise for the children in BadgerCare.

The new Benchmark Plan coverage will also include higher copayments. Whereas BC+ co-pays are now minimal for families below 200% of FPL, the new co-pays will be as much as 5 percent of income for families below 150% of FPL, and are uncapped for families above that level. According to DHS

calculations for various hypothetical families at 150% of FPL, the combined premiums and co-pays will be in the range of 8% to 11.4% of family income.

## **Conclusion**

The proposed changes will adversely affect children in many ways. The following is a brief summary that aggregates into four categories the key ways in which the proposed changes would reduce access to health care for children and parents, if the DHS proposals are approved by the Joint Finance Committee and by federal officials. The changes include:

- Raising premiums, co-pays and deductibles, to the point where health insurance is priced out of reach of thousands of Wisconsin families. The premium increase alone will cause more than 12,000 children to lose BadgerCare coverage, according to the DHS estimate.
- Making many children and parents ineligible for affordable coverage by eliminating Transitional Medicaid, by creating a 12-month suspension of eligibility for missing a BadgerCare premium, and by counting as part of family income the income of unrelated adults living in the household (even though they aren't counted for purposes of family size and financial need).
- Reducing the scope of health care services covered by BadgerCare for families over the poverty level, which affects more than 157,000 children and 105,000 parents.
- Creating additional red tape that will slow applications, substantially increase administrative workload and costs, and make it much more difficult for applicants or participants to get timely assistance from caseworkers.

In most respects the proposed changes will have the same or similar effects for kids and their parents, but there are a few ways in which the adverse consequences will be greater for children:

- Premiums will be extended to children between 150% and 200% of the poverty level, which will negatively affect families who have access to employer coverage that does not include dependents. (Currently, the premiums only apply to the parents in that income range, not to their children.)
- Children between 150% and 200% of the poverty level will be suspended from BadgerCare for 12 months if their parents miss a premium. (Now the lock-out period is 6 months and doesn't apply to children in that income range.)
- The state will no longer use express enrollment to expedite coverage of children, which will deny BadgerCare coverage for urgently needed care to kids whose applications are held up by red tape (such as the new requirements to provide documentation of state residency or to verify the income of non-related adults living in the household).

For both children and parents, the proposed changes won't truly reduce costs. Instead, the changes will reduce access to preventive care, increase reliance on emergency rooms, and result in a significant increase in uncompensated care, the cost of which is shifted onto other health care consumers in our state.

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