State of Wisconsin
Department of Health Services

Jim Doyle, Governor
Karen E. Timberlake, Secretary

Senate Committee on Health, Health Insurance, Privacy, Property Tax Relief and Revenue

Testimony of Secretary Karen E. Timberlake
Department of Health Services

Senate Bill 484 – BadgerCare Plus Basic

February 11, 2010

Senator Erpenbach, and members of the Senate Committee on Health, Health Insurance, Privacy, Property Tax Relief and Revenue, thank you for the opportunity to provide you with an overview of BadgerCare Plus Basic and how important it is to uninsured citizens in Wisconsin.

Wisconsin is a national leader in health care coverage for its citizens. Since Governor Doyle launched and the Legislature approved the BadgerCare Plus expansion in 2008 with a goal of providing access to affordable health insurance for all eligible children, the program has led to a dramatic increase in access to health care for Wisconsin citizens.

Wisconsin now has the second lowest uninsured rate in the nation, thanks to a combination of coverage expansions under BadgerCare Plus as well as a continuing, strong tradition in this state of employer-sponsored health insurance. The Governor's efforts to insure more children and make the program more accessible have been hugely successful, and they have proven to be an essential part of this state's response to the current national economic downturn.

With unemployment rates in Wisconsin doubling over the past year, more families in Wisconsin have become eligible for and are in need of safety net programs, like BadgerCare Plus, to help them get through these difficult times.

This increased demand has already been underscored by the overwhelming response for the new BadgerCare Plus Core Plan for very low income individuals without dependent children in their household. The Core Plan provides coverage for essential health care services to Wisconsin residents. It was designed for the long term uninsured, but many who signed up were those who lost their coverage when they lost their job.

As of October 9, 2009, we had to suspend the BadgerCare Plus Core Plan enrollment at 65,000 individuals due to the budget neutrality requirements of our federal waiver. Four months later 25,000 individuals have been added to the waiting list for the Core Plan and every week hundreds of new names are added.

This includes low income singles who haven't had insurance in years and empty-nesters who lost their jobs and their health insurance in the economic decline. These are hard working people

who still can't afford health care. In fact, more than half of all individuals on the waiting list have incomes.
Many of these 25,000 people have medical conditions which prevent them from being eligible for other commercially available insurance products because they are by definition "pre-existing." Without coverage they may spend their life savings paying for their prescriptions and doctor visits. Some will stop taking their medication altogether and a treatable illness will get worse.

Some people on the waiting list may be perfectly healthy, but a serious injury or an appendicitis attack while they wait for coverage in the Core Plan could leave them bankrupt.

That is why we need a self funded, stop-gap program like BadgerCare Plus Basic -- a program that will cover the most basic health needs at no cost to state taxpayers.

BadgerCare Plus Basic will offer basic primary and preventive health care services. Benefits will include:

- Limited primary and preventive services – 10 physician visits
- Catastrophic coverage -- One inpatient stay and five non-emergency outpatient visits are covered before a $7,500 deductible kicks in
- Limited speech, occupational and physical therapy
- Limited emergency outpatient services
- Generic medications

Basic coverage will be funded entirely through monthly premiums of $130. These premiums, while small compared to people paying thousands each month, may represent a significant cost for someone who has no job and no income. However, it is a better option than risking everything you've worked your whole life for and ending up in bankruptcy.

Although we are accepting people based on income regardless of pre-existing conditions, the program is designed to be self-funded based on monthly premiums of $130 per person.

- The state's actuaries, Pricewaterhouse Coopers designed the monthly rate using an actuarially sound methodology which assumed that people who are signing up for BadgerCare Plus Basic haven't been to a doctor in over a year and would have higher health care needs.

- Under BadgerCare Plus Basic, health care providers will generally be reimbursed at Medicaid rates, as those eligible for Basic are on a waiting list for a Medicaid program.

- Statutory language allows the Department to adjust the premium levels and benefits to ensure that the program remains financially sound. If we need to modify the benefits or adjust the premium amounts, we will do so.

- The state received a grant from the United States Health Resources and Services Administration (HRSA) of $10 million per year over 5 years. This grant is intended to improve access to health care coverage and is being used to help fund the Core Benefit plan. We are setting aside $1 million dollars of this federal grant as a reserve fund for the

Basic program. This is similar to the level of funds OCI requires plans to have as a safety net; however, we do not ultimately anticipate having to use these funds for Basic.

There are other options available for people of modest means who don't have access to employer sponsored health insurance.

- If they are under age 27, Wisconsin law now allows them to stay on their parents' insurance.
- If they meet the requirements and have, on average, $466 per month, HIRSP may be an option for them.
- If they don't have any health conditions for which they have sought medication or treatment, like asthma, diabetes, or high blood pressure they may be able to find a plan on the individual market.

As part of offering people a chance to enroll in BadgerCare Plus Basic, we will advise people of these options and encourage them to investigate the choices available to them.

However, it is important to understand that, with the exception of the new law extending dependent coverage to those under 27, these options have existed in Wisconsin for years. The reality is that for 65,000 people on the Core Plan today, and likely for many of the 25,000 people on the waiting list, these options are unaffordable or otherwise unavailable to them.

For so many people in this state struggling to get their feet under them in the wake of the national economic decline, programs like Basic and Core and BadgerCare Plus are merely bridges to better options. People like Tony and Pamela Camera of Genoa City – who appeared at the State of the State Address.

They worked their whole lives, had a comfortable life and then suddenly were out of work through no fault of their own and faced with a very scary proposition. They did not qualify for BadgerCare Plus because they did not have dependent children, but they desperately needed health care coverage to treat Tony's diabetes. Luckily for them they were able to enroll in the Core Plan. They never viewed BadgerCare Plus as their long term solution. As soon as Pamela found a full time job with benefits they made sure that someone else was able to take their spot in the Core program.

There are a lot of Tony and Pamela's out there. As I said earlier, more than 50% of the people that would be covered by Basic have jobs. They're not unemployed – they're underemployed. They don't want to be on a BadgerCare Plus plan but they need that basic level of coverage so that if they get sick or injured they don't lose everything.

That is why BadgerCare Plus Basic is so important. It's not just about access to health care. It's about protecting the assets that the people of this state have worked their lives to build. More than half of all bankruptcies in this country are due to medical expenses. BadgerCare Plus Basic will help thousands of people who are eligible for the Core Plan maintain their health and guard against financial ruin until they secure a spot in the Core Plan or a better job that offers health insurance. We can provide this measure of security at no additional cost to taxpayers, and we should do so.

KATHLEEN VINEHOUT
STATE SENATOR

Testimony on SB 484
Senate Committee on Health, Health Insurance, Privacy, Property Tax Relief and Revenue
Thursday, February 11, 2010

When I think about health care reform, three things come to mind.

We need to figure out how to bring down costs, get as many people in as large a pool as possible and figure out how to pay for it.

We've got to be able to handle risk in a way that folks can't avoid it; incentives that don't drive costs up; and make sure care is provided to everyone.

Spreading the risk and spreading the cost means putting people in as big a pool as possible.

We haven't figured out how to spread the risk. We haven't figured out how to allocate the costs and we haven't figured out how to change the incentives.

The way we allocate risk now results in 500,000 people uninsured in Wisconsin. The way we allocate costs is to attach the cost to jobs. We hurt small businesses because they don't have a big pool.

We've managed to expand coverage but we've expanding it by adding more people to public programs and paying lower costs to providers.

And as we add more costs to state programs, our actual state revenue dollars are shrinking.

Medicaid is the fastest growing part of our state budget, takes up 20% of all fund the state spends. Medicaid provides care to one in five of our state residents and has grown by nearly a billion dollars or 20% in just one year (just for comparison the Governor's Association estimates nation-wide average state growth of 8%).

Badger Basic, continues everything that's wrong with our current health care system:

Instead of creating a larger pool, it creates a smaller one, perhaps as small as 5000 people, sick people of low income.

Because the state doesn't have any extra revenue, the plan is supposed to be paid for with premiums. But with 50% of the potential population without income, so it's hard to set a premium low enough that covers costs.

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The plan designers decided to remedy this by paying providers Medicaid rates – or less if you are a hospital (increasing the costs shifting problem), by limiting the number of visits, by creating a doughnut hole deductible of $7,500 after one hospital visit and by charging – for this low income population – very high co-payments.

All of this will serve to limit those who actually sign up, to people who are sick and already paying high costs out of pocket; an adverse selection nightmare.

Badger Basic puts the risk on the state and taxpayers – who already can't afford the recent expansions of Medicaid. Just to share a few figures - according to the Legislative Fiscal Bureau, the cost overruns for BadgerCare Plus are already estimated at $100 million to $125 million GPR.

Badger Basic was created because of the cost overruns in Badger Core plan – overruns estimated at $20 million to $25 million GPR.

The state Medicaid program is looking to find over $600 million in savings – roughly a third of that is in one time savings or delays in payment – that is pushing off to the next budget. All these problems are in THIS BUDGET.

Lest we forget that we play with people's lives in our business, with this plan we create expectations for the poorest of people and then we deliver a plan with mediocre coverage for too much money.

It creates harsh rules on those who are unable to pay a month's premium by not allowing the person back in the plan for 12 months and skirts all of the regulations we have on insurance companies – including those related to appeals.

The plan is seriously under capitalized and DHS – an agency not directed to regulate insurance – is charged with determining its fiscal soundness.

Like a small business with a few sick patients, adverse selection will drive up costs of the plan. With no financial reserves, the plan will quickly run into financial problems. The department attempts to resolve this problem by shifting $1 million of an annual $10 million federal grant which is intended to pay for services provided under the Badger Core plan. Of course, this creates problems in the already underfunded CORE program.

Solving the health care problem by adding people to our public system without addressing the reasons for rising costs, without further spreading the risk or without aligning incentives is simply unsustainable.

This problem is solvable.

Congress may have taken a temporary pause from marching forward on health care reform. But, I believe, federal health care reform will happen. And happen soon.

But Wisconsin has an opportunity to take federal reform a few steps further.

- Create a **small business exchange** that would serve as a 'one stop shop' for small business to purchase health insurance.

- Direct **OCI to create the exchange** minimizing market disturbances and winners and losers. Every small business buying health insurance in Wisconsin would buy insurance through the exchange. Every plan competing would be vetted on cost and quality.

- Create a **public employees exchange** for all public employees – school districts, local government and state employees.

- Direct **ETF to create the exchange** while respecting existing union contacts and constitutional concerns and allow every unit of local government to purchase health insurance just like state employees do now.

- Create a **one stop shop website** patterned after the successful ACCESS.GOV website.

- Direct DHS to create a **cascading eligibility check** so any one coming to the website would be directed toward the proper program best suiting their needs, including COBRA, HIRSP and various Medicaid programs.

- Create an **affordable option through HIRSP** for those trying to find health insurance as **individuals** or self employed persons including farmers. The passage of federal health care reform brings $5 billion into the state high risk pools 90 days after enacting the legislation. This provides us an opportunity to expand coverage to those most in need without adding to the state's already overburdened Medicaid system.

- Finally, **create advocacy organizations** across the state to assist people through the maze of options.

The health care system of the future will continue to be a mix of public and private payers, but neither the public nor the private systems can sustain the current increases in costs. To change the cost dynamic – or bend the costs curve – we must realign incentives.

We can do this through the effective use of managed competition. We have seen this work in our current state employee system and in other examples across the country.

As difficult as it is, we must acknowledge we cannot continue to expand public coverage without addressing increasing public costs and we cannot continue to cost shift and ever expect we are going to bring down costs to business, especially small businesses.

I would be glad to meet with any of the committee members individually to discuss these ideas and would welcome the assistance of any or all the members in helping the state prepare for what – I believe – will be a turning point in way we pay for and deliver health care in Wisconsin.

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COVERING THE UNINSURED
MOVING BEYOND MEDICAID
Position Statement – January 2010

The goals of Medicaid and BadgerCare are ones that WAHU fully supports – helping people afford health care and health care coverage. However, we believe the existing Medicaid and BadgerCare programs are fraught with problems.

Inaccessible Health Care – It is no longer a case of anecdotal evidence. People on Medicaid often have a difficult time finding providers willing to accept Medicaid rates and therefore unwilling to provide service. We just saw this with the Mayo Clinic in Arizona. Even among those willing to accept these patients, we are seeing the wait times are longer than those with private sector healthcare.

Insufficient Provider Reimbursements Lead to Cost Shifting - With Medicaid reimbursement rates at roughly 40 cents on the dollar, providers must cost shift this shortfall to the private sector. Each time rates go up in the private sector, more people become uninsured. An expansion of Medicaid and BadgerCare simply exacerbates the vicious circle of cost shifting to the private sector, and more potential for increasing the uninsured population.

Private Sector Crowd Out – Efforts to try and keep employees covered under their employers group plan (where their employer pays a portion of the premium) rather than have the state accept full financial responsibility within BadgerCare have failed. Crowd out is a reality of the system. The state is literally subsidizing millions of dollars that might otherwise be paid for by employers willing to contribute to their employees' health insurance.

Incentive to Remain Eligible for Medicaid and BadgerCare – Based on the structure of these programs, there is a perverse incentive for enrollees to remain at lower income levels just in order to qualify for health coverage through the state.

Poor Customer Service and Confusing to Enrollees - In a review of our current Medicaid and BadgerCare programs, it was determined that there were thousands of uninsured who actually qualified for these programs but never signed up for them. It was determined that part of the problem was that it was difficult and confusing for individuals to enroll and even more difficult to find someone to help them determine if they qualified and what their options were. By having to deal with a nameless and faceless 800 number; the end result is many simply go without coverage.

There is a better solution: Use The Existing Private Market to Cover the Uninsured

Health Coverage Accounts (HCA) – The goal of Medicaid is to help individuals afford health care. However, because of the faults within the system described above, we must continue to help these individuals afford health care by providing financial assistance to afford health care coverage. In addition, while the goal of BadgerCare is to help the working poor afford health care coverage until they no longer need the help, because of the faults described above, we must help these individuals afford health care coverage in the private market. For the majority of Medicaid and BadgerCare eligible, the state should create Health Coverage Accounts (HCA); which is an individual financial account for the recipient of Medicaid and BadgerCare. The purpose of these accounts is to help Medicaid and BadgerCare recipients afford basic health care coverage.

Private Market Health Care Coverage – If Medicaid and BadgerCare recipients could purchase their health care coverage through the private market, it would solve nearly all of the problems associated with these programs. It would completely eliminate Private Market Crowd Out, Insufficient Provider Reimbursements (thereby eliminating cost shifting to the private sector), and would offer these recipients the same superior, world-class health care afforded those in the private sector. It is likely that we will see federal health care reform and likely much of the responsibility will be placed on states to find ways to cover the uninsured. The State should submit a waiver request to the Department of Health and Human Services so that existing and future Medicaid matching dollars from the federal government could be used to fund a recipients HCA, and then to allow these individuals to use their HCA to purchase health care coverage in the private market. For those that are working and are offered coverage through their employer, these funds could be used for the employee's portion of their premium contribution to an employer sponsored plan. For those not eligible for an employer sponsored health insurance plan, the dollars in the HCA could be used to purchase an individual health insurance policy from the private market. In addition, the state should set up a cost sharing arrangement with these recipients that is based upon family income. A sliding scale should be implemented that helps finance health care coverage for those at certain percentages of the federal poverty level.

Public/Private Partnerships – So how is someone who is currently uninsured able to determine what programs they qualify for, and which plan is best for them? The answer is from the same resources the private sector uses to make such decisions - an insurance advisor. Washington has suggested we need "Exchanges" or "Connectors". The fact is, we have an entire cost effective system in place today to "connect" people with the right health care coverage. Wisconsin has thousands of licensed, regulated and educated insurance agents who have access to every insurance company offering coverage in Wisconsin. A Public/Private Partnership should be implemented between the state and the not for profit insurance agent associations, such as the Wisconsin Association of Health Underwriters (WAHU) and National Association of Insurance and Financial Advisors (NAIFA). These associations would be responsible for training insurance agents in this new program and would make available the list of insurance advisors who have agreed to help this population of people find coverage in the private market using the Health Coverage Accounts. The advisor would be in the field and would be a face the recipient could see and talk to, rather than a state worker on a telephone. The advisor would help the individual determine what options were best suited for them. If using the HCA in the employer sponsored plan made sense, then the agent would complete the necessary paper work on behalf of the recipient so the money in their HCA could be sent to the employer's insurance company. If the recipient had no option of an employer plan, then the agent would find the best coverage available for that specific individual in the private market, filling out the necessary paper work to have the HCA dollars be sent to the insurer of choice.

Senate Health Committee
Testimony In Support Of SB 484
February 11, 2010

Good morning Chairman Erpenbach and members of the committee. I'm Tom Petri, Director of Policy and Communications for the Wisconsin Primary Health Care Association. We're the group that represents and promotes the work being done inside the state's 17 Community Health Centers.

I testify today in favor of passage of SB 484. As a starting point, it's important to note that almost 150,000 of the state's Medicaid (BadgerCare) clientele sought out at least one primary medical, dental or behavioral health care service from one of our Community Health Centers last year. The presence of CHCs, currently with 70 sites across the state, has been and will continue to be, crucial to the ability of our BadgerCare enrollees to receive the care they need.

WPHCA believes the Administration has made the right decision to not seek any additional state dollars, thereby acknowledging that Core Plan enrollee interest in the BadgerCare Basic benefit plan will allow it to either sink or swim. At the same time we applaud the Administration and the legislative authors for properly assessing the realities of the state's fiscal situation and still seeking to assist our low-income childless adults who do not have insurance coverage, but are seeking it, and are able to pay for it.

The lingering state and national economic doldrums, coupled with higher-than-expected levels of BadgerCare enrollment have certainly led to higher costs and consternation among many legislators. However, Community Health Centers believe that the legislature's 2008 and 2009 efforts to extend health insurance coverage opportunities, not contract them or cut them, but extend them to as many of our most-vulnerable, most-underserved and chronically-uninsured citizens will one day be remembered as a historic and remarkable achievement.

Our benefit specialists will certainly advise patients who are on the Core Plan waiting list of the BadgerCare Basic choice available to them. Many of the almost 70,000 Core enrollees are CHC patients. Health Centers are hopeful that many of our uninsured, income-eligible patients can take advantage of the Basic Plan, though it's not likely because many of our patients are those inside the lowest income brackets, and they will not able to budget for the monthly premium expense.

As an association WPHCA is most interested in making sure that those patients who do enroll in Basic understand the plan's limitations, and are able to get their money's worth of health care services. As others do, we see two potential target populations for this type the coverage: Qualified, low-income people interested in a catastrophic "bridge" plan in case of a serious health care situation, and those on the Core waiting list who are hoping to connect to fuller coverage through the Core Plan down the road.

In closing, just a reminder to committee members that all 17 CHCs are proudly included in the state's publicized network of primary care providers available to those WITHOUT insurance. Regardless of the ultimate fate of this legislative effort, we will continue our work to assure to help the uninsured receive the primary medical, dental and behavioral health care that they need.

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Wisconsin Association of Health Plans

TO: Senate Committee on Health, Health Insurance, Privacy, Property Tax Relief, and Revenue

DATE: February 11, 2010

RE: Senate Bill 484, the BadgerCare Plus Basic Plan

The Wisconsin Association of Health Plans appreciates the Department of Health Services' efforts to address the health care needs of the increasing number of Wisconsin residents who are finding themselves without coverage as a result of the current economic downturn. As members of the Assembly Health and Healthcare Reform take action to address the needs of this growing population, we encourage members to consider a number of issues regarding the proposed BadgerCare Plus Basic Plan:

- On top of the $633 million budget shortfall in the Medicaid program that had to be addressed last year through the MA Rate Reform Initiative, the Legislative Fiscal Bureau recently reported that DHS is facing an additional $120 to $150 million shortfall in the BadgerCare Plus and BadgerCare Plus Core Plan programs. With the current budgetary overruns in the existing BadgerCare programs, does it make sense to put additional pressure on valuable resources by implementing a new program with significant financial risk?

- With the administrative challenges of managing the current Medicaid programs, especially given the limited staff resources of the Department, does DHS have sufficient administrative capacity to properly manage a fee-for-service insurance program and ensure that premiums are being collected, claims are being processed, and providers are being reimbursed?

- Access to certain health care services is already a serious problem for many Medicaid enrollees throughout the state, especially in rural areas. Given that provider participation is voluntary under the Basic Plan, how can DHS ensure that Basic Plan enrollees will have adequate access to health care services, while avoiding additional frustrations for enrollees who are paying $130 per month for coverage?

- Why would individuals who have access to other types of insurance coverage (subsidized COBRA, subsidized HIRSP, individual short-term, etc.) choose to enroll in a program that costs about the same amount – possibly more – but provides inferior coverage compared to other options?

- For an individual making $21,000 per year ($1,750 per month), or less, $130 per month for coverage is a lot of money. How does DHS plan to avoid the situation where only people who have a high need for health care utilization will enroll, thereby putting excessive cost pressures on the program and forcing state officials to increase the monthly premiums, decrease provider reimbursements, or subsidize the program with other funding sources?

From the health plan industry's perspective, the Basic Plan proposal reinforces the argument that, in health insurance, one size does not fit all.

Extending the principles of the Basic Plan to the private market - allowing flexibility in the design of benefit plans, limiting provider reimbursement to Medicaid rates, providing an exemption from all state insurance statutes, etc. - would likely increase the number of employers and individuals who can afford health insurance, reduce the number of uninsured Wisconsin residents, and lessen the burden on the deficit-ridden Medicaid safety net.

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