



An Overview of Health Care Issues in the 2013-15 Budget

Spending More State Dollars to Cover Fewer Wisconsinites through BadgerCare

A key issue in the Department of Health Services (DHS) budget and in the budget bill as a whole is the question of how Wisconsin will use the Affordable Care Act (ACA) to help improve access to health care. Governor Walker’s answer is to partially close the current gap in BadgerCare by extending eligibility to all adults below the poverty level who don’t have children, while cutting in half the current income eligibility ceiling for parents and caretakers.

Under the terms of the ACA, states that cover childless adults to 133% of the federal poverty level (FPL) can get full federal funding for the cost during the first three years (2014 through 2016), phasing down to 90% federal financing in 2020 and thereafter. Because the Governor’s plan stops at 100% of FPL, the state will continue to have to pay its regular share of Medicaid spending, which is 41% of the total. To offset that cost for covering an additional 82,000 childless adults below the poverty level, the Governor proposes eliminating BadgerCare coverage of the 88,000 parents and 6,000 childless adults over the poverty level.

A preliminary Legislative Fiscal Bureau (LFB) analysis of the various options indicates that Wisconsin could cover far more adults in BadgerCare at far less state expense by expanding eligibility of childless adults to 133% of FPL and qualifying for the full federal funding. The following are some of the highlights of the portions of that preliminary LFB analysis relating to the comparative cost of capping eligibility of parents and childless adults at the poverty level, versus covering childless adults to 133% of the poverty level and maintaining current parent eligibility. (This LFB analysis does not take into account differences in administrative costs or changes in enrollment of already-eligible adults.)

Capping Adults at 100% of FPL vs. Covering Childless Adults to 133% and Parents to 200%

+ \$44 million	Higher state cost of Governor’s proposal in 2013-15, (compared to expansion of childless adult coverage to 133% of FPL – based on preliminary LFB analysis)
+ \$254 million	Higher state cost of Governor’s proposal from Jan. 2014 through June 2020 (LFB)
89,000	Number of parents now enrolled in BadgerCare expected to lose coverage under the Governor’s plan (Many of these parents will become uninsured.)
-5,000	Net change in adults in BadgerCare under the Governor’s plan (DHS estimate)
28,000	Larger number of people uninsured under the Governor’s plan (DOA estimate)

A compromise option that provides the same level of coverage to childless adults, while reducing the income ceiling for parents to 133% of the poverty level (Scenario 4 in the LFB memo), would save even more – roughly half a billion dollars through June 2020.

Coverage for Children and Pregnant Women

The budget bill does not directly affect BadgerCare eligibility of children (except those above 300% of FPL) – thanks to “maintenance of effort” provisions in the ACA that don’t allow states to reduce their

eligibility-related standards for children until 2019.¹ However, the budget codifies into state law proposals made by DHS in 2011 that could cause 29,000 children to lose their BadgerCare coverage when the ACA provision expires in 2019 (or sooner if a federal waiver is approved). Additionally, children in families above the poverty level may be adversely affected in several ways by the Governor's proposals. First, the department seems to be planning to reduce benefits for some people in BadgerCare, and that could include children. Second, parents and children now in BadgerCare will often be split into different health plans. Third, states with more restrictive eligibility of parents tend to have lower enrollment of children than states that cover more parents. Also, the bill would end the ability of families above 300% of FPL to buy BadgerCare coverage for their children at full cost.

Governor Walker's budget proposes restricting BadgerCare coverage of pregnant women above 133 percent of the poverty level (who are currently eligible up to 300% of FPL); however, DHS told a reporter and members of the Joint Finance Committee that the Governor plans to change that part of the bill and maintain existing coverage for pregnant women. As the bill is written, it would shift pregnant women over 133% of FPL into the BadgerCare Prenatal program, which provides "pregnancy-related" services on behalf of their "unborn child." We were relieved to hear that this shift in coverage will be removed, since there are numerous drawbacks to the BadgerCare Prenatal program, compared to full-BadgerCare. The shift could limit the scope of coverage, restrict eligibility for women with employer-sponsored coverage, put a larger portion of pregnant women into more expensive "fee-for-service" care, and cause delays and interruptions in coverage that can be problematic for the women and the state.

Increased Funding in the DHS Budget

The budget increases state support for the Department of Health Services by a total of about \$764 million GPR during the biennium. Most of that increase, about \$663 million, is simply the cost of maintaining the status quo, while addressing the upward pressure on spending from things like demographic changes, underlying enrollment trends, inflation, and a decline in the federal share of Medicaid spending (because of a formula that decreases the federal match rate when state income improves).

Specific areas of increased state spending in the DHS budget include the investments in mental health care discussed below, as well as the following items:

- \$16.7 million GPR for the state share of increased spending for job training and employment assistance for Food Share recipients, primarily as a result of restoring work and job training requirements for able-bodied adults who don't have dependents.
- A \$5 million GPR increase in the second year to fully fund the projected cost of the AIDS drug assistance program.
- \$8.8 million GPR over the biennium to reflect a reestimate of the cost of the Supplemental Security Income program.
- \$5 million GPR for the Wisconsin Health Information Organization (WHIO), which is an organization focused on improving transparency of cost and quality health care data.
- \$4 million to make grants to consortia of health care providers to support the cost of developing and offering graduate education programs for primary care physicians, and \$1 million to create a grant program to support the costs of medical residency programs.

¹ The ACA's maintenance of effort protection for children does not apply to unsubsidized coverage, such as Wisconsin's BadgerCare coverage for children over 300% of FPL.

Improving Access to Mental Health Care

The proposed budget includes \$29 million in new state funds for mental health programs. The investments include:

- *Comprehensive Community Services*: The bill expands community-based care for a recovery-based psychosocial rehabilitation program for adults and children with severe mental illness. These funds relieve some of the county funding pressures for mental health, and ensure that there will be supports in all counties.
- *Office of Children's Mental Health*: This new office would be created within DHS to study, recommend, and coordinate initiatives to improve the integration of mental health services provided to children and monitor performance. The budget also proposes \$535,000 in increased funding for children's mental health services.
- *Coordinated Services Team*: These wraparound, community-based models of care for children with behavioral health issues will be expanded statewide with regional coordinators.
- *Peer-Run Respite Centers*: These centers would be developed to improve outcomes through peer supports, 24/7 hotlines, respite, wellness activities, and hospital diversion.
- *In-Home Counseling for Children*: The budget includes funding to provide in-home counseling through Medicaid to improve access to services and promote earlier interventions.
- *Two Additional Forensic Units at Mendota Health Institute*: The bill provides funding and positions to increase the capacity for inpatient evaluation and treatment services.

Health Care for People with Disabilities

- *Family Care* – The budget provides no additional funding to help expand the Family Care and IRIS programs into additional counties.
- *Medical Assistance Purchase Plan* – The bill makes a couple of significant policy changes in MAPP, which is a buy-in program that allows working people with disabilities to purchase Medicaid if they have income or assets too high for traditional eligibility. On the plus side, the bill changes the way unearned income is treated in calculating premiums, which will significantly reduce the premiums for people with large SSDI checks. On the negative side, the bill will make people ineligible for MAPP if they are not working at a job that requires the withholding of Social Security and Medicare taxes. This would remove MAPP as an option for people whose disability is too significant to allow them to work a regular job.

Other Health Care Appropriations of Note

Some of the notable health care budget issues outside DHS include the following:

- *University of Wisconsin*:
 - The UW budget includes \$3.75 million for the Carbone Cancer Center to expand access to molecular imaging services to cancer patients in 17 oncology care sites throughout the state (contingent upon receipt of federal matching funds).
 - The bill provides \$1.5 million GPR each year to UW Madison for expansion of the Wisconsin Academy for Rural Medicine and the Training in Urban Medicine and Public Health programs.
- *Higher Education Aids Board* – The HEAB budget includes about \$520,000 GPR to increase the state's contract with the Marquette University School of Dentistry to increase the number of dental students eligible for subsidies by 20 in 2013-14 and 40 in 2014-15.

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