

Vote Record

Senate - Committee on Health, Utilities, Veterans and Military Affairs

Date: 1-23-2000

Bill Number: SB18

Moved by: Robson

Seconded by: Rosenzweig

Motion: Passage

Committee Member

Sen. Rodney Moen, Chair

✓  Aye

No

Absent  Not Voting

Sen. Roger Breske

✓  Aye

No

Absent  Not Voting

Sen. Judith Robson

✓  Aye

No

Absent  Not Voting

Sen. Jon Erpenbach

✓  Aye

No

Absent  Not Voting

Sen. Mark Meyer

✓  Aye

No

Absent  Not Voting

Sen. Peggy Rosenzweig

✓  Aye

No

Absent  Not Voting

Sen. Robert Cowles

✓  Aye

No

Absent  Not Voting

Sen. Scott Fitzgerald

✓  Aye

No

Absent  Not Voting

Sen. Mary Lazich

✓  Aye

No

Absent  Not Voting

Totals:

9

0

0

0

Motion Carried

Motion Failed

# *Wisconsin Association of Health Plans*

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January 23, 2001

TO: Senator Rod Moen, Chairman  
Members of the Health, Utilities, Veterans & Military Affairs Committee

FROM: Wisconsin Association of Health Plans

RE: Senate Bill 18, Relating to BadgerCare Funding

The Wisconsin Association of Health Plans urges your approval of Senate Bill 18 that appropriates continued funding for the BadgerCare program in Fiscal Year 2001, to account for higher-than-expected enrollment and medical costs.

By almost any measure, the BadgerCare program is a success, and Wisconsin's HMOs are an integral part of that success. Indeed, the participation of health plans was an assumed and necessary part of the BadgerCare concept from the beginning, built on the success of the long-standing Medicaid-HMO program.

The Wisconsin Association of Health Plans is proud of the role its members have played in helping BadgerCare succeed. We look forward to this unique partnership with the State in the years to come.

Your approval of continued funding for BadgerCare will help this program, which has become a national model, continue to thrive.

Thank you.

Chair

William D. Petasnick

Milwaukee

Chair-Elect

Theresa H. Richards

Marshfield

Immediate Past Chair

George L. Johnson

Reedsburg

President and CEO

Robert C. Taylor

**January 23, 2001**

**TO: Members, Senate Health Committee**

**FROM: Scott Peterson, Vice President of Government Relations**

**SUBJECT: Support for LRB 1949 / BadgerCare Funding**

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Providing Wisconsin residents with the safety net and peace of mind of health insurance is an ongoing concern of the Wisconsin Health and Hospital Association. The next few years will be critical in determining whether Wisconsin is able to maintain its leadership role as having one of the lowest percentages of uninsured people in the nation. To ensure continued success, we need to keep health insurance premiums at affordable levels, provide purchasing options for individuals and small businesses and continue the active participation of business as a source of group coverage.

Additionally, we must also support public health insurance programs targeted to the indigent and working poor, especially children. The BadgerCare program is a model for the nation, bridging the gap between Medicaid and private insurance by guaranteeing health coverage for all families up to 200 percent of the federal poverty level. Accordingly, WHA supports full funding of the BadgerCare program to insure that the program is enrolling the population of low-income working families originally intended to be served. LRB 1949 accomplishes this goal, and we commend Senator Plache for her leadership on this critical health issue.

The state's aggressiveness in covering parents as well as children has made Wisconsin a national leader in children's health insurance coverage. The federal government has recognized this in granting Wisconsin's recent BadgerCare waiver. WHA remains committed to supporting the fiscal integrity of the BadgerCare program and the health status of those served by it.



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Hospital Association, Inc.

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"For these are all our children . . .  
we will all profit by, or pay for,  
whatever they become." James Baldwin

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## BadgerCare Continuation Funding – SB 18/AB 36

Statement for Senate Committee on Health, Utilities, Veterans and Military Affairs  
*January 23, 2001*

Linda A. Hall  
Health Policy Specialist

The Wisconsin Council on Children Families strongly supports SB 18 which will fully fund BadgerCare for the remainder of this fiscal year. We, at the Council, are very pleased that there is bipartisan support for this important program that has extended health care coverage to 74,500 individuals in working families. In addition, since BadgerCare began, 31,700 children have been enrolled or re-enrolled in Medicaid. Many of these were the children who lost their Medicaid coverage during the conversion to the Wisconsin Works (W-2) program.

While there are still some administrative program issues to address in BadgerCare, we are pleased to note that 106,300 more individuals have health care coverage now than before this program was implemented in July, 1999. For low-income families in rural and urban areas throughout the State, BadgerCare is providing important health care access for parents and children. As these families make greater use of their BadgerCare coverage, national studies show that we will witness a decrease in uncompensated care and use of emergency rooms for primary care, which is good news for our entire health care system.

Again, we appreciate your continued support of this model health care program.



A MEMBER OF THE NATIONAL ASSOCIATION OF CHILD ADVOCATES

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Address to the Senate Health Committee  
**Support for Additional BadgerCare Funding**

**KATHLEEN CRAMPTON, President and CEO, Managed Health Services**

January 23, 2001

My name is Kathleen Crampton, and I am President and CEO of Managed Health Services. I want to thank you for allowing me to speak today.

Managed Health Services is a 16-year-old Wisconsin Medicaid HMO that serves more than 60,000 residents in 18 counties from Green Bay to Kenosha. Due to a recently approved agreement, we will be providing managed care services to additional Medicaid and BadgerCare persons beginning in February.

Managed Health Services is able to provide quality care to our Medicaid and BadgerCare Members because we are fortunate to have over 3,600 caring physicians in our network, in addition to

hospitals systems like Aurora, Children's Hospital and Covenant in the Milwaukee area and Affinity in the Green Bay area.

Managed Health Services considers it a privilege to participate with the State of Wisconsin to provide managed care services for those parents who are working, low income, taxpaying citizens, without health insurance for their children or themselves. From our experience, the BadgerCare program has proved to be a blessing to many previously uninsured families who had been living in fear that a serious injury or illness could destroy their often fragile financial stability.

While other states continue to struggle to provide medical care for their working poor, Wisconsin has shown the way... Thanks to the combined efforts of the Governor, the Legislature, and the Department of Health and Family Services, Wisconsin's BadgerCare Program has become the model for our country by filling the gaps between Medicaid and private health insurance without supplanting private insurance.

We believe Wisconsin has been successful with its program when other states are struggling, because BadgerCare is the Nation's first program that targets adults as a means to providing health insurance to entire families, including children.

The announcement last week that the Federal Government has granted a waiver that will allow the state to claim more federal funds for the parents of children enrolled in BadgerCare is a marvelous victory for Wisconsin's uninsured families. It is the first ever granted to the SCHIP program. As we understand it, the waiver increases federal funding to BadgerCare by \$2 million for the rest of 2001 and \$6 million annually in future years.

BadgerCare's success in our state has been even better than anticipated. More than 74,000 adults and children are now in BadgerCare, with more than 81,000 expected by July of this year.

The success of the program is the reason I am here today. I ask that you support Senate Bill 18 offered by Senator Plache and

others. The bill would meet the additional financial needs of the program, thereby allowing additional recipients to enroll in BadgerCare. It would approve \$13.5 million additional funding and allow the BadgerCare program to continue operating through the end of the current budget year June 30, 2001

In the past, the Legislature has shown unusual foresight and perseverance in approving and funding this important program. By passing this bill, the Legislature would once again help keep BadgerCare the model program for America's working poor. Hence, I urge you to you to support this bill.

Thank you for the opportunity to comment. I will be glad to answer any questions you may have.





**Blue Cross & Blue Shield  
United of Wisconsin**

An independent licensee of the Blue  
Cross and Blue Shield Association

401 West Michigan Street  
P.O. Box 2025  
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**TESTIMONY ON SENATE BILL 18  
PRESENTED BY COREEN DICUS-JOHNSON**

January 23, 2001

Senate Committee on Health, Utilities and Veterans Affairs

Good afternoon Chairman Moen and members of the Committee. Thank you for providing an opportunity for testimony today on Senate Bill 18 (SB 18) regarding the BadgerCare program. I am here today representing Blue Cross & Blue Shield United of WI and I am speaking on behalf of our family of companies, two of which participate in the Medicaid and BadgerCare HMO program. (Unity and Valley)

The BadgerCare program was created with an admirable intent- to provide health insurance to children and working families in Wisconsin who can not afford to purchase their own coverage or who do not have access to an employer sponsored health insurance plan. With enrollment growing rapidly, and the disproportionate number of adults versus children in the program, costs for Badgercare have exceeded the budget amounts.

We applaud the Legislature for joining together to address the underfunding of Badgercare. SB 18 must pass in order for the program to remain viable and to ensure that HMO participation in the program continues.

We are, however, disappointed that SB 18 does not include any programmatic changes that would strengthen the program and protect against crowd out. Last year, our company identified almost one-hundred examples of individuals who were showing up as having other insurance while simultaneously being enrolled in BadgerCare. The Department responded to forty-four of our inquiries and found that over half of the people who we identified were ineligible for the program. We have maintained in the past and continue to do so today, that HMOs should not be responsible for costs over and above their monthly capitation rate for individuals who are enrolled in the program and later found ineligible because they had other insurance. Individuals should be kept on FFS until their true eligibility is determined.

In addition to having an adequate capitation rate, one of our key concerns with BadgerCare is to prevent employers from dropping their employees private health coverage and encouraging their employees to sign up for Badgercare. While we are aware that this was a shared concern of the administration and the Department from the onset of Badgercare, we were told that they had a program to safeguard against such dumping of private insurance. That program is the Health Insurance Premium Payment program (HIPP). We believe that this program is being severely underutilized. Last fall, the HIPP program only had seven families enrolled, out of 70,000 plus BadgerCare participants. The program allows the State to buy into an employer's health care plan if

that employer pays between 60 and 80% of the employees health care costs. The state pays the employee share of the premium, plus any coinsurance, deductibles and BadgerCare services not covered by the employer health plan. The State can justify doing this if these costs are less than the cost of Medicaid HMO coverage for the family. Tightening up enforcement of the HIPPA program would help prevent crowd out and encourage employers to continue offering valuable health care benefits.

We would also encourage DHFS to take advantage of recent federal rules that extend a state's ability to use information found on federal lunch program applications for outreach and enrollment efforts for children. Everyone benefits when more children are enrolled in Badgercare and Medicaid. Our company is encouraged about the growing enrollment and success of the Badgercare program. We hope the Legislature approves this much need funding. Thank you for your time today and we welcome any questions.



## KIMBERLY M. PLACHE

STATE SENATOR • TWENTY FIRST SENATE DISTRICT  
January 23, 2001

To: Sen. Rod Moen, Chair  
Senate Committee on Health, Utilities, Veterans, and  
Military Affairs

Fr: Sen. Kimberly M. Plache

Re: Senate Bill 18 - BadgerCare Funding

### **The Problem**

BadgerCare was created in 1997 and implemented in 1999. Funding for the health insurance program for working families is inadequate to meet the caseload. Back in 1999, it was projected that 67,500 people would enroll in BadgerCare by this July. Now, it is expected that more than 81,000 people will enroll in the program by this July.

Additionally, more adults have enrolled than anticipated. Adult health care costs more than health care for children.

### **The Solution**

Senate Bill 18 would provide the funding needed to cover the extra, unexpected caseload and costs.

### **The Cost**

Senate Bill 18 will provide \$13,542,500 in GPR for BadgerCare. The bill also lapses to the general fund \$11,236,300 in unanticipated federal money. The Department of Administration will include this money in the 2001-03 state budget.

### **Universal Agreement**

The Governor, Speaker of the Assembly, Senate Majority Leader and the Co-Chairs of the Joint Committee on Finance all agree that we must provide the additional funding for BadgerCare. Senate Bill 18 is co-sponsored by Rep. Mary Ann Lippert and a host of other Republicans and Democrats.



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

January 23, 2001

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: 2001 Assembly Bill 36 and Senate Bill 18: Funding for BadgerCare

2001 Assembly Bill 36 and Senate Bill 18 are companion bills that would increase funding for the BadgerCare program by \$13,542,500 GPR in 2000-01 to fund a projected deficit in the BadgerCare program benefits appropriation.

### Summary of the Bills

Both bills would increase funding for the BadgerCare program by \$13,542,500 GPR in 2000-01 to fund a projected deficit in the BadgerCare benefits appropriation through June 30, 2001. Funding to continue the program in the 2001-03 biennium will be addressed separately as part of the Legislature's 2001-03 biennial budget deliberations.

Further, AB 36 and SB 18 would require the Department of Health and Family Services (DHFS) to lapse \$11,237,100 FED in federal income augmentation funds to the general fund no later than 30 days after the effective date of the bills.

### Background

**BadgerCare.** 1999 Wisconsin Act 9 budgeted \$63,589,400 (\$22,356,500 GPR, \$40,033,600 FED and \$1,199,300 PR) in 1999-00 and \$97,636,600 (\$34,218,300 GPR, \$61,758,100 FED and \$1,660,200 PR) in 2000-01 to support program benefits under BadgerCare.

BadgerCare funds health care costs for families with household income at or below 185% of the federal poverty level (FPL). Once enrolled, families can remain enrolled as long as their household income does not exceed 200% of the FPL. Individuals that are eligible for the state's medical assistance (MA) program are not eligible for BadgerCare. In 2000, 185% of the FPL is

equivalent to \$26,178 for a family of three. The 2001 FPL is not expected to be available until February, 2001.

Federal funding for the program is available under MA and the state children's health insurance program (SCHIP). Federal MA funding is used to support services provided to adults on a 41% GPR/59% FED cost-sharing basis. Federal SCHIP funding is used to support services to children on a 29% GPR/71% FED cost-sharing basis. SCHIP funding is a block grant and therefore expenditures under SCHIP are limited by the amount of funding allocated to Wisconsin under federal law. The block grant funds are available for three years for expenditure by the states. After three years, any unused funding can be reallocated to other states. Federal law does not limit the amount of federal funding available to states under MA.

Program revenue (PR) funding is available from premiums paid by families enrolled in the program with incomes above 150% of the FPL.

The projected deficit in the BadgerCare benefits appropriation is the result of higher enrollment levels than projected and higher costs per enrollee than projected in Act 9.

*Enrollment Projections.* Under Act 9, it was assumed that approximately 64,500 persons would be enrolled in the program by December, 2000. The actual number of persons enrolled in the program by then was approximately 73,100, or approximately 13% more than had been projected in Act 9.

Additionally, adults comprise a greater proportion of the total BadgerCare caseload than had been projected in Act 9. Adults were expected to represent approximately 63% of the BadgerCare caseload in the estimates used for Act 9. However, as of December, 2000, adults represented approximately 70% of the total caseload. The higher proportion of BadgerCare enrollees who are adults increases GPR program costs in two ways: (a) on average, adults require a greater level of services than children; and (b) services for adults are reimbursed based on the MA matching rate, rather than the enhanced rate available for children under SCHIP.

*Fee-for-Service Costs.* Approximately 30% of BadgerCare enrollees receive services on a fee-for-service basis, which means that a provider bills the program for services provided to each enrollee. Because adults receive more services on average than children, the estimated average fee-for-service cost per individual exceeds the amounts projected in Act 9.

*HMO Capitation Payments.* Approximately 30% of BadgerCare enrollees receive services through an HMO. An HMO is paid a capitation rate for enrollees, which is generally intended to cover all services provided to enrollees. The average costs for capitation payments made on behalf of BadgerCare recipients also exceeds the amounts budgeted in Act 9. Act 9 provided funding to increase HMO capitation rates for BadgerCare by 3% at the beginning of each calendar year. However, HMOs were unwilling to renew their contracts for calendar year 2000 based on the Act 9 budgeted rates because the HMOs found that the average cost of providing services to BadgerCare

recipients is higher than the Act 9 budgeted rates. The final HMO contract for calendar year 2000 provides an increase of approximately 10%, rather than 3%, as budgeted in Act 9.

**Income Augmentation Revenue.** "Income augmentation revenues" are unanticipated federal funds DHFS receives under Titles IV-E (foster care), XVIII (Medicare) and XIX (Medicaid) of the federal Social Security Act as reimbursement for costs that were initially paid with state or local revenue.

On August 31, 2000, DHFS submitted to the Secretary of the Department of Administration (DOA) a proposed plan for the use of the \$11,237,100 in federal income augmentation revenue that were generated through the end of the previous state fiscal year, as provided under s. 46.46 (2) of the statutes. In a letter dated September 15, 2000, DOA Secretary Lightbourn informed the Committee's Co-Chairs that he did not approve the plan submitted by DHFS and that, instead, the Governor's 2001-03 executive budget would include recommendations relating to the use of these revenues. On October 10, 2000, the Co-Chairs informed Secretary Lightbourn that they had no objections to the Secretary's planned use of the funds, but asked the Secretary, in preparing the Governor's 2001-03 budget recommendations, to be cognizant of the concerns of DHFS Secretary Lekan and others regarding an expected shortfall in the appropriation for the BadgerCare program. The Co-Chairs suggested to Secretary Lightbourn that some amount of the income augmentation revenues be set aside in anticipation that the Legislature could act in January, 2001, to address the projected shortfall in the BadgerCare appropriation.

### **Fiscal Effect**

Both bills would increase funding provided for BadgerCare benefits by \$13,542,500 GPR in 2000-01. Further, both bills would require DHFS to lapse \$11,237,100 in federal income augmentation revenues to the general fund within 30 days of the effective date of the bill. As a result, the estimated balance of the general fund at the end of the 1999-01 biennium would be decreased by \$2,305,400.

On Friday, January 19, 2001, DHFS received notice from the Secretary of the U.S. Department of Health and Human Services (DHHS) that the state received approval of its request to waive a provision of federal law that prohibits the use of SCHIP funds for services provided to adults. This waiver approval allows DHFS to use SCHIP funds for adults in families with household incomes above 100% of the FPL. DHFS must continue to claim the MA matching rate of approximately 59% for adults with incomes at or below 100% of the FPL. This waiver is expected to reduce projected GPR expenditures by \$2,030,300 in 2000-01. As a result, the amount of GPR budgeted in each bill can be reduced by this amount to \$11,512,200 in order to fund the projected deficit in this biennium. (Assembly Substitute Amendment 1 to AB 36 provides this amount. As a result, the projected balance of the general fund would be decreased by \$275,100, rather than \$2,305,400 as under the original bill.) The waiver would remain in effect through March 31, 2004.

DHHS approval of the state's waiver is contingent on the state's agreement to certain terms and conditions. DHFS has 30 days to accept the terms and conditions of the waiver. A few of the terms and conditions of the waiver approval are described below.

First, the state cannot close enrollment, establish waiting lists or decrease BadgerCare eligibility standards while the waiver is in effect. If the state does any of these things, the DHHS approval to use the SCHIP funding for certain adults is terminated. Therefore, the costs of any proposed changes to BadgerCare eligibility standards would have to take into account the cost of using federal MA funds to support services for adults with income greater than 100% of the FPL instead of federal SCHIP funds, as approved under the waiver.

Further, by July 1, 2001, the state must implement, on a statewide basis, a mail-in, simplified application procedure for MA and BadgerCare. Currently, eligibility is determined based on a face-to-face interview with a county employee.

Additionally, the state must eliminate the current asset limit requirement for certain low-income families under MA no later than 60 days after the enactment of the state's biennial budget for the 2001-03 biennium. Currently, for certain families, in order to be eligible for MA, the family must have countable assets that total less than \$1,000. Under BadgerCare, there is no such asset limit for eligibility. DHFS estimates that this change would increase MA benefits costs by approximately \$387,400 GPR and \$540,600 FED annually.

It is worth noting that while the waiver approval reduces the total amount of GPR required to fund BadgerCare in the current and next biennia, this anticipated GPR savings may not be available after that. Under the waiver, expenditures from the SCHIP block grant are expected to exceed the state's annual block grant allocation. Because the state is able to carry forward unused SCHIP funds for up to three years, the total amount of SCHIP funding for BadgerCare under the waiver is expected to be sufficient until at least federal fiscal year 2004-05. However, in following years, projected SCHIP expenditures could exceed available SCHIP revenue if the state continued to operate under the approved waiver.

Prepared by: Rachel Carabell