



Legislative Fiscal Bureau

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

May 26, 2005

Joint Committee on Finance

Paper #375

BadgerCare Coverage of Prenatal Care and Delivery Services (DHFS -- Medical Assistance, BadgerCare, and SeniorCare Eligibility, Payments, and Services)

[LFB 2005-07 Budget Summary: Page 247, #11]

CURRENT LAW

Under s. 49.45(27) of the statutes, illegal immigrants and legal immigrants who have not been granted lawful permanent residency status for more than five years are not eligible to receive medical assistance (MA) benefits, with the exception of emergency care, which is defined by federal rule to include labor and delivery costs [(42 CFR 440.255(2)(c)(1)].

In addition, current federal regulations, [42 CFR 435.1008 and 435.1009] prohibit states from covering incarcerated individuals under their MA programs. In Wisconsin, the Department of Corrections ("Corrections") currently pays for prenatal care and delivery charges for incarcerated women entirely with GPR funds.

Recent changes to federal rules revised the definition of "child" under the state children's health insurance programs (SCHIP), which in Wisconsin is the BadgerCare program, to clarify that an unborn child may be considered a "targeted low-income child" by the state and is therefore eligible for SCHIP if other applicable state eligibility requirements are met. Under this definition, states may amend their SCHIP programs to extend eligibility to unborn children for health benefits coverage, including prenatal care and delivery services, consistent with SCHIP requirements. This extension of benefits would cover the unborn children of: (a) illegal immigrant women and legal immigrant women who have not been legal for more than five years; and (b) incarcerated women.

This change in the law would allow Wisconsin to cover prenatal care services and delivery services for these unborn children under BadgerCare. The federal matching rate for MA is approximately 58%, while the federal matching rate for BadgerCare is approximately 70%.

GOVERNOR

Provide \$332,000 (-\$306,600 GPR and \$638,600 FED) in 2005-06 and \$442,700 (-\$408,800 GPR and \$851,500 FED) in 2006-07 to reflect the administration's estimates of the net cost to provide prenatal care and delivery services for non-qualified immigrants under the state's BadgerCare program, and no longer fund delivery services for these women under the state's MA program.

Expand eligibility for BadgerCare, limited to coverage for prenatal care, to include an unborn child whose mother is not eligible for BadgerCare or for MA (except if she qualifies due to her alien status) if all of the following requirements are met.

First, the income of the unborn child's mother, mother and her spouse, or mother and her family, whichever is applicable, does not exceed 185% of the federal poverty level (FPL), and except that, if an unborn child is already receiving prenatal care services under this provision, the applicable specified person or persons may have an income that does not exceed 200% of the FPL. Require DHFS to establish by rule the criteria to be used to determine income.

Second, each of the following applicable persons who is employed provides verification from his or her employer, in manner specified by DHFS, of his or her earnings: (a) the unborn child's mother; (b) the spouse of the unborn child's mother; and (c) members of the unborn child's mother's family.

Third, the unborn child's mother provides medical verification of her pregnancy, in a manner specified by the department.

Fourth, the unborn child and the mother of the unborn child meet all other requirements established by DHFS by rule except for the following: (a) the mother is not a U.S. citizen or an alien qualifying for MA under 8 USC 1612; (b) the mother is an inmate of a public institution; and (c) the mother does not provide a social security number but only if she is not a U.S. citizen or an alien qualifying for MA.

Define, under the BadgerCare statutes, an "unborn child" as a person from the time of conception until it is born alive, and modify the current definition of "child" to specify that it means a person who is born.

Provide that an unborn child's eligibility for coverage does not begin before the first day of the month in which the unborn child's mother provides the necessary medical verification. Modify the Department's authority to purchase family coverage under BadgerCare, in cases where DHFS determines that purchasing that coverage would not be more costly than providing BadgerCare coverage, to specify that the coverage may be offered by an employer of a member of an eligible family or of a member of an eligible unborn child's mother or her spouse.

Specify that all of these changes would take effect on January 1, 2006. However, prohibit DHFS from implementing these provisions unless a state plan amendment authorizing this coverage is approved by the U.S. Department of Health and Human Services.

Finally, retitle the appropriations that currently support BadgerCare benefits costs to reference BadgerCare, rather than "health care for low-income families."

Under this item, the labor and delivery costs for this population would no longer be covered under MA. Instead, these costs, together with prenatal care provided to these women, would be funded under BadgerCare. Consequently, the state would receive an enhanced federal matching rate (29% GPR/71% FED) for these services, rather than the MA matching rate (42% GPR/58% FED) the state currently receives for labor and delivery services for this population.

The funding changes include: (a) a reduction in estimated MA costs for labor and delivery services to the nonqualified immigrant population (-\$1,338,800 GPR and -\$1,875,000 FED in 2005-06 and -\$1,785,000 GPR and -\$2,500,000 FED in 2006-07); and (b) an increase in estimated BadgerCare costs for prenatal care, labor and delivery services to the nonqualified immigrant population (\$1,032,200 GPR and \$2,513,600 FED in 2005-06 and \$1,376,200 GPR and \$3,351,500 FED in 2006-07).

DISCUSSION POINTS

1. Federal law requires that states' MA programs cover emergency services for some individuals who are otherwise ineligible for MA, including labor and delivery services for illegal immigrants and legal immigrants that have not been legal for more than five years. States receive federal MA matching funds for these services, which for Wisconsin is approximately 58% of the total cost of providing these services. In 2002-03, the MA program paid \$4,285,000 for the delivery costs for 1,751 women who gave birth under this coverage, at an average cost of approximately \$2,447 (all funds) per birth. In 2003-04, the MA program paid \$5,092,600 for the delivery costs for 2,156 women who gave birth under this coverage, at an average cost of \$2,362 per birth.

2. Prenatal care is widely acknowledged to be the most cost-effective way to improve pregnancy outcomes. Prenatal care provides women with information they can use to keep themselves and their fetuses healthy and gives health care providers the opportunity to monitor the health of the mother and her unborn child. Studies show that a dollar spent on prenatal care can yield between \$1.70 and \$3.38 in savings by reducing neonatal complications. Prenatal care can be especially beneficial for undocumented (illegal immigrant) women because most of these women live in poverty, are uninsured, and have a number of risk factors for poor birth outcomes. In addition, most of the children of these women will immediately qualify for MA once they are born, since they will be U.S. citizens because they were born in the United States, and will likely meet all other MA eligibility criteria.

3. Under this item, all prenatal care and labor and delivery charges for this population

would be covered under BadgerCare, beginning January 1, 2006. The GPR savings the administration expects to occur as a result of this change reflect: (a) a higher federal matching rate the state receives for costs covered under BadgerCare than for costs covered under MA; and (b) the assumption that labor and delivery costs will decrease because women would receive the prenatal care for which they would become eligible.

4. It is estimated that Corrections will spend approximately \$79,000 GPR annually in the 2005-07 biennium to provide prenatal care and delivery services for women in Corrections facilities. Under the bill, these women could be enrolled in BadgerCare so that federal SCHIP matching funds would be available to support prenatal care and delivery costs for these women. Based on discussions with the Department of Administration and Corrections staff, it appears that additional GPR savings could be realized by reducing GPR funding in Corrections that would otherwise be used to support these costs, and increasing funding for BadgerCare benefits to reflect that BadgerCare could support the prenatal care and delivery costs for these women. It is estimated that this change would affect 17 women per year.

5. This office has reestimated the fiscal effect of the Governor's provision. The revised estimates reflect: (a) the use of 2003-04 information on births to undocumented women, rather than 2002-03 information used by the administration in preparing its estimates; (b) revisions in estimated federal participation rates under MA and BadgerCare; and (c) the use of a slightly different methodology and assumptions regarding projected costs that would be funded by BadgerCare. Under the reestimate, base funding for Corrections would be reduced to reflect that women in Corrections facilities would have prenatal care and birth costs funded from BadgerCare, rather than from the Corrections budget. The fiscal effect of this reestimate is shown as an attachment to this paper, by program. In summary, funding in the bill should be increased by \$401,600 (\$171,900 GPR and \$229,700 FED) in 2005-06 and by \$243,900 (-\$99,6000 GPR and \$343,500) in 2006-07 to reflect these reestimates.

The administration's estimates reflect an October 1, 2005, effective date, while the bill would make the change effective on January 1, 2006, which reduces the potential GPR savings that could be realized under this proposal. DHFS indicates that it is not possible for its contracted programmers to make systems changes in CARES to meet an October 1, 2005, effective date.

6. Counties may realize savings under this item, since counties currently pay all prenatal care and delivery services for women incarcerated in county jails. Under this item, women in county jails could receive prenatal and delivery services funded from BadgerCare, for which the state would receive federal matching funds. It is not known how many women give birth in county jails each year, but it is likely that the costs of providing prenatal and delivery services to these few women would be minimal.

ALTERNATIVES

1. Adopt the Governor's recommendations, but modify funding in the bill to reflect

reestimates of the fiscal effect of this proposal.

<u>Alternative 1</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$72,300	\$573,200	\$645,500

2. Delete provision.

<u>Alternative 2</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$715,400	-\$1,490,100	\$774,700

Prepared by: Marlia Moore
Attachment

ATTACHMENT

Reestimate with Corrections Funding Reduction

	2005-06			2006-07		
	Total	GPR	FED	Total	GPR	FED
Assembly Bill 100						
Medical Assistance	-\$3,213,800	-\$1,338,800	-\$1,875,000	-\$4,285,000	-\$1,785,000	-\$2,500,000
BadgerCare	3,545,800	1,032,200	2,513,600	4,727,700	1,376,200	3,351,500
Corrections	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$332,000	-\$306,600	\$638,600	\$442,700	-\$408,800	\$851,500
Current Estimate						
Medical Assistance	-\$2,546,300	-\$1,074,100	-\$1,472,200	-\$5,092,600	-\$2,167,000	-\$2,925,600
BadgerCare	3,320,900	980,400	2,340,500	5,861,200	1,740,600	4,120,600
Corrections	<u>-41,000</u>	<u>-41,000</u>	<u>0</u>	<u>-82,000</u>	<u>-82,000</u>	<u>0</u>
Total	\$733,600	-\$134,700	\$868,300	\$686,600	-\$508,400	\$1,195,000
Change to AB 100						
Medical Assistance	\$667,500	\$264,700	\$402,800	-\$807,600	-\$382,000	-\$425,600
BadgerCare	-224,900	-51,800	-173,100	1,133,500	364,400	759,100
Corrections	<u>-41,000</u>	<u>-41,000</u>	<u>0</u>	<u>-82,000</u>	<u>-82,000</u>	<u>0</u>
Grand Total	\$401,600	\$171,900	\$229,700	\$243,900	-\$99,600	\$343,500