

Wisconsin's BadgerCare Program Offers Innovative Approach for Family Coverage

by Jeremy Alberga

Executive Summary

Wisconsin's BadgerCare program is viewed by many as a model for how other states could pursue comprehensive health insurance coverage for lower income families. The program provides health insurance to working families — both children and their parents — and seeks to eliminate barriers to successful employment by providing a transition for families from welfare to private insurance.

BadgerCare's success is founded on its family coverage approach, its single point of entry and administrative seamlessness, and the political commitment to the program from Governor Tommy G. Thompson.

In 1999 and 2000, New York, New Jersey, and the Clinton administration recognized the importance of a family-based approach to children's coverage by proposing, and in the states' case, implementing some variation of the Wisconsin model. Other states have indicated interest in covering families and look to the flexibility of the Health Care Financing Administration's (HCFA) recent ruling on 1115 demonstration projects to cover parents using the enhanced State Children's Health Insurance Program (SCHIP) match.

This case study details the BadgerCare program and its impact on the uninsured in Wisconsin, including how the program approaches enrolling families, how family coverage is financed, how the program partners with private insurance, and what cost-sharing obligations exist.

The uninsured in Wisconsin

According to the 1999 Wisconsin Family Health Survey (FHS), an estimated 4.4 million residents (86 percent) were insured for all of 1999. The FHS shows that an estimated 220,000 Wisconsin household residents (4 percent) had no health insurance of any kind in 1999, while another 426,000 residents (8 percent) had health insurance for part of the year and were uninsured for part of the year. Together, an estimated total of 646,000 residents (13 percent) were uninsured during part or all of the past year.

In contrast, the U.S. Census Bureau's March 2000 Current Population Survey (CPS) reports that 11 percent of Wisconsin residents did not have health insurance for all of 1999.

The FHS shows that those more likely to be uninsured for the entire year were adults aged 18-44, the poor, those in minority groups, those without a high school diploma, and children living with no employed adult.

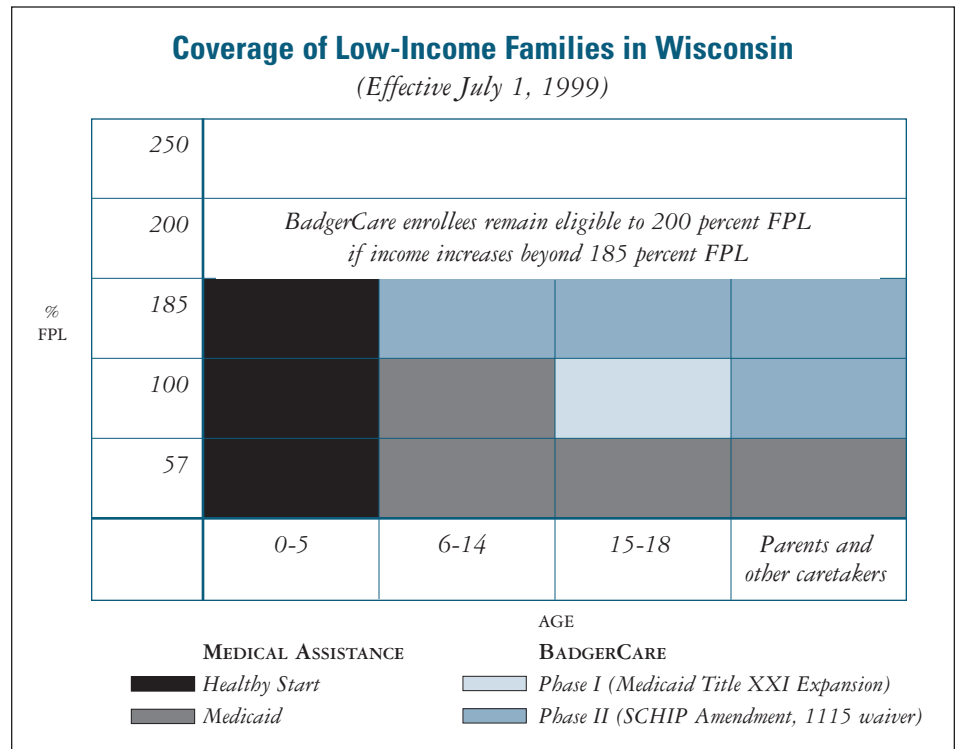
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Compared with 1998, these data provide mixed results: the proportion of uninsured for the whole year remained steady, while the proportion without insurance for part of the year increased 2 percent. These survey results do not reflect the considerable impact that the BadgerCare program — the state's SCHIP program started in mid-1999 — has had on the number of uninsured in the state.

What is BadgerCare?

The BadgerCare program is the health insurance component of Wisconsin's decade-long welfare reform effort. A complement to the state's Wisconsin Works (W-2) program, BadgerCare goals are to eliminate barriers to successful employment by providing a transition for families from welfare to private insurance, and to provide a safeguard against unintentionally increasing the number of uninsured through welfare reform. The family-based approach of BadgerCare, covering both eligible children and their parents with the same services as Medicaid, is based on the premise that health care is essential for working families with children and that extending health insurance to the entire family improves child enrollment, continuity of care, and the well-being of the whole family.

"The success of our program is attributable to a family-based model that is simple and accessible," explains Peggy Bartels, administrator of the Division of Health Care Financing, Wisconsin Department of Health and Family Services. "The seamless integration of our SCHIP program with Medicaid has not only made our program more understandable and accepted by low-income families with children, but also less costly to administer and more likely to result in better coordination with Medicaid.



Through this model, we have increased participation in Medicaid as well as SCHIP."

BadgerCare combines a public health insurance program and an employer-based insurance subsidy program. It provides a bridge between public coverage — through Medicaid and SCHIP — and coverage available through the private market. BadgerCare pays for families with incomes too high for Medicaid who are without access to affordable group health insurance. Families are eligible up to 185 percent of the federal poverty level (FPL) and may stay enrolled up to 200 percent FPL (see graphic, "Coverage of Low-Income Families in Wisconsin"). Families above 150 percent FPL must pay a premium of no more than 3 percent of income (\$60 per month for a family of three at 185 percent FPL). More than 90 percent of BadgerCare families have incomes below 150 percent FPL and therefore do not pay a premium.

BadgerCare is not an entitlement program and operates with an enrollment threshold if enrollment is projected to exceed budgeted levels. In this case, the state is required to provide a minimum of 30 days notice prior to any change in the income threshold. Families already enrolled would not be affected by a change in eligibility criteria.

By October 2000, the program had identified and enrolled approximately 80 percent of Wisconsin's uninsured children and more than 50 percent of uninsured adults eligible for BadgerCare. With a total enrollment of more than 76,000 in October, the ratio of adults to children in the program was greater than 2-to-1, which is due to the fact that many low-income families have children enrolled in other public programs such as Medicaid and Healthy Start.

In addition, the marketing and outreach effort for the program and

the integrated eligibility determination system has resulted in an enrollment increase of more than 24,000 children for the Medicaid and Healthy Start programs.

How does BadgerCare enroll families?

The BadgerCare program is designed to be as seamless as possible to families. The Medical Assistance (i.e., Healthy Start, Medicaid) and BadgerCare programs have a single point of entry to promote continuity of coverage and offer the same identification cards, participating HMOs, and benefit packages. Family members receive a “Forward” identification card, which is used for Medicaid, Healthy Start, and BadgerCare.

BadgerCare applications are processed by the state’s automated eligibility determination system, which integrates the Medicaid, Wisconsin Works, food stamps, and BadgerCare eligibility processes. All children are screened for Medical Assistance programs first and a “cascading” eligibility determination process enrolls the family in BadgerCare if they meet the criteria for BadgerCare and not those for Medicaid.

“The integrated Medicaid and BadgerCare eligibility determination system has contributed to efficiency and enrollment rates by providing one place and one system for families to use to apply for benefits and be determined as eligible for benefits for both programs,” says Bartels. “This efficiency allows for ease of expansion of application sites; Wisconsin has created more than 80 outstation application sites.”

Wisconsin’s insurance disclosure law requires insurance carriers to submit health coverage information to the

Medicaid program listing all currently enrolled individuals. State officials use this information to identify families enrolled in private coverage. Insurer data are matched with Medicaid eligibility files to determine whether recipients and their dependents are insured. The data also identify coverage that recipients may not know exists, such as employer-sponsored insurance (ESI) of a non-custodial parent.

BadgerCare applications must be made in person at locations including:

- County, tribal social, or human services departments;
- W-2 (Wisconsin Works program) agencies; or
- More than 80 county outstation sites, including disproportionate share (DSH) hospitals and participating Federally Qualified Health Centers (FQHCs).

The state has aggressively advertised the availability of the BadgerCare program for working families, including television and radio advertisements by Governor Thompson. The major components of the BadgerCare outreach strategy are:

- A statewide public information campaign that includes a multilingual informational brochure, posters, fact sheets, radio and TV ads, Web site (<http://www.dhfs.state.wi.us/badgercare>), and direct mailings;
- Expanded training resources for health care providers, advocacy groups, community-based agencies, and eligibility workers;
- Case-specific help via a call center (accessible by a toll-free number); and
- Support for regional and local initiatives, including outstationed eligibility workers at new sites such as health facilities and other community locations.

How is family coverage financed under BadgerCare?

Family coverage is a fundamental characteristic of BadgerCare. Although the program is seamless to families with a single point of entry for different public programs, funding streams differ depending on the member of the family and the availability of ESI. All BadgerCare children are covered using Title XXI SCHIP funds, which has the enhanced Federal Medical Assistance Percentage (FMAP) of 71 percent. Parents (including custodial parents of children under 19 and their spouses) of BadgerCare children are usually covered using Title XIX Medicaid funds, which has an FMAP of 59 percent.

By September 2000, Wisconsin was one of three states approved by HCFA to use Title XXI funds to cover parents (the other two are Massachusetts and Mississippi). These three states have waivers to buy into private coverage if it is cost-effective — that is, the cost of covering both the children and the parents does not exceed the cost of covering just the children in the public program. By proving cost-effectiveness under Title XXI, the state receives the enhanced FMAP for the whole family. In the case of BadgerCare, this means an additional 12 percentage points in federal funds.

If the purchase of family coverage under Title XXI is not cost-effective, the state tests whether it is cost-effective to buy into ESI under Title XIX criteria — that is, the cost of covering the whole family does not exceed the cost of enrolling the whole family in the public program. In Wisconsin, the family is then enrolled in the Health

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What is the Health Insurance Premium Payment (HIPP) program?

The HIPP program was originally developed to comply with Section 1906 of the Social Security Act. The Act requires states to pay premiums, deductibles, and co-insurance of employer-sponsored plans on behalf of Medicaid recipients when it is cost-effective to do so. By enrolling families in HIPP, costs to the Medicaid program are reduced by establishing or maintaining a third-party resource as the primary payer of the recipient's medical expenses. This is particularly true for persons who may not otherwise enroll in an available health insurance plan or who may drop health insurance once Medicaid eligibility is established.

Many states including Texas, Iowa, California, and Pennsylvania have found the process of testing for HIPP eligibility administratively burdensome relative to the number of employed adults with incomes low enough to qualify for Medicaid.

In the first 12 months of BadgerCare, officials found that many families applying for the program did not have access to ESI or their coverage did not meet the requirement that the employer pay at least 60 percent of the premium. As of June 2000, the Wisconsin Department of Health and Family Services had mailed more than 25,000 forms to employers to collect information about their plans. In 53 percent of cases, the employer did not offer coverage or coverage did not qualify under HIPP rules, and in 31 percent of the returned forms, the worker was no longer employed at the firm. Only 6 percent of cases indicated access to an employer-sponsored family health insurance plan. Of these 907 cases with access to ESI, only five BadgerCare families were ultimately enrolled in HIPP.

"A large amount of resources are devoted to preliminary research for a potential buy-in that does not progress to the stage where a cost-effectiveness test is even made," says Peggy Bartels, BadgerCare Administrator.

For more information, see the General Accounting Office study "Three States' Experiences in Buying Employer-Based Health Insurance." GAO/HEHS-97-159 Employer-Based Health Insurance. www.gao.gov

Insurance Premium Payment (HIPP) program and receives care through a BadgerCare HMO. In this case, the state receives the regular 59 percent FMAP for both the children and their parents.

The problem is that most families do not meet either program's cost-effectiveness criteria. With more than 90 percent of BadgerCare families with incomes below 150 percent FPL, few have access to ESI. Also, many

BadgerCare recipients are unable to enroll in qualified plans through HIPP because of job transitions, which makes it difficult to adhere to open enrollment periods. For those parents that do have access to employer coverage, stringent qualifying guidelines for the BadgerCare buy-in make eligibility very difficult. For example, few employers meet the minimum 60 percent employer contribution required by HCFA (see box, "What is the Health Insurance Premium Payment (HIPP) program?").

How does BadgerCare partner with ESI?

Because of the difficulty of meeting the cost-effectiveness tests under both Title XXI and Title XIX, partnering with private insurance ("employer buy-in") is a small component of the BadgerCare program. The state established the buy-in option to take advantage of an opportunity to maximize limited public funds, encourage and support low-income adults by minimizing the stigma of public programs, and keep families together under a single health insurance plan.¹ Most importantly, the state hopes to position itself should HCFA relax regulations on enrolling families through ESI.

When a family is found eligible for BadgerCare and any family member is employed, the state, through the Medicaid fiscal agent, sends an Employer Verification of Insurance Coverage (EVIC) form to the employer. The form includes information about the type of health plan offered, the cost of the plan, and employer share of the premium. Employers are not contacted without the employee's permission.

Completing the necessary research and follow-up to verify requirements can take two months or more. "The verification process is very time-consuming and very labor intensive," explains Bartels.

1. For greater detail on the administrative processes and policy decisions behind buying into ESI, see Tollen, Laura A. *Purchasing Private Health Insurance through Government Health Care Programs: A Guide for States*. State Initiatives in Health Care Reform: A National Initiative of The Robert Wood Johnson Foundation, June 1999. (www.statecoverage.net/sci699.pdf)

During this period, families are eligible for BadgerCare through the fee-for-service (FFS) program. If the family has access to insurance with their employer, the family receives services through FFS, not the Medicaid HMO, until follow-up with the employer is completed.

If the family does not have apparent access to insurance with their employer, they begin the HMO enrollment process while receiving FFS health coverage as the state verifies insurance information with

Conditions for enrollment in the Health Insurance Premium Payment (HIPP) program:

- ✓ A BadgerCare family member is employed and his or her employer offers a Health Insurance Portability and Accountability Act Standard Plan to its employees and their families.
- ✓ Family members are not currently covered by this health plan or were not covered by any employer-offered HIPAA Standard Plan in the last six months.
- ✓ The employer pays between 60 percent and 80 percent of the cost of the monthly premium for the health plan.
- ✓ The cost to Wisconsin for employer-sponsored insurance coverage of the family is less than the cost of Medicaid HMO coverage for the family. These costs include the employee share of family coverage plus wraparound costs (co-insurance, deductibles, and BadgerCare services not covered by the employer health plan).

How does BadgerCare work for employers?

- ✓ If an employee is eligible for BadgerCare, his or her employer is asked to complete an Employer Verification of Insurance Coverage (EVIC) form to verify insurance information. The BadgerCare Web site provides detailed instructions to employers filling out the EVIC form:
<http://www.dhfs.state.wi.us/badgercare/html/employer.htm>.
- ✓ Employers may be contacted by telephone if the Wisconsin fiscal agent does not receive the EVIC form within four weeks.
- ✓ If the employer offers more than one option for health insurance, the EVIC form must be completed for each plan.
- ✓ Employers may be contacted prior to the health insurance anniversary date or open enrollment period to inquire about any changes to the employer's health insurance plan.
- ✓ The employer and the employee choose among available methods of submitting payment for the employee's portion of the health insurance plan premium.

the employer. This is necessary to ensure that the family does not have access to employer-provided insurance of which they were unaware.

Once an employer plan is deemed eligible, a cost-effective analysis is performed to determine if it is cheaper to provide coverage through ESI than it would be under the BadgerCare plan. The state first tests for cost-effectiveness under Title XXI rules, which are that the cost of covering the *family* under ESI is cheaper than the cost of covering the *child* in the public program. This is rarely the case. The state then tests for cost-effectiveness under Title XIX rules, which is that the cost of covering the *family* under ESI is less than the cost of covering the *family* in the public program. If ESI is cost-effective, the state enrolls the family at the earliest available open enrollment period of the health plan.

A plan's limited enrollment period, however, is a source of concern for BadgerCare officials. "A case can have been verified and passed the cost-effectiveness test, but have to wait up

to nine months for buy-in depending on when the next open enrollment period begins," explains Bartels. "Wisconsin is exploring a statutory language change in state law that would allow the SCHIP buy-in program to supercede insurance open enrollment periods."

BadgerCare families found eligible for employer buy-in are required to enroll in their employer-provided health plan or they will lose eligibility for BadgerCare. Also, if a BadgerCare-eligible family is found to have access to an employer-provided family health care plan where the current employer pays 80 percent or more of the cost of the family premium, the family's BadgerCare eligibility ends.

BadgerCare pays the monthly premium costs of the family, the co-insurance and deductibles associated with the employer-provided family health insurance plan, and any BadgerCare services not covered by the health plan through BadgerCare FFS. All of this is the "wraparound" in the HIPP program.

What makes BadgerCare interesting?

- ✓ Comprehensive family coverage by coordinating Title XIX and Title XXI funding
- ✓ Coverage for custodial parents and their spouses living with children under age 19
- ✓ Single point of entry so that family members in different programs (BadgerCare, Healthy Start, Medicaid) receive same benefit package
- ✓ Use of the state's Medicaid delivery system and coverage of the same benefits as Medicaid
- ✓ Eligibility to 185 percent FPL of countable income but enrollees remain eligible to 200 percent FPL
- ✓ State statute precludes the implementation of BadgerCare as an entitlement program (if enrollment is capped, families remain in program up to 200 percent FPL)
- ✓ Income disregards that reduce countable income to maintain consistency with Aid to Families with Dependent Children-related Medicaid
- ✓ No premium below 150 percent FPL; premium of no more than 3 percent of income above 150 percent FPL
- ✓ Use of \$500 income bands to determine monthly premium avoids changes for every fluctuation in family income
- ✓ No co-payments or deductibles (for children under age 19 regardless of plan and families enrolled in HMOs)
- ✓ No asset test
- ✓ Potential leveraging of employer-sponsored insurance
- ✓ No exclusions for pre-existing medical conditions
- ✓ Comprehensive Web site for both families and employers (<http://www.dhfs.state.wi.us/badgercare>)

The state fiscal agent works with both the employee and the employer to determine the most convenient method to pay the employer-provided premium. (see box on page 5, “How does BadgerCare work for employers?”) Three options exist:

1. Employee pays the premium through payroll withholding. The state mails a check to the employee for the cost of the premium. To date, this is the most popular option.
2. Employer pays premium directly without payroll withholding. The state mails a check to the employer for the cost of the premium. This option is seldom selected.

3. The state pays the employer share of the premium directly to the insurance company. This option is seldom selected.

What are the family's cost-sharing obligations under BadgerCare?

Families with income above 150 percent FPL must pay BadgerCare premiums of no more than 3 percent of their income. There are three premium payment options available:

1. Employees may make their own payments using *electronic funds transfer* (EFT). Electronic transfer allows the BadgerCare program to withdraw funds automatically from

a personal checking or savings account on the third day of each month.

2. If applicable, families who prefer that the employer pay the monthly premium to BadgerCare may use an *Employer Wage Withholding* form. (All employer forms are available for download on the BadgerCare Web site at <http://www.dhfs.state.wi.us/badgercare/html/employer.htm>.)
3. Families may choose *direct payment* of premiums by check or money order every month. A premium payment coupon and pre-addressed BadgerCare envelope are mailed to the family each month three weeks before the premium is due. The family mails the check or money order and the premium payment coupon.

Premiums must be paid by the 10th of the month prior to the month of coverage and may be paid in advance. A party not living with the family, including a charity or other organization, may pay premiums. Failure to pay premiums by the middle of the month of coverage results in termination from the program. Termination does not affect the eligibility of any household members covered under Medicaid. Termination for any reason other than “good cause” or failure to pay the premium results in ineligibility from BadgerCare for six months, which is called the Restrictive Re-Enrollment Period (RRP). To re-enroll in BadgerCare after an RRP, the family must pay all outstanding premiums, including the premium for the last month of eligibility and coverage prior to the RRP. (see box on page 8, “What are the eligibility requirements for BadgerCare?”)

Conclusion

By receiving permission to cover parents using Title XXI funds in their original plan submission, Wisconsin has positioned itself to take advantage of future direction from HCFA to cover uninsured parents and children with SCHIP funds. Currently, the process of buying into ESI to cover families is challenging. It requires the state to evaluate the actuarial equivalence of a health plan's benefits package to the benchmark, prove cost-effectiveness, and prevent crowd-out. Given stringent federal requirements, such as a minimum 60 percent employer contribution and a six-month crowd-out provision, BadgerCare covers few families by buying into ESI.

Bartels notes that the state is targeting the employer contribution level as an option to boost enrollment. "Wisconsin is currently preparing a State Plan Amendment requesting that HCFA allow us to perform cost-effectiveness tests on health plans that cover 50 percent or more of monthly premium costs," Bartels says. "We have estimated that this change in federal policy would allow us to double the number of cases that we process for cost-effectiveness."

In March 2000, Wisconsin submitted to HCFA a draft amendment to their SCHIP program to cover parents without ESI using Title XXI funds. The draft waiver amendment builds on the approved waiver using unspent SCHIP funds. The state makes the argument that covering parents with Title XXI funds is budget neutral to the federal government because of allocated, unspent Title XXI funds. Without an approved waiver amendment, the state would lose

approximately \$41 million, almost all of which was previously appropriated and allocated to Wisconsin under federal law. With the enhanced match, the Wisconsin Council on Children and Families estimates that the waiver would save the state roughly \$12 million per year in general revenue.

The draft amendment builds on the efficacy of the BadgerCare approach to family coverage. The program has been very successful in serving low-income uninsured families in Wisconsin. BadgerCare officials tout the importance of a family-based approach to coverage, noting that the most successful strategy for insuring children is to seamlessly cover the whole family.

"We believe that the children enrollment rate for BadgerCare proves

that a family coverage approach to the SCHIP program is a more efficient approach for enrolling uninsured, low-income children than the child-only approach," says Bartels.

With aggressive outreach, streamlined eligibility and enrollment processes, and a commitment from the governor, the BadgerCare program is successfully working toward covering all eligible low-income families with comprehensive health care services. 🏠

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BadgerCare in summary

BadgerCare is Wisconsin's Medicaid expansion and State Children's Health Insurance Program (SCHIP or Title XXI) administered by the Wisconsin Department of Health and Family Services. The program uses the state's Medicaid delivery system and covers the same services as Medicaid.

Phase I expansion (from April 1, 1999) — Medicaid expansion using Title XXI funds to include children 15 to 18 years of age in families below 100 percent FPL.

Phase II expansion (from July 1, 1999) — A five-year Medicaid Section 1115(a) demonstration waiver approved to operate cooperatively with BadgerCare using Title XIX (Medicaid) and Title XXI (SCHIP) funding. This Medicaid expansion includes all children up to age 18 not covered by Medicaid and their parents or caretakers up to 185 percent FPL. Parents are covered using Medicaid Title XIX funds and the children are covered using Title XXI funds.

The state receives an enhanced federal match rate to cover families with employer-sponsored coverage that meets cost-effective rules under Title XXI. The state may also enroll families into the Health Insurance Premium Payment (HIPP) program and buy in to employer coverage if the Title XIX cost-effectiveness test is met.

A

Applicants must have the following information to register:

- Proof of Social Security number.
- Proof of citizenship or alien status.
- Proof of any current and recent income.
- Information about any other health insurance plans that cover applicant and other family members.

C

Countable family income is gross income (before taxes) minus the following disregarded income:

- \$90/month for work-related expenses for each person in the family who works.
- Child care costs up to a maximum of \$200/month per child under age 2, and up to \$175/month per child age 2 and above.
- The first \$50/month of all child support payments received by the household.
- For self-employed persons and farmers, BadgerCare uses all deductions from gross income allowed under federal tax law except for depreciation.

What are the eligibility requirements for BadgerCare?

A

To be *eligible*, an individual must:

- ✓ Be a United States citizen or a qualified alien.
- ✓ Be a resident of Wisconsin (physically present with the intent to reside).
- ✓ If an adult with a child, cooperate as necessary in locating an absent parent, in establishing paternity, and in establishing a medical support order.
- ✓ Be willing to cooperate in the Health Insurance Premium Payment (HIPP) program.
- ✓ Cooperate in providing information about other available health insurance.
- ✓ Not currently be covered by a health insurance policy (individual or family coverage) or a policy *in the last three calendar months* prior to the month of application.
- ✓ Not have access during the past 18 months to an employer group health plan that covers the family and the employer pays 80 percent or more of the premium.
- ✓ Not be eligible for Medicaid.
- ✓ Pay a monthly premium of no more than 3 percent of *countable family income* if their income is greater than 150 percent FPL.
- ✓ Not have access to a *state employee family health plan*.

B

D

B

Exceptions:

- Loss of employment for reasons other than quitting.
- Job changes and the new employer does not offer coverage.
- The employer stopped offering a health plan to all employees.
- COBRA continuation coverage ended.
- Unusual situations subject to approval of the Department of Health and Family Services.

D

Relationship between BadgerCare eligibility and an individual's access to a state employee family health plan:

- As required by federal law, an individual is not eligible for BadgerCare when he or she has a family member who can sign up for a state employee family health plan, including plans in neighboring states.

However, the following "good cause" reasons may exempt a family from this requirement:

- The family member lost employment with the state.
- The family member changed his or her employer and the new employer is not a state.
- The state has discontinued health benefits to all employees.



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