

The Pathway Plan 2012



A Public-Private Partnership

*How Wisconsin Can Expand Coverage, Improve
Quality and Consumer Protection and Lower Costs.*

- A Working Proposal -

ABC for Health, Inc.

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About ABC for Health

ABC for Health is a Wisconsin-based, nonprofit, public interest law firm dedicated to linking children and families, particularly those with special health care needs, to health care benefits and services.

Our Mission

ABC for Health's mission is to provide information, advocacy tools, legal services, and expert support needed to obtain, maintain, and finance health care coverage and services.

Our Vision

ABC for Health, Inc., a nonprofit, public interest law firm, will develop a nationally recognized, integrated model of Health Benefits Counseling, legal services, and policy advocacy that promotes a universal system of health care coverage and access for all people. We will develop multi-purpose education strategies to inform customers, providers, and the broader community about health care coverage options while also advocating directly for individuals disenfranchised from health care coverage and services. ABC for Health will also serve as a catalyst in the development of local HealthWatch Coalitions as well as other partnerships and strategic alliances to influence public policy and opinion while working to maximize all available health care coverage options for all people.

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The Pathway Plan for 2012: A Public-Private Partnership

Introduction

In Wisconsin, about 1.2 million people rely on BadgerCare and Medicaid programs to provide essential, affordable, and effective health care services. And the impact of these programs reaches thousands more--our friends, neighbors, grandparents, colleagues, and health care providers large and small in every county of Wisconsin.

Recently, Wisconsin Department of Health Services (DHS) Secretary Dennis Smith complained that the programs have grown at an alarming rate over the last decade and have become too expensive. In late September 2011, DHS insisted that cuts to programs and services were the only solution. With the pretext of saving \$550 million dollars (actually \$220 million of state money for a total of \$550 million in state and federal combined funds), DHS released a complex proposal that radically restructures and limits benefits to several hundred thousand children and adults and creates a complicated maze of an eligibility system. In a proposal driven by ideology, DHS directs more people to the "free market" system of health care. Sadly, this promotes a "team of me" approach for Wisconsin with small risk puddles, high costs, poor benefits, and high insurance industry profits. Yet the small group and individual insurance market is failing due to market pressures and inefficient delivery and risk pooling systems.

So why is Wisconsin's Office of Free Market Health Care trying to save them?

In response to the DHS proposal to disassemble BadgerCare, ABC for Health proposes the Pathway Plan for 2012. Aspects of this proposal are familiar, as we revised and reasserted a concept first circulated in 2003, and updated it for the current environment. ABC for Health is not alone in its thinking. In fact, from 1998-2010, state policy makers--both Republican and Democrat--worked to expand coverage options like BadgerCare that promoted large scale pooling and discounted care due to purchasing power and economic efficiencies.

ABC for Health's perspective on the health care coverage needs of Wisconsin families reflects our service to over 35,000 requests for assistance from people since 1994. Our ideas are simple yet powerful and firmly grounded in a common sense approach that responds to the needs of both people and business. Our solution involves all the key stakeholders and should neither be a government takeover nor a privatized system.

There is a third way. BadgerCare already models this type of partnership. The public-private partnership permits health insurance companies to bid for business with the state; however, the state retains the contract and, thus, ultimate bargaining leverage. By permitting a voluntary employer "buy-in" component to BadgerCare, we can reduce certain political resistance of some employers. Wisconsin could gradually extend the buy-in to all private employers or self-employed people.

With a pool of over two million to start, the state could allow “everyone in” by 2014. The Pathway Plan for 2012 proposes the following ideas:

- **Promote Pooling and Spread Risk.** The state must facilitate the creation of large risk pools. The current *siloization* of risk in tens of thousands of employer pools increases administrative costs. This problem and expense is magnified for small employers. By working together, we can combine the purchasing power of many into efficient large risk pools to save money.
- **Use BadgerCare as a Foundation for the Health Exchange.** Badger Care provides some of the most comprehensive coverage available, including dental, mental health, and chiropractic services. The sheer size of the program would create financial leverage to increase the participation of many key providers. We can also be smart and eliminate the enormous front-end costs and political battles associated with creating new administrative or billing structures.
- **Promote consumer protection and health plan accountability.** A new system must include strong patient advocacy as well as a health benefits counseling and enforcement component to ensure patients get the services they need and deserve.

The Need for Insurance in Wisconsin

In Wisconsin, approximately 11% of the population has no health insurance. This means almost 600,000 people have no access to affordable health care. Many more people are underinsured. Furthermore, these numbers will continue to increase. Although the numbers seem staggering and may cause those with insurance to pause for a few minutes, it is often difficult to see the real faces of the uninsured. The uninsured are not just the unemployed; in fact, 82% of uninsured families have at least one working family member.¹ A major reason for the rise in the uninsured is that the number of employers who offer insurance is decreasing. Now, only about 49% of Wisconsin employers offer insurance. In fact, 57% of Wisconsin workers are covered by an employer-sponsored plan, leaving over 40% Wisconsinites on a public program or completely uninsured, with little or no access to affordable health care.²

The uninsured in Wisconsin include a broad spectrum of hard-working people: small business owners who cannot afford a health plan for their employees, farm families who cannot afford individual policies, people working at large corporations like Wal-Mart that may not offer an employer-sponsored plan,³ families who do not know that they are eligible for a public health coverage program or don't know how to apply, and many more.

Most people with insurance do not realize how the large numbers of uninsured affect them. Wisconsin spends over \$2 billion a year of public money on health coverage, more when long term care costs are included.⁴ Wisconsin hospitals provided \$1.1 billion of uncompensated health care services to their patients in FY 2009, either as charity care (\$486.2 million) or as bad debt (\$625.6 million).⁵ Covered patients subsidize unpaid bills. We call this the redistribution and socialization of medical debt. These costs raise everyone's taxes, insurance premiums, and hospital bills. It may even increase the odds that people with insurance will have trouble accessing treatment and will be less satisfied with the care they receive.⁶

Something must be done, but we don't have to dismantle and defund successful programs like BadgerCare Plus.

Why DHS's Proposal to Restrict BadgerCare Plus Won't Work

On September 30, 2011, the Wisconsin Department of Health Services Secretary Dennis Smith released details on new, drastic cuts and new red tape added to BadgerCare Plus and Medicaid.⁷ The proposal is drawing harsh reactions, as it could result in tens of thousands of Wisconsin families and children becoming uninsured and tens of millions of dollars in new uncompensated health care expenses.

This 'socialized medical debt' will drive up the cost of health care for everyone and is a very irresponsible direction for the state of Wisconsin. Elements of the proposal include creating the "Alternative Benchmark Plan," asking families above 100% FPL (equivalent to a family of 4 making approximately \$22,000 a year) to pay more for fewer benefits. More than 200,000 individuals could be affected by these proposed changes. Families making 150% FPL would also pay increased premiums. In fact, if an individual has "access" to private insurance, he will not be eligible for BadgerCare if he contributes less than 9.5% of his household income to that coverage.

In addition, the DHS Proposal asks the federal Centers for Medicare and Medicaid Services to alter the federal "maintenance of effort" requirements. The proposed changes include restricting BadgerCare Plus from anyone who has access to private insurance, re-calculating family income, eliminating backdating on applications, increasing premiums, allowing for faster terminations of policies, restricting 19-26 year olds from BadgerCare Plus, instantly denying BadgerCare Plus if verifications are late, and more. DHS also threatens to terminate coverage for over 53,000 adults if CMS does not agree to provide a waiver. Sadly people are pawns in what we recognize as a high stakes politically motivated maneuver to lay blame on the Obama administration.

The Wisconsin Department of Health Services also proposed to drastically restructure and reduce health coverage for some of the 1.2 million people who rely on BadgerCare Plus and Medicaid. These cuts also affect friends, neighbors, grandparents, and insured populations that will likely see increased costs. The large pool of BadgerCare and Medicaid recipients provides cost effective coverage that lowers the number of uninsured and keeps people out of expensive, inefficient, and often uncompensated emergency room care. Most people realize that uncompensated care costs do not disappear but rather show up in the form of increased health care costs. Health care providers redistribute unpaid medical bills to small business, people with insurance, and other hospital patients. In short, these debts are socialized.

There is another course of action.

We can be smarter about health care coverage. But we need to maintain the integrity of the BadgerCare Plus and Medicaid programs and we may need to reorient the small group and individual market. The economic downturn means that many businesses and industries need to change. These include the media, auto makers, and others. The small group market with risk puddles and highly segregated risk is no longer viable. The large profit margins for these small groups of the past are gone and destroying the large BadgerCare pool will not save them. True health reform demands that we maintain and expand the strong purchasing power and pooling programs like BadgerCare Plus provide.

The Pathway Plan for 2012

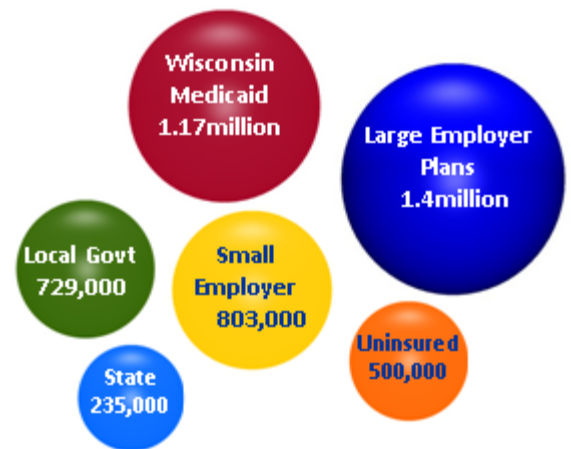
The Pathway Plan for 2012 is premised on five basic principles:



1. Spread the Risk.

The state must facilitate the creation of large risk pools. The current *silozation* of risk in tens of thousands of employer pools—or perhaps “puddles” is a more apt description-- increases administrative costs. This problem and expense is magnified for small employers. In addition, while larger employers have reduced premiums because of their greater risk pool, small employers generally are not able to provide affordable health insurance because their risk puddles are too small. Moreover, individuals by and large cannot afford comprehensive and affordable health care on their own without resorting to sky-high deductibles, co-insurance, premiums, and co-pays. Hard working farm families and chronically ill populations are disadvantaged under this system and usually denied any type of coverage because of their large amount of individual risk.

The Pathway Plan for 2012 proposes to gradually merge existing pools into a purchasing exchange. Using estimated pool sizes as percentages of total Pathway Plan for 2012 population,⁸ we can add state, local, and county workers as well as those currently without insurance into the BadgerCare pool to make up over half of the new risk pool. From there, the private employees complete the pool. We envision that The Pathway Plan for 2012 may take three years to implement. We will start enrolling all residents who are below 300% FPL and state employees first. Coverage will next be expanded to individuals above 300% FPL, other employee groups such as public school teachers, small business and farms, and large employers. Enrollment will initially be voluntary, but may eventually become mandatory once two-thirds of state residents are enrolled.



Existing Pool Sizes by Plan Category
(estimated size including dependents)

Pool Size	Estimates (Including Dependents)
Wisconsin Medicaid programs	1,177,289
State of WI employees	234,684
Local Government	729,144
Large Employees	1,405,195
Small Employees	802,969
Uninsured	500,000

Merge Existing Pools

The Pathway Plan for 2012 proposes to extend BadgerCare to all Wisconsin residents who are below 300% of the federal poverty level (FPL), allowing employers to contribute to coverage at that level. This proposal also creates a buy-in option for employers and individuals for Wisconsin health care consumers with incomes over 300% FPL. Both conceptually and in practice we know that larger risk pools bring down cost.⁹

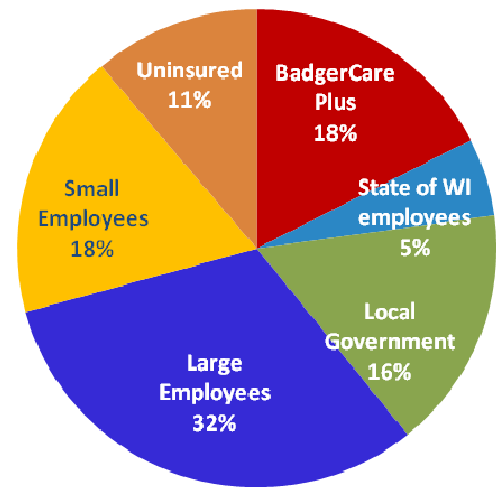
By working together, we can combine the purchasing power of many Wisconsinites into efficient large risk pools that will save both the consumer and the taxpayer money. Group purchasing power allows the state to streamline and unify systems of administration and negotiate favorable rates. An example of this purchasing power lies in the BadgerCare Plus and Medicaid programs. **In 2009, the statewide weighted average monthly rate¹⁰ for children was \$97.53, and for adults was \$268.41.¹¹**

A family of four, for example, using the statewide weighted average, may expect to pay approximately \$732 per month,¹² a dramatic deviation from any plan available on the private market offering as comprehensive a benefits package. Large scale pooling and purchasing power make this possible. Merging large risk pools of state and county workers would create a growing pool of over one million enrollees, potentially saving state and local taxpayers a great deal of money. In addition, with higher enrollment, low Medicaid reimbursement for essential providers could be increased and money would still be saved.

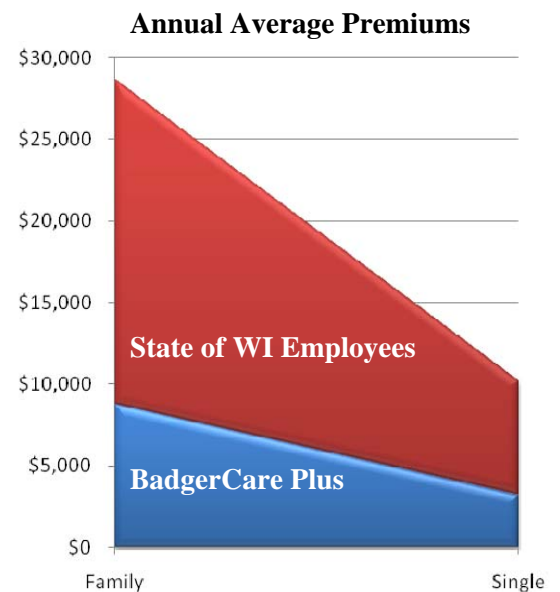
Cost Comparison by Category¹³

Consider the cost per worker in our existing, fragmented insurance market. While BadgerCare Plus can provide high quality benefits for a family for around \$8,800 a year, the employees for the state of Wisconsin with their families are costing on average \$20,000 for coverage, excluding the cost sharing for which the employee is responsible. These costs, more than double BadgerCare Plus, are still not the highest cost insurance in the state. Excluding catastrophic plans or high deductible plans in the fragmented individual market, or as it is often called, the “wild, wild west” of the insurance marketplace, the Milwaukee Public School District was reported to have family coverage cost on the order of almost \$27,000 a year, excluding the employee contribution. (See bar chart below.)

For individual coverage, BadgerCare costs approximately just over \$3,000 per member per year, using weighted averages. (Children, on the other hand, cost on average just \$97 per month!) The State of Wisconsin employee with single coverage will be costing the state almost \$7,000 a year



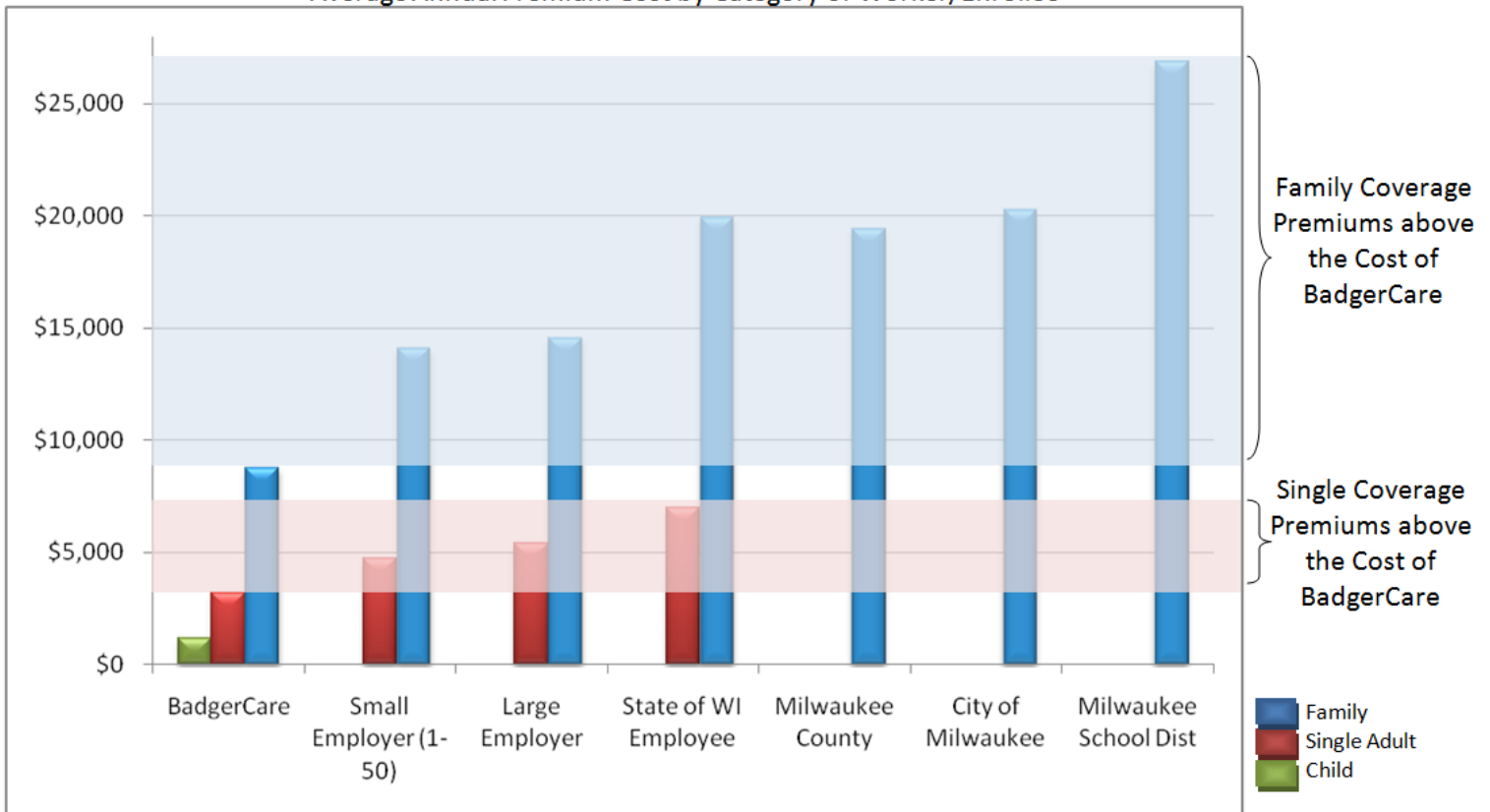
Pool Composition when Combined into the Pathway Plan



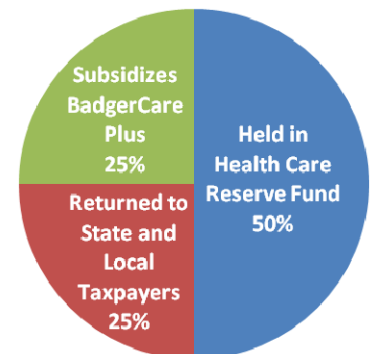
by comparison. In all, BadgerCare Plus family coverage cost savings ranges from **37% to 67%** over available plans in Wisconsin (small employer through state and local municipality and school district plans). The demographics of the pool play a large factor—there are over 470,000 children in the existing BadgerCare Plus pool, but also factoring into the cost savings are the advantages of large scale pooling and unified systems of administration.

Consider the size of the existing pools in 2009-2010. There were approximately 95,000 state of Wisconsin employees (FTE equivalent) not counting their dependents in one pool and over 296,000 local and municipality employees not including their dependents distributed across numerous pools of workers, including: city, county, school district, and municipality. The estimated 325,000 employees working for small businesses are distributed across hundreds of pools. Even if the pools were “grouped by category,” they lack unified administration, purchasing power, and diversity.

Average Annual Premium Cost by Category of Worker/Enrollee



The Pathway Plan for 2012 proposes to combine large purchasing pools of state and local governments. The Plan’s purchasing power will reduce the combined per member per month rates for participating pools. The large pools have advantages over current risk “puddles” by reducing costs due to unified systems of administration. We propose using **50%** of any savings as a health care reserve fund to deal with fluctuating expenses and downturns in the economy. Another **25%** will be directed to help subsidize services for BadgerCare recipients while the last **25%** will be returned to state and local taxpayers.



Health Care Risk Puddles

In Wisconsin, approximately 184,000 residents have health insurance coverage through an individual health insurance policy. There are currently twenty-four insurers actively writing in the Wisconsin individual market and thirty-two in the small group market. Neither market is dominated by one insurer. The top ten insurers in the individual market insure approximately 84% of the market and the top ten in the small group market insure 79% of the market. In 2010, six insurers (representing 35% of the individual market and 68,310 covered lives) would not be able to meet the health reform requirement of spending at least 80% of their revenue on medical claims, as administrative costs are too high.

Yet the small group and individual market is failing. Managed care organizations have developed much more efficient and effective models to deliver care than the small group market. BadgerCare Plus serves as an excellent example of this efficient delivery system. Curiously Dennis Smith, Insurance Commissioner Ted Nickel, and the Office of Free Market Health Care turn a blind eye to the free market realities that we expose today.

Managed care through the BadgerCare program is far more effective and economical than any coverage offered by the small group market. The medical loss ratios for this market also point out how inefficient this delivery system of coverage actually is. Currently, the health care system spends over thirty cents, and in some cases fifty cents of every premium dollar on administrative costs,¹⁴ and the system is completely inefficient.

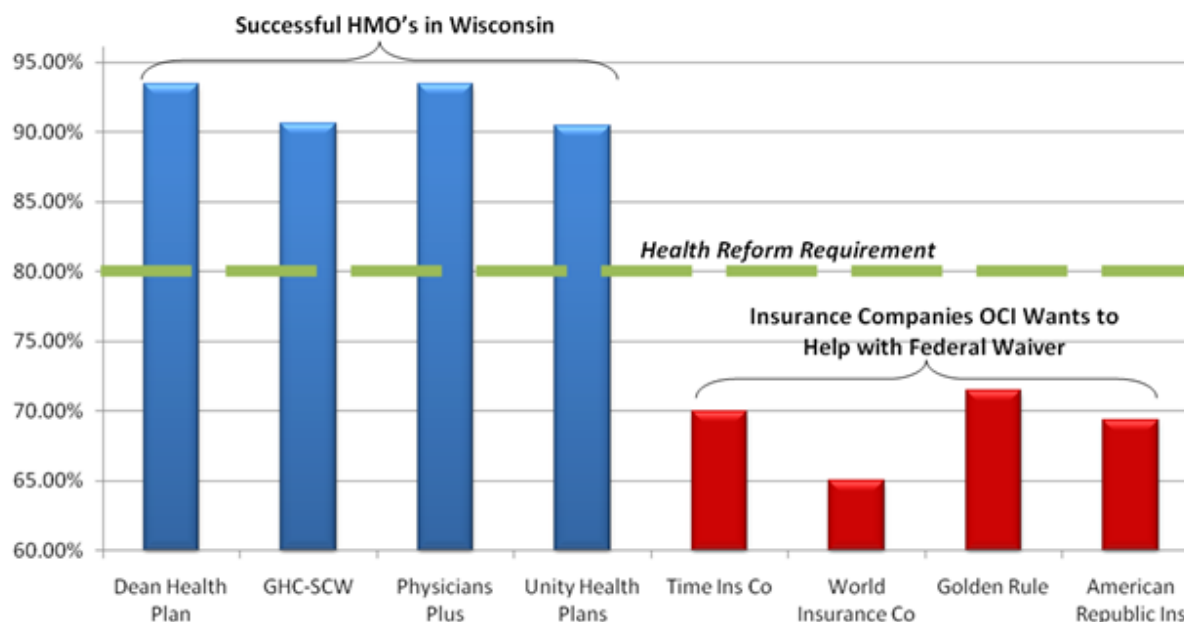
In fact, in an obvious effort to help support the failing small group market, Commissioner Nickel has requested a waiver of the medical loss ratio requirements under the Affordable Care Act, as he claims Wisconsin's insurance market cannot operate with requirements that limits health insurer profits, salaries, marketing, and other overhead costs to 20% of the amount spent by consumers in the individual market.

If the federal government approves Nickel's waiver request, health insurers who spend more than 20% of their customer's premiums on overhead will no longer have to provide refunds, costing Wisconsinites who buy their own insurance plans \$14 million. Commissioner Nickel, not insisting on a streamlined administration of insurance plans and a more competitive marketplace, instead prefers to have consumers cover the cost.¹⁵

After an initial comparison, ABC for Health calculated that the average medical loss ratio for HMOs in Wisconsin was 88.7%, with 21 of the 22 HMOs reporting on the Commissioner of Insurance's webpage that they exceeded the 80% standard of health reform. In a request to waive medical loss ratio rules, Commissioner Nickel represented to federal officials that small group and individual market plans are the subject of his concern, and they are mostly struggling to hit 70%.

Consider the following chart of Medical Loss Ratios, when comparing successful HMOs in Wisconsin with the struggling individual and small group market that the Insurance Commissioner is trying to sustain:

Medical Loss Ratio



Ted Nickel's intervention flies in the face of his "free market" ideology and belief. In reality the small group market is collapsing under the weight of its own inefficiencies. In contrast, we believe the Pathway Plan for 2012 will encourage insurers to implement innovative ideas and develop strategies to promote preventive care and care coordination in order to lower costs.

A Look at the Numbers

Rather than starting from scratch, the Pathway Plan for 2012 capitalizes on the positive aspects of the existing system, including the basic infrastructure of BadgerCare Plus. While the recession was cutting into Wisconsin employment and employer-based coverage, BadgerCare Plus was protecting more vulnerable children, families, and adults without dependent children.

Among children, the Wisconsin uninsured proportion actually declined somewhat from 2008 to 2009.¹⁶ After a significant expansion of eligibility in 2008, enrollment in Wisconsin's BadgerCare Plus increased by 29% from December 2008 to December 2009. This increase of 166,000 enrollees prevented an even larger increase in the uninsured numbers.¹⁷ As of September 2011, over 1.18 million people were enrolled in a Wisconsin Medicaid program, including over 780,000 children, parents and pregnant women were enrolled in BadgerCare Plus.¹⁸

Stop Socializing Medical Debt

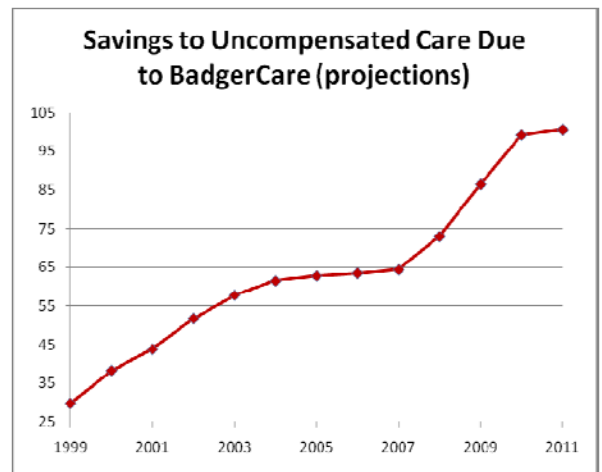
Consider the impact of BadgerCare Plus on Wisconsin hospitals. Studies suggest the total reduction in hospitals' spending for uncompensated care in Wisconsin because of BadgerCare to be \$283 million from the program's inception in 1999 through 2004.¹⁹ Over the last 4 years of that survey in particular, 2001 to 2004, the average annual reduction in hospitals' uncompensated care costs was \$53.6 million.²⁰ We can extrapolate from this data to find the average savings per enrollee for hospitals for the years 2004-2011 (through September 2011). Our most conservative

estimates produce a total savings of over \$611 million dollars, \$360 million of that occurring once BadgerCare became BadgerCare Plus in 2008.

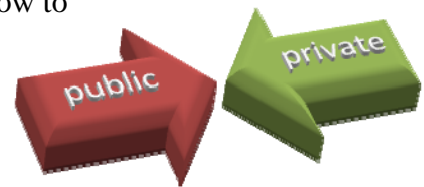
2. Promote a Private-Public Partnership.

The Pathway Plan for 2012 proposes a private-public partnership. BadgerCare Plus already models this type of partnership: approximately 80% of BadgerCare Plus enrollees receive public assistance and are enrolled in a managed care organization for coordination of care.²¹

Managed care organizations would be a vital component of the plan; in addition, enrollment would likely increase, giving the organizations an opportunity to gain new members and greater capitated payments. This model of a private-public partnership permits health insurance companies to bid for business with the state; however, the state retains the contract and so has ultimate bargaining leverage, as well as the ability to require quality care.



This partnership prepares Wisconsin for implementation of health care reform. By permitting a voluntary employer “buy-in” component to BadgerCare, we can reduce the political resistance of some employers. Wisconsin could gradually extend the buy-in to all private employers or self-employed people. Employers would not be forced to buy-in to the program; rather, they would choose to buy-in or retain their current benefit structure. Wisconsin would gradually extend the buy-in option to all private employers, self-employed people, and individuals. The result would be that small employers and individuals would finally have an opportunity to gain access to affordable health care. Businesses, particularly small businesses, will support this plan. They can provide employees with quality health care at a lower price. Small businesses will finally be able to provide their employees with affordable health insurance. Private employers are currently paying nearly two-thirds more to cover their employees than the state pays in comparable Medicaid reimbursements. The system is largely in place and can grow to accommodate more people. The plan mitigates adverse selection issues (where cost could rise) by the colossal size of the initial pool and a staggered enrollment. With a pool of over two million to start, the state could allow everyone to join by 2014.

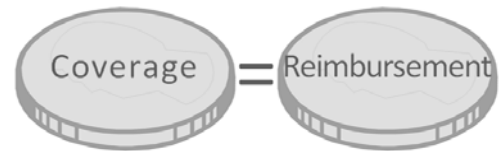


3. Offer Quality Coverage Benefits.

Use BadgerCare Plus Standard Plan Coverage Benefits. BadgerCare Plus Standard Plan provides some of the most comprehensive coverage available.²² In addition to providing standard physician services, the plan also covers dental care, mental health, and chiropractic services. By developing a private-public partnership that matches BadgerCare Plus in providing a set of comprehensive benefits, there would be streamlined administration and more efficiency in providing both coverage and care. Because of the increased enrollment, the program would have the financial leverage to increase the participation of key providers and increase the Medicaid reimbursement rate for health care providers.

The Pathway Plan for 2012 eliminates the enormous front-end costs and political battles associated with the creation of new administrative and billing structures. Instead of reinventing

the wheel by creating an entirely new reinsurance or single-payer system, the Pathway Plan for 2012 uses a system that is largely in place and can be easily mirrored and modified to accommodate more people. Adverse selection issues,



which would increase costs, are mitigated by the immense size of the initial pool. The growth in BadgerCare is related to the failure and death spiral of the small group and individual marketplace over the last 20 years. People cannot afford individual and small group policies. Chances are that small group risk puddles will ultimately fail as enrollees age and their risk of illness increases. For most, we need coverage as part of a large pool to help spread the risk. Consequently, from 1998-2010 state policy makers, both Republican and Democratic, worked to expand coverage options like BadgerCare that promoted large scale pooling and discounted care due to purchasing power and economic efficiencies.

4. Promote Consumer Confidence.

Provide Outreach and Insist on Quality, Fairness, and Accountability. Simply creating an expanded program, even if it is simplified, does not mean that the people of Wisconsin will receive the coverage and care they need and deserve. A new system must include strong patient advocacy as well as a health benefits counseling and enforcement component to ensure people get the services they need and deserve. The Pathway Plan for 2012 includes outreach, information, and advocacy infrastructure and promotes consumer confidence to aid everyone in obtaining and maintaining a connection to health care coverage and services.

In addition, the Pathway Plan for 2012 includes the vital components of outreach, education, and advocacy. Through the use of Health Benefits Counselors and Health Care Navigators, people will be informed of their health care options and assisted with the enrollment process, and those with complex health care needs--like many seniors--will get help navigating complicated health care programs and securing services.²³

Outreach is a vital component for health care reform to succeed. For example, in 2008, 85% of the new enrollees in BadgerCare Plus were already eligible for the old BadgerCare Plus program but did not know that they were eligible. Sadly, the lack of informed outreach linked to individual advocacy left many people without needed coverage. Peer-to-peer contact and individual advocacy for enrollees is a fundamental part of the Pathway Plan for 2012.

In addition, the new system must include strong quality assurance and comprehensive advocacy with an enforcement component to ensure people get the services they need and deserve. We propose data collection from managed care organizations to help determine quality of care measures and to shape recommendations to improve rates of preventive care and overall quality of care. Managed health plan enrollees would receive annual reports publicizing the findings, thus enabling consumer choice of health insurance coverage; this would motivate managed care organizations to provide innovative and effective preventive health programs.

5. Promote Prevention, Wellness, and Disease Management.

The Pathway Plan for 2012 will increase preventive care and decrease uncompensated care. Proactive policies of prevention and wellness will reduce costs because people will stay healthy; in addition, the high cost of emergency room visits and other high-cost procedures resulting from

a lack of primary care will be reduced. As discussed previously, Health Benefits Counselors will help prevent disease and increase overall wellness by providing outreach and advocacy to people in Wisconsin. However, people with barriers to care, people with special health care needs, and those with complex and chronic conditions will require more help.

Health care systems and services are complex, especially if you or a loved one is sick. Some people enrolled in the Pathway Plan for 2012 may need extra assistance to navigate complex systems of care. Health Care Navigators should be located throughout the state to support those experiencing more complex challenges to accessing appropriate health care services due to language, culture, lack of transportation, distance, insurance denials, or childcare issues. Navigators can locate transportation or child care for other children, as well as help navigate the managed care network, cut through the red tape and other delays in getting an appointment, and conduct disease management for patients with chronic conditions.

Health Care Navigators can help patients with the most acute health challenges. Health Benefits Counselors can pro-actively identify challenges through the enrollment process and refer patients to Navigators to conduct disease management and promote wellness strategies for enrollees with serious health care issues. Trained health benefits counselors can:

- Identify health care financing resources
- Troubleshoot health insurance denials
- Develop planning documents to maintain coverage
- Identify other programs to optimize available resources
- Catch individuals on the edges of benefits programs
- Allow doctors and nurses to focus on medicine and health care



Because more uninsured people will be informed of eligibility and assisted with enrollment, the risk pools will be enlarged and enrollees will be more likely to use preventive care; in addition, there will be less uncompensated care. Moreover, people who may have coverage but lack access to care will have a powerful resource to help them overcome the barriers that prevent them from accessing appropriate care. Health Care Navigators can assist those who have more complex issues to ensure they can access the care they need.

Size Matters

Some policy experts will likely worry about “crowd out,” in which people drop more expensive private coverage to be able to enroll in the public program. To prevent this, a waiting period of 3 months would be instituted for consumers who drop private coverage at their choice. In addition, the waiting period will aid in discouraging those with increased medical costs and higher risk from dropping more expensive private insurance to enroll in the plan.

Large pools of enrollees will join the Pathway Plan for 2012 on a staggered schedule. The first participants will include uninsured children and adults below 300% FPL. To establish the large risk pools, state, county, and some large municipality employees will also immediately enroll. People above 300% of the FPL will be able to buy in to the program by paying the entire

premium. Because of the large risk pools that will be created, the premiums should be affordable for employers, families, and individuals. Pre-existing conditions will not bar eligibility; this is possible because of the increased size of the risk pools.

The plan will also offer individual buy-ins for the uninsured, the self-employed, farmers, and small business. Finally, the plan allows some large employers to buy in, which will increase the risk pool. Other groups will buy into the Pathway Plan for 2012 over time and eventually open up to all employers. Subsidized coverage will be available pursuant to health reform after 2013.

Financing

Matching funds from the federal government, like those currently used in BadgerCare Plus, will provide the majority of funding for enrollees under 300% FPL. These changes will require a federal demonstration waiver. The state would provide the remaining funds for all beneficiaries below 300% FPL through state tax dollars.

A major portion of the Pathway Plan for 2012 would be funded through consumer cost sharing, which promotes responsible use of the health care system. This cost sharing would be income-dependent. Children below 300% FPL would have no cost sharing. Adults under 100% FPL would pay nominal co-pays. Adults and families between 100% and 300% of the FPL would pay premiums of 5%-8% of their monthly income and nominal co-pays.

People over 300% FPL would buy into the plan, paying either the individual or family premium. Each individual managed care organization would determine the amount for co-payments or deductibles. Purchasers over 300% FPL would also help subsidize low-income enrollees and outreach efforts, with each participant paying a nominal capitation fee (such as \$1-\$2/month for an individual, or \$5/month for a family).

The Pathway Plan for 2012 will fit nicely with the cost sharing and subsidies envisioned under the Affordable Care Act. First, consider the subsidies built into the health care exchanges. The eligibility rules enacted under the Affordable Care Act expand eligibility for Medicaid to most people with incomes under 133% of the federal poverty limit. For people with incomes up to 400% FPL (approximately \$89,400 for a family of four), the health reform law provides tax credits to reduce premium costs. These tax credits will be available to those who purchase coverage in a health insurance exchange and who do not get insurance through an employer²⁴ and are not eligible for public coverage.

The premium tax credit will be available when an individual purchases coverage and will be available regardless of whether or not an individual owes any taxes. The premium tax credits will vary with income and are structured so that the premium an individual or family will have to pay will not exceed a specified percentage of income (2% for those with incomes up to 133% FPL to 9.5% for those with incomes between 300 and 400% FPL).

Conclusion

The need for expanded access to health coverage in Wisconsin is clear. The recent proposals for “fixing” BadgerCare and Medicaid instead drastically restructure and reduce health coverage for some of the 1.2 million people that rely on BadgerCare Plus and Medicaid while trying to revitalize a failing private insurance market. The Pathway Plan for 2012 offers the promise of a system of coverage built upon an established private-public partnership. Instead of thousands of small risk puddles, large pools of people will effectively spread the risk and increase negotiating leverage through group purchasing power.

In addition, the Pathway Plan for 2012 has the unique yet vital components of Health Benefits Counselors and Health Care Navigators, who will not only ensure that people connect to vital health care coverage and understand their benefits but also have access to the care they need by providing help in navigating the myriad barriers to obtaining necessary medical care.

The Pathway Plan for 2012 provides for a simple yet comprehensive health care coverage program for all people in Wisconsin. Employers and individuals will have access to these benefits at a significantly lower cost. The Pathway Plan for 2012 builds on an existing and highly effective BadgerCare Plus/Medicaid system, and therefore is ready for implementation.

In addition, the Pathway Plan for 2012 avoids enormous front-end costs and political battles associated with the creation of new administrative and billing structures. Maintaining a private-public partnership and involving all key stakeholders adds to the likelihood of the success of the Pathway Plan for 2012. Moreover, the streamlined administrative efficiency and increased amount of preventive care will result in savings to Wisconsin and set our state squarely on the course to affordable quality health care for everyone.

Endnotes:

¹ State Health Facts: <http://www.statehealthfacts.org/profileind.jsp?ind=135&cat=3&rgn=51>

² State Health Facts: <http://www.statehealthfacts.org/comparecat.jsp?cat=3&rgn=51&rgn=1>. Approximately 30% of Wisconsinites have coverage through a Medicaid or Medicare plan, leaving over 5% in the individual market.

³ In fact, current BadgerCare Plus employer statistics show that businesses are already relying on BadgerCare Plus for many of their employee's coverage. By September 2011, 444,672 BadgerCare Plus enrollees were employed or were the dependents of employed individuals. Wal-Mart has the largest number of employees enrolled in BadgerCare Plus. Available at: <http://www.dhs.wisconsin.gov/badgercareplus/enrollmentdata/enrolldata.htm>

⁴ State Health Facts: <http://www.statehealthfacts.org/profileind.jsp?ind=636&cat=4&rgn=51>. Expenditures include benefit payments and disproportionate share hospital payments. Expenditures do not include administrative costs, accounting adjustments, or expenditures in the U.S. Territories. Total spending including these additional items was about \$378.6 billion in FY 2009. Figures may not sum to totals due to rounding.

⁵ Uncompensated Health Care Report: Wisconsin Hospitals Fiscal Year 2009, January 2011, at: http://www.whainfocenter.com/data_resources/2009Uncompensated.pdf

⁶ Check Up: The Numbers of Uninsured Affect Care for Those with Coverage, Stacey Burling, Philadelphia Inquirer, Oct. 3, 2011

⁷ Proposed cuts are available online: <http://www.dhs.wisconsin.gov/MAreform/PackageJFC9.30.11.pdf>

⁸ Extrapolated from the following data sources, with an average family size of 2.46 for Wisconsin (to calculate for the number of dependents):

<https://www.forwardhealth.wi.gov/WIPortal/portals/0/staticContent/Member/caseloads/481-caseload.htm>;

http://dwd.wisconsin.gov/dwd/newsreleases/ui_state_default.pdf; extrapolated from DWD data and Families USA:

http://www.familiesusa.org/assets/pdfs/health-reform/small-business-majority-state-reports/fact_wi_stats_93009.pdf

⁹ In one unique example, Massachusetts's most recent health reform demonstrates the value of large risk pools. The combining of small group and individual pools in the State has resulted in as much as 45% lower health insurance premiums for individual policyholders. Yet Massachusetts' reform is not the model being proposed here.

Massachusetts reforms have not reined in spiraling overall health care costs, demonstrating the limitations of a reform model that relies *exclusively* on private insurers. However, our proposal does not eliminate private insurers or their ability to compete for business. Health insurers will be accountable to consumers to ensure that they are not imposing roadblocks on consumers or improperly denying benefits in order to increase profits.

http://www.ourfuture.org/files/MA_Health_Reform_Final.pdf

¹⁰ The "per member per month" cost (PMPM) refers to the monthly capitation amount that the BC+ program pays for coverage of an enrollee in a Health Maintenance Organization (HMO).

¹¹ <http://www.dhs.wisconsin.gov/em/ops-memos/2009/pdf/09-06.pdf>

¹² Assuming two children at the statewide weighted average monthly rate of \$97.53 and two adults at the statewide weighted average monthly rate of \$268.41, totaling a monthly liability of only \$731.88.

¹³ Figures are approximations based on best available information. Sources for Figure include the following: Family Coverage Employer-based:

<http://www.statehealthfacts.org/profileind.jsp?cmprgn=1&cat=5&rgn=51&ind=271&sub=67>; Single Coverage

Employer-based: <http://www.statehealthfacts.org/profileind.jsp?ind=270&cat=5&rgn=51&cmprgn=1>; Small firm:

AHRQ 2009 Medical Expenditure Panel Survey-Insurance Component;

http://www.commonwealthfund.org/~media/Files/Publications/Issue%20Brief/2010/Dec/1456_Schoen_state_trends_premiums_deductibles_20032009_ib_v2.pdf; Average cost of state health care family coverage:

http://media.journalinteractive.com/images/benefitsG_091310.jpg

¹⁴ U.S. Department of Health and Human Services, "Health Insurance Issuers Implementing Medical Loss Ratio (MLR) Requirements Under the Patient Protection and Affordable Care Act; Interim Final Rule," *Federal Register*, 75(230): 74864-934, December 1, 2010. Over 20% of consumers who purchased coverage in the individual market were in plans that spent more than 30 cents of every premium dollar on administrative costs. An additional 25% of consumers in this market were in plans that spent between 25 and 30 cents of every premium dollar on administrative costs. Still other plans spent more than 50 percent of every premium dollar on administrative costs.

¹⁵ http://cciio.cms.gov/programs/marketreforms/mlr/states/Wisconsin/wi_ml_r_request_10252011.pdf

¹⁶ BadgerCare Plus Lessened the Recession's Effects on Insurance Coverage in Wisconsin:

<http://www.dhs.wisconsin.gov/stats/pdf/context2009.pdf>. Wisconsin's uninsured children dropped from 5.8% to 4.7%, Current Population Survey, corresponding to the major BadgerCare Plus expansion.

¹⁷ *Id.*

¹⁸ <https://www.forwardhealth.wi.gov/WIPortal/portals/0/staticContent/Member/caseloads/481-caseload.htm>

¹⁹ Actual expenditures on uncompensated care in millions of dollars: \$2698; Estimated expenditures without BadgerCare \$2981; Estimated savings from BadgerCare: \$283. APS Healthcare, *The Impact of BadgerCare on Hospital Uncompensated Care in Wisconsin*, June 2006, p. 13. Available at: <http://www.statecoverage.org/files/The%20Impact%20of%20BadgerCare%20on%20Hospital%20Uncompensated%20Care%20in%20Wisconsin.pdf>

²⁰ *Id.*

²¹ <http://www.statecoverage.org/node/1751>

²² BadgerCare Plus Eligibility Handbook Section 38.2:

<http://www.emhandbooks.wisconsin.gov/bcplus/policyfiles/5/38/38.2.htm>

²⁴ There is an exception in cases when the employer plan does not cover at least 60 percent of covered benefits on average or the employee share of the premium exceeds 9.5% of the employee's income.