Legislative Fiscal Bureau

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BadgerCare Funding (DHFS -- Medical Assistance)

[LFB 2001-03 Budget Summary: Page 353, #5]

CURRENT LAW

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 2001, 185% of the FPL is equivalent to $27,066 annually for a family of three.

As of March 31, 2001, there were 53,982 adults and 23,708 children enrolled in BadgerCare.

Funding. Base funding for BadgerCare program benefits totals $97,636,600 ($34,218,300 GPR, $61,758,100 FED and $1,660,200 PR) in 2000-01. Federal funding for the program is available under MA and the state children's health insurance program (CHIP). Federal MA funding is used to support services provided to adults with income at or below 100% of the FPL on a 41% GPR/59% FED cost-sharing basis. Federal CHIP funding is used to support services to children and the remaining adults on a 29% GPR/71% FED cost-sharing basis. Program revenue (PR) funding is available from premiums paid by families enrolled in the program with incomes above 150% of the FPL.

Federal Authority. BadgerCare operates under two waivers of federal MA and CHIP law approved by the U.S. Department of Health and Human Services, Health Care Financing Administration (HCFA). The first waiver, approved in January, 1999, authorized a demonstration project under MA, which allowed the state to use MA funds to provide family coverage under BadgerCare. The second waiver, approved in January, 2001, authorized the use of federal CHIP funds to support costs for adults with income above 100% of the FPL. The CHIP funds are available at a higher matching rate than available under MA, 71% vs. 59%, thereby reducing the GPR match for these cases. These waivers were granted by HCFA based on a plans submitted by DHFS to HCFA. Under the terms of the waivers, changes to the BadgerCare plan must be approved by HCFA or the waiver approval may be rescinded.

Enrollment Trigger. Current law specifies that DHFS must establish a lower maximum income level for initial eligibility determinations if BadgerCare funding is insufficient to meet program needs based on projected enrollment levels. The adjustment must not be greater than necessary to ensure sufficient funding is available. DHFS cannot implement a change to the maximum income level for initial eligibility unless it first submits to the Committee its plans for lowering the maximum income level and the Committee approves the plan under a 14-day passive approval process. This process is known as the "enrollment trigger."

If the state implements the enrollment trigger, it cannot receive enhanced federal funding under the terms and condition of the January, 2001 waiver, for adults with income over 100% of the FPL. In addition, DHFS cannot close enrollment, institute a waiting list or decrease eligibility standards while the second waiver is in effect. If the state does so, the second waiver is terminated and BadgerCare authority reverts back to the terms of the original waiver. Under the terms of the original BadgerCare waiver, before DHFS could implement the enrollment trigger, DHFS would be required to submit a waiver amendment to HCFA no later than 90 days before it implements the trigger. If DHFS were no longer able to receive the enhanced federal matching rate for most adults enrolled in BadgerCare, GPR funding for the program would need to be increased by approximately $6.2 million in 2001-02 and $6.7 million in 2002-03 to fully fund the program.

Projected Deficit. In January, 2000, this office estimated that the cost to provide benefits under BadgerCare would exceed the amounts budgeted in Act 9 by approximately $13.2 million in the 1999-01 biennium. In the spring, 2000 legislative session, the Senate and the Assembly approved separate bills to address the projected shortfall, but neither house approved the other house's engrossed bill.

The 1999 Senate Bill 357, which was passed by the Senate in February, 2000, would have increased funding to address the projected shortfall.

1999 Assembly Bill 916, which was passed by the Assembly in March, 2000, would have created two options to address the projected shortfall. AB 916 would have authorized the Joint Committee on Finance to transfer funding, in the 1999-01 biennium, from any GPR appropriation, other than a sum sufficient appropriation, from any state agency, to fund the projected BadgerCare program deficit under specified. Additionally, the bill would have created a GPR, sum-sufficient appropriation to enable the Committee to supplement the BadgerCare benefits appropriation from unappropriated general fund revenues. The Committee could have used this appropriation to supplement the BadgerCare benefits appropriations without making a finding of an emergency, as required under s. 13.101 of the statutes. In addition, the Committee could have drawn funds from the general fund to support a supplement in an amount that would reduce the general fund balance below the balance amount required under s. 20.003(4) of the statutes.

In a letter dated June 2, 2000, former DHFS Secretary Leean sought guidance from the Co-chairs of the Joint Committee on Finance on whether or not to initiate the use of the enrollment trigger because the Legislature adjourned without enacting legislation to address the projected BadgerCare deficit. In a letter dated June 14, 2000, the Co-Chairs indicated to Secretary Leean that the Legislature would have an opportunity to address the projected deficit in January, 2001, and therefore, did not believe that it was necessary for DHFS to initiate the enrollment trigger.

In January, 2001, the Assembly and the Senate passed 2001 Senate Bill 18, which provided $11,512,200 GPR in 2000-01 to fund the projected deficit in BadgerCare. This legislation was enacted as 2001 Wisconsin Act 1.

GOVERNOR

Provide $43,201,500 ($12,554,800 GPR, $30,106,700 FED and $540,000 PR) in 2001-02 and $59,633,200 ($18,118,600 GPR, $40,774,600 FED and $740,000 PR) in 2002-03 to reflect a reestimate of the costs to fund BadgerCare benefits in the 2001-03 biennium. The bill would provide funding for BadgerCare benefits totaling $140,838,100 ($46,773,100 GPR, $91,864,800 FED and $2,200,200 PR) in 2001-02 and $157,269,800 ($52,336,900 GPR, $102,532,700 FED and $2,400,200 PR) in 2002-03.

DISCUSSION POINTS

1. Base funding for BadgerCare totals $97,636,600 ($34,218,300 GPR, $61,758,100 FED and $1,660,200 PR). Base funding for BadgerCare only represents the amount of funding budgeted in 1999 Act 9 and does not include the additional funding provided in 2001 Act 1.

2. It is estimated that the cost to fund BadgerCare benefits in the next biennium will be $145,802,400 ($48,005,300 GPR, $94,802,700 FED and $2,994,400 PR) in 2001-02 and $158,252,300 ($52,234,300 GPR, $102,724,600 FED and $3,293,400 PR) in 2002-03. The attachment to this memorandum identifies the current estimate and the difference between this estimate and base funding for the program and the funding provided in the Governor's budget.

Compared with the funding provided in the bill for BadgerCare benefits, the current estimate represents an increase of $4,964,300 ($1,232,200 GPR, $2,937,900 FED and $794,200 PR) in 2001-02 and $982,500 (-$102,600 GPR, $191,900 FED and $893,200 PR) in 2002-03.

3. The current estimate projects that the total number of persons enrolled in BadgerCare will be 81,170 on June 30, 2001, 90,461 on June 30, 2002 and 93,716 on June 30, 2003. This estimate assumes that caseload growth will decrease more slowly than the assumptions used in developing the estimate for the Governor's budget.

4. The Committee may want to consider modifying the current process for addressing projected shortfalls in BadgerCare program. While the current estimate is based on the best

information available at this time, the actual BadgerCare caseload could vary significantly from the levels assumed in the current estimate based on a variety of factors, including the state's economic performance over the next biennium. If the amount of funding provided is less than the amount necessary to fund the program in the next biennium, the Legislature would have to address a projected shortfall.

5. Under current law, if a shortfall is projected in BadgerCare, the statutes specify that DHFS must initiate the enrollment trigger. The Joint Committee on Finance does not appear to have the authority under s. 13.101 of the statues to transfer funding from another GPR appropriation to the BadgerCare appropriation for two reasons. First, in order to transfer funds under s. 13.101 of the statutes, the Committee must find that an emergency exists and it is not clear that a projected deficit in BadgerCare could be considered an emergency since the statue requires the use of the enrollment trigger if a deficit is projected. Further, the statutes specify that BadgerCare is not an entitlement program. Second, under general rules of statutory interpretation, if the statutes have a specific provision to address a situation, that provision supersedes more general authority provided in the statutes. Therefore, under these rules of interpretation, s. 13.101 of the statutes does not apply to projected shortfalls in BadgerCare, since the required use of the enrollment trigger is the specific provision required by statute when a shortfall is projected.

6. The Committee could determine that the use of the enrollment trigger should be eliminated as a requirement for addressing projected deficits. Eliminating the trigger would reflect a recognition that the use of the trigger is undesirable, considering both the loss of federal funding for BadgerCare and legislative support for the program. The state cannot implement the enrollment trigger without terminating the second BadgerCare waiver. If the second waiver were terminated, the amount of federal revenue available to fund BadgerCare would decrease by over $6.0 million annually.

7. Regardless of the Committee's decision regarding the enrollment trigger, the Committee could provide the Legislature additional options to address projected deficits in the future, rather than requiring the passage of separate legislation to fund those deficits. The Committee could authorize the Joint Committee on Finance to transfer funds from any other GPR appropriation to the BadgerCare appropriation under s. 13.101 of the statutes, if the Committee determines that funding for BadgerCare is insufficient to fund the benefit costs of the program and specify that the Committee does not have to find that an emergency exists to transfer the funding.

8. If the Committee determines that it is appropriate to eliminate the enrollment trigger, the Committee could delete the current BadgerCare GPR and FED appropriations and instead budget these funds in the MA benefits appropriations. Since BadgerCare is so closely linked with MA in terms of funding, eligibility requirements, the provision of services and reporting, it may be appropriate to budget the two programs in one appropriation. When BadgerCare was first established, it was determined that it was necessary to budget BadgerCare funding separately from MA because of the enrollment trigger. Without the enrollment trigger, it would no longer be necessary to budget funding for BadgerCare and MA separately.

Budgeting funding for both programs in a single appropriation would provide more flexibility in addressing future projected deficits in either program. DHFS could continue to monitor expenditures and caseloads for BadgerCare separately from other categories of MA-eligibility. Further, budgeting funding for both programs in the MA appropriations would recognize that BadgerCare is an extension of MA.

9. Regardless of the Committee's action on the enrollment trigger, the Committee could change the current BadgerCare GPR appropriation from a sum certain continuing appropriation to a sum certain biennial appropriation. In doing so, DHFS would be authorized to spend funding appropriated in either year of the biennium. Therefore, if a deficit was projected in the first year of the biennium, DHFS could spend funds budgeted in the second year to support first year costs. If funding budgeted for the biennium was insufficient to support BadgerCare costs, DHFS and the Legislature would be able to address the shortfall at the end of the biennium when the Legislature would be in session developing the budget for the following biennium. With a biennial appropriation, any funds remaining in the appropriation at the end of the biennium would lapse to the general fund. With a continuing appropriation, any funds remaining in the appropriation at the end of a fiscal year are carried forward for use in subsequent fiscal years.

ALTERNATIVES TO BASE

A. Funding Estimate

Increase funding in the bill by $4,964,300 ($1,232,200 GPR, $2,937,900 FED and $794,200 PR) in 2001-02 and $982,500 (-$102,600 GPR, $191,900 FED and $893,200 PR) in 2002-03 to fund costs for BadgerCare services provided in the 2001-03 biennium.

Modification	GPR	FED	PR	TOTAL
2001-03 FUNDING (Change to Base)	$31,803,000	$74,011,100	$2,967,400	$108,781,500
[Change to Bill	*$1,129,600*	*$3,129,800*	*$1,687,400*	*$5,946,800]*

B. Enrollment Trigger and Appropriations

1. Delete the current provision authorizing DHFS to establish a lower maximum income level for initial eligibility determinations if BadgerCare funding is insufficient to meet program needs based on projected enrollment levels. Additionally, authorize the Joint Committee on Finance, to transfer funds, under s. 13.101, of the statutes, from any other GPR appropriation to the BadgerCare appropriation if the Committee determines that funding for BadgerCare is insufficient to fund the benefit costs of the program and: (a) unnecessary duplication of function can be eliminated; (b) more efficient and effective methods for administering programs will result; or (c) legislative intent will be more effectively carried out because of such transfer, and that legislative intent will not be changed as a result of such a transfer. Specify that the Committee does not have to find that an emergency exists to transfer the funding. In addition, do one of the following:

a. Delete the current GPR and FED BadgerCare appropriations and instead budget funding for BadgerCare in the MA benefits appropriations and make corresponding statutory changes. Require DHFS to continue to monitor BadgerCare expenditures and caseloads separately from other categories of MA eligibility.

b. Maintain the current GPR and FED BadgerCare appropriations, but convert the GPR appropriation from a continuing appropriation to a biennial appropriation.

c. Maintain the current BadgerCare GPR appropriation as a continuing appropriation.

2. Maintain the current enrollment trigger, but authorize the Joint Committee on Finance, to transfer funds, under s. 13.101, of the statutes, from any other GPR appropriation to the BadgerCare appropriation if the Committee determines that funding for BadgerCare is insufficient to fund the benefit costs of the program and: (a) unnecessary duplication of function can be eliminated; (b) more efficient and effective methods for administering programs will result; or (c) legislative intent will be more effectively carried out because of such transfer, and that legislative intent will not be changed as a result of such a transfer. Specify that the Committee does not have to find that an emergency exists to transfer the funding. In addition, do one of the following:

a. Convert the current BadgerCare GPR appropriation from a continuing appropriation to a biennial appropriation.

b. Maintain the current BadgerCare GPR appropriation as a continuing appropriation.

3. Maintain current law.

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Attachment

ATTACHMENT

Estimate of 2001-03 Funding for BadgerCare

	2001-02				2002-03			
	GPR	FED	PR	Total	GPR	FED	PR	Total
Base	$34,218,300	$61,758,100	$1,660,200	$97,636,600	$34,218,300	$61,758,100	$1,660,200	$97,636,600
Governor's Bill								
Total Estimate	$46,773,100	$91,864,800	$2,200,200	$140,838,100	$52,336,900	$102,532,700	$2,400,200	$157,269,800
Change to Base	$12,554,800	$30,106,700	$540,000	$43,201,500	$18,118,600	$40,774,600	$740,000	$59,633,200
Current Estimate								
Total Estimate	$48,005,300	$94,802,700	$2,994,400	$145,802,400	$52,234,300	$102,724,600	$3,293,400	$158,252,300
Change to Base	$13,787,000	$33,044,600	$1,334,200	$48,165,800	$18,016,000	$40,966,500	$1,633,200	$60,615,700
Change to Governor	$1,232,200	$2,937,900	$794,200	$4,964,300	$-102,600	$191,900	$893,200	$982,500