



Legislative Fiscal Bureau

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June 2, 2017

TO: Representative Eric Genrich
Room 320 West, State Capitol

FROM: Jon Dyck, Supervising Analyst

SUBJECT: Average Monthly Per Person Cost for BadgerCare Plus Coverage

At your request, this memorandum provides information on the average per person cost for coverage under BadgerCare Plus. Specifically, you asked for this information as the basis for a proposal to allow persons who are not eligible for coverage under medical assistance (MA) to purchase health insurance coverage under the auspices of MA by paying a premium covering the full cost of such coverage. Although the estimate provided in this memorandum is for the average monthly cost of children and adults under BadgerCare Plus, this would not necessarily be the same as a premium payment that fully supports the cost of coverage for individuals who purchase coverage under the proposal. The actual premium would need to take into consideration the average age, health status, and utilization patterns of health care services for the buy-in group. While the current population of adults and children on BadgerCare Plus may be somewhat indicative of these factors, a full actuarial analysis would be needed to set premiums.

Based on estimates used for the purposes of projected MA costs for the 2017-19 biennium, the average monthly cost for coverage under BadgerCare Plus is \$512 for adults and \$211 for children. These figures include hospital inpatient and outpatient access payments, on the assumption that these are an integral part of the MA reimbursement policy and, therefore, would also be made on behalf of the buy-in groups. In addition, the averages exclude the impact of prescription drug manufacturer rebates that the program receives, since the federal Medicaid law under which these rebates are paid would not be applicable to the proposed buy-in population.

The monthly averages do not include state administrative costs that would be associated with a buy-in program. Including a 15% administrative component (consistent with minimum medical loss ratio requirements for large group health plans under the Affordable Care Act), the buy-in premium would be \$602 for adults and \$248 for children.

BadgerCare Plus costs are influenced by provider reimbursement rates paid under the program. These reimbursement rates are generally well below rates paid by commercial health

care plans, which likely has the effect of restricting the number of medical providers who are willing to participate in the program, as well as the extent of their participation. The expansion of the number of persons who receive coverage under the buy-in proposal could exacerbate provider access problems. For this reason, it may be necessary to increase reimbursement payments in order to meet minimum provider access requirements under federal Medicaid regulations. Any such increase would increase the cost associated with providing coverage and also increase the amount of the premiums paid for coverage.

On a final note, the methodology used to estimate an average monthly premium presented in this memorandum does not account for any additional cost that may be associated with establishing and maintaining a reserve fund for the payment of costs. A commercial insurer is required, under state insurance regulations, to maintain a reserve fund to ensure that the company has sufficient financial capacity to pay claims in the event that premium revenue is insufficient. While a BadgerCare Plus buy-in program would not be subject to these regulations, establishing a reserve would be prudent policy.

I hope this information is helpful. If you have further questions, please contact me.

JD/lb