



State of Wisconsin
Department of Health Services

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Scott Walker, Governor
Dennis G. Smith, Secretary

November 17, 2011

Mr. Bobby Peterson
Executive Director
ABC for Health
32 N. Bassett Street
Madison, WI 53703

Dear Mr. Peterson:

Thank you for sharing a copy of your proposal, "The Pathway Plan 2012." It is interesting that your proposal basically rejects the vision of how health insurance purchasing would work under the "Patient Protection and Affordable Care Act (PPACA)." Under PPACA, individuals with income between 133% and 400% FPL will use tax credit subsidies to purchase private insurance through an exchange. Under your proposal, all of these individuals would either become Medicaid eligible or would purchase Medicaid coverage, so it seems to reflect how unpopular PPACA remains in Wisconsin.

Your proposal raises many policy issues, but since financing is the key to any proposal to expand Medicaid, I have several questions that focus on that critical area.

ABC for Health Proposal:

"Matching funds from the federal government ... 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."

Questions:

1. Any waiver must be budget neutral to the federal government, i.e., that the expansion cannot cost the federal government more than would have been expended without the waiver. Will you please provide your estimates (including assumptions about "crowd out," take-up rates, etc.) as to how much it would cost to expand Medicaid to everyone up to 300% FPL?
2. The state would have to offset the new costs to the federal government by finding savings elsewhere in Medicaid. What do you propose to cut to generate the savings to pay for the expansion? Please bear in mind that longstanding federal policy requires the savings to be generated solely within the Medicaid program.

3. The proposal expands coverage to individuals who will otherwise be eligible for new federal tax credits, subsidies that are 100% federally funded. What is the rationale for having the state pay approximately 40 percent of what would otherwise be federal expenditures?
4. The new tax credit subsidies under PPACA are not available to an individual who is eligible for Medicaid. Expanding Medicaid therefore would take away an individual's entitlement to the tax credit subsidies. Do you have any data that supports your underlying view that individuals prefer Medicaid to making their own choices purchasing through an exchange?
5. After the federal budget neutrality cap was going to be reached in the Core expansion of 2009 and 2010, neither the Doyle Administration nor the Legislature at that time committed to funding the cost of coverage for low-income people with state only dollars. If the state at that time was unwilling to pay for coverage of individuals at lower income levels than under your proposal, please explain what has changed to put Wisconsin in a position to pay for coverage of individuals at higher income levels now?

ABC for Health Proposal:

"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. 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."

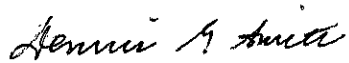
Questions:

1. Since your proposal links co-pays to both the financing and responsible use of the health care system, is it correct to assume that the requirement that adults under 100% FPL pay co-pays would be enforceable? I would note that the Department's recent Medicaid proposals on cost sharing do not impact individuals below 100% FPL.
2. Under your proposal, premiums of 5% of monthly income would begin at 100% FPL. The Department has recommended starting premiums at 150% FPL and we assume approximately 80% of individuals will pay their premiums. Will you provide us your take-up/retention assumptions for beginning premiums at 100% FPL?

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It is helpful to know of your advocacy for premiums and cost-sharing even for individuals with income as low as 100% FPL. I look forward to receiving your responses to these important financing questions so the viability of your proposal can be evaluated.

Sincerely,



Dennis G. Smith
Secretary

cc: Joint Committee on Finance