



December 6, 2011

Dennis Smith
Secretary
Department of Health Services
1 W. Wilson
Madison, WI 53703-7850

Dear Mr. Smith:

Thank you for your letter of November 17, 2011. In your letter, you noted that the Pathway Plan for 2012 offers a different vision for one element of coverage offered by the Patient Protection and Affordable Care Act (ACA), and then you concluded that the Pathway Plan for 2012 seems to reflect how unpopular ACA remains in Wisconsin. In your effort to somehow score political points, your assumptions missed the real point. The Pathway Plan for 2012 builds on health care coverage expansions in the ACA, and simply re-imagines the nature of the public-private partnerships available through a Health Care Exchange. You should realize, by now, that ABC for Health does not take positions that are in lockstep with the Obama Administration, ACA, or the recent Doyle Administration positions and policies. We take an independent track and base our ideas and certain assumptions upon experience guiding our clients, people from Wisconsin, through a complicated and confusing health care coverage and financing system since 1994.

The public-private partnership vision advanced in the Pathway Plan for 2012 explicitly acknowledges that Medicaid and BadgerCare Plus in Wisconsin already work efficiently through partnerships with private managed care organizations. So efficient is this partnership that large insurers like UnitedHealth Care of Wisconsin have secured ever-increasing shares of the Wisconsin Medicaid/BadgerCare Plus market while losing commercial market share and, yes, and increasing profit margins along the way!

You take issue with some of our assumptions that underpin the Pathway Plan for 2012. Despite a lack of financial resources, (DHS, as you know, has resources that greatly exceed the resources of ABC for Health for the purposes of securing and analyzing your own data, federal rules, and requirements) ABC for Health continues to generate and promote creative ideas and possible strategies to better assist people in Wisconsin secure the health care coverage they need and deserve.



You expressed interest in our strategies to expand Medicaid in Wisconsin. I must note, however, that you incorrectly describe our intent as “simply expanding Medicaid.” Our Pathway Plan for 2012 expands the public and private partnership between the state of Wisconsin, health plans, providers and consumers. Our coordinated service delivery system promotes aspects of a medical home, primary care services, and benefits coordination. We specifically include proactive recipient assistance, advocacy and rule enforcement procedures to ensure consumers confidence and promote access to needed health care and coverage. As you know, you, your department, and the Walker Administration brazenly terminated and eliminated federal funds to help consumers navigate and secure needed public and private coverage. As a leader of DHS and a person in a position to protect the interests and needs of health care users in Wisconsin, your stated reasons for terminating funds to help consumers both defy logic and the identified needs of people in Wisconsin.

The Pathway Plan for 2012 includes expansion of Medicaid up to 300% of the federal poverty limit through state tax dollars and to maximize federal financial participation. Your letter focused primarily on questions about financing for this Plan, even reaching an unwarranted assumption that the Pathway Plan for 2012 proposes Medicaid cuts. Bear in mind the only party proposing cuts to Medicaid is the Walker Administration. You propose to cut either 53,000 or 63,000 Wisconsin adults, some children with coverage, and wholesale benefit reductions. In stark contrast, the Pathway Plan for 2012 explores opportunities such as expanded employer cost sharing to provide more than ample financing. Consequently, our Pathway Plan for 2012 raises issues and ideas that merit further exploration and debate. Wisconsin should take a new tack and explore a strategy to secure *employer* matching dollars. Let me explain. Many employers currently participate in the BadgerCare Program “under the table” – Wal-Mart, for example. BadgerCare Plus includes over 9,000 Wal-Mart employees and their beneficiaries. According to our rough calculations, an employer buy-in for employers currently with employees and dependents covered by BadgerCare Plus at less than \$52 a month per enrollee would yield all of the savings you seek with your Medicaid “efficiency plan.” If employers paid DHS \$52 per month per enrollee and dependent, for just this group, that would yield **\$277,475,328 per year, \$555,950,656** over the biennium

You requested suggestions and input from the public; therefore, we ask the state of Wisconsin to examine options to secure contributions from employers that could be used as part of a federal match request. This would be an opportunity for the state to increase state-based funds to secure more federal matching funds. Obviously, ABC recognizes that legal and technical requirements



exists that must be explored. Certainly you and DHS possess the capability to explore strategies that could help expand coverage for people in Wisconsin. This may require a combination of state laws, amendments, federal approval, plan amendments or waivers. Many employers in Wisconsin would welcome a health plan like BadgerCare Plus to provide comprehensive coverage for their employees and for some, also provide financial assistance through federal financial participation. As our plan suggests, this would primarily involve people at or below 300% of the federal poverty level.

You note that the ACA proposed taxes credits for certain small businesses that are 100% federally funded and wonder why the state would pay possibly 40% of what would otherwise be federal expenditures. We recognize the possible choice for a business between certain tax credits...or as proposed in our Pathway Plan for 2012 strategy to work with the state of Wisconsin to buy into the BadgerCare program. Companies could benefit from partial subsidies, partial federal subsidies through federal matching funds, or from securing less expensive coverage by joining a larger pool with much more purchasing leverage. Alternatively, we could seek application of the tax credit to certain employers that chose to participate in the Pathway Plan for 2012. In short, these strategies merit exploration at a state and federal level to optimize choice and reduce costs for small business and the people of Wisconsin.

You ask if we have any data to support our view that individuals prefer Medicaid to making their own choice of purchasing through an exchange. Again, we maintain your inquiry is misplaced. We agree that people should get a choice of health plans. In fact, many enrollees in BadgerCare choose a managed health plan today.

People in Wisconsin were very happy that BadgerCare allowed them to have a choice that provided comprehensive coverage for themselves, their families and children. Hence, we would not say people prefer Medicaid but prefer quality comprehensive coverage at low cost; and we posit that the Pathway Plan for 2012 follows that course of thinking to extend health coverage to more people in Wisconsin, by using its purchasing leverage and large pool to extend discounts and through purchasing power underpinned by a public and private partnership. Our experience working with thousands of people across Wisconsin indicates that that people, families and single childless adults, appreciate BadgerCare coverage and the option to select an appropriate managed care provider. Indeed, one key distinction is that your vision will necessarily impose ever-decreasing levels of benefits. The Pathway Plan for 2012 includes maintenance of Standard



Plan benefits across the board with robust cost-sharing through the public-private partnership, providing a foundation for increasing benefits.

You note the Doyle Administration and legislature failed to support additional, state funds to help individuals on the Core Plan after the state approached the federal budget neutrality cap. Again what is your point? We disputed those decisions and felt the Core Plan identified a large number of Wisconsinites that desperately needed coverage. In fact, we spent a lot of time helping applicants' secure needed coverage. The Basic Plan was a half step in the correct direction that was underfunded and incomplete. We propose completing the action with more creativity and action steps to build the BadgerCare pool with people who can pay and to some degree, help support and subsidize those who cannot pay – we assert that Wisconsin could extend and expand coverage to more people. We note a lack of any ideas or proposals from you or the Administration to help people that currently lack insurance and or access to care and coverage. The BadgerCare Plus Core Plan waiting list of adults without dependent children continues to grow and numbers 114,378 as of mid-November.

In addition, you criticize our proposal's inclusion of consumer cost-sharing. We understand that cost sharing, when used appropriately, can promote responsible use of the health care system. The Pathway Plan for 2012 takes a different view than the federal government or your Administration on the issue, however. We believe that at certain points everyone can provide some level of co-payment to help maintain a robust Standard Plan package, but we stress and we acknowledge that copayments impact low-income individuals, those below 100% FPL, the most; we would expect those co-payments to be very nominal.

Compare our proposal and strategy to the cost containment strategy of the Walker Administration. Your partner in the Office of "Free Market" Health Care, Insurance Commissioner Ted Nickel, proposed the explicit protection of the failing small group and individual insurance markets. Nickel's Medical Cost Ratio waiver request seeks to protect private insurers providing individual coverage with MLRs in the 60 – 70% range in units of their companies that overall boast large profit margins. In contrast, most of the profitable managed care plans that serve BadgerCare enrollees have private plan components where MLR's typically exceed 90% with better pooled coverage like that envisioned as part of the Pathway Plan for 2012.

In closing, we submitted the Pathway Plan for 2012 to respond to your MOE and plan amendments submitted to CMS. Clearly, ABC for Health lacks the resources to fully explore



actuarial aspects of our proposal, and we subtitled the Pathway Plan for 2012 as a working proposal for good reason. Our effort is to try and expand coverage and services to people in Wisconsin that are cost-effective and provide value to the overall state. While we vigorously disagree with the majority of your plan, we chose to explore alternatives. We urge you to do the same. BadgerCare provides an important vehicle to expand coverage to residents of Wisconsin.

We are not wedded to a particular ideology, rather we are committed to exploring all feasible options that maintain or improve access to care and coverage for the people of Wisconsin. Many of our ideas collide with what appears to be your “free market” political philosophy of disassembling the BadgerCare program, creating hoops, hurdles and barriers, and limiting opportunities for consumer assistance and outreach. To that end, we will continue to vigorously and publicly oppose your policies. However, we are willing to try to find areas of mutual agreement and work on strategies and solutions. We look forward to maintaining a continued dialogue with the Department.

Sincerely

ABC for Health Inc

A handwritten signature in cursive script that reads 'Bobby'.

Bobby Peterson
Public Interest Lawyer
32North Bassett St
Madison WI 53703

CC: Joint Committee on Finance