

Healthy Wisconsin (HW) - Your Choice - Your Plan: Cost and Coverage Impacts

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AARP Wisconsin

The **LEWIN GROUP**
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Healthy Wisconsin (HW)

- Coverage includes:
 - Wisconsin residents
 - Out-of-state people working in Wisconsin
- Coverage excludes people eligible for
 - Medicare
 - Federal worker benefits
 - Medicaid/Badger Care
 - TRICARE
- Residency requirement of 12 months unless
 - Gainfully employed in Wisconsin;
 - Children under age 19; and
 - Pregnant Women.

The HW Benefits Package

Service	Description
Preventive Care	Prenatal Care Mammogram and Pap Smear Immunizations Well Baby Care Adult Physical Exams
Hospital Services	Inpatient Services Outpatient surgery Emergency Room
Physician Services	Office visits Inpatient services Outpatient services
Other Medical Services	Skilled Nursing Facility (up to 120 days) Home health care (up to 50 visits) Durable Medical Equipment, Ambulance Physical, Occupational and Speech Therapy (up to 50 visits) Chiropractic Podiatric

The HW Benefits Package (cont.)

Service	Description
Dental Care	Preventive for children
Mental Health	Parity: Inpatient Transitional Outpatient
Chemical Dependency	Parity: Inpatient Transitional Outpatient
Vision Exams	One routine exam per calendar year
Prescription Drugs	Formulary

Cost Sharing Provisions of the HW Benefits Package

Cost Sharing Summary		
Annual Deductible	Preventive Care Per Adult Per Child Per Family	None \$300 None \$600
Co-Payments	Preventive Care Other Services Specialist without Referral	None \$20 per visit 25 percent
Maximum Out-of-Pocket Expense Limit* (Includes Annual Deductible)	Per Adult Per Family	\$2,000 \$3,000
Prescription Drugs (Cost sharing counts toward deductible)	Co-pay per Rx Generic Brand Formulary Brand Non-Formulary	\$5 after deductible \$15 after deductible \$40 after deductible (Not to exceed the cost of Rx)

Health Coverage Options

- Fee-for-service plan sponsored by HW statewide
- Network alternatives in geographic area
- People enrolling in the lowest cost option do not pay a premium
- People may select a higher cost alternative
 - Must pay all or part of the cost of a higher cost plan
 - Additional premium is capped at between \$50 and \$200 per month, depending upon number of competing plans

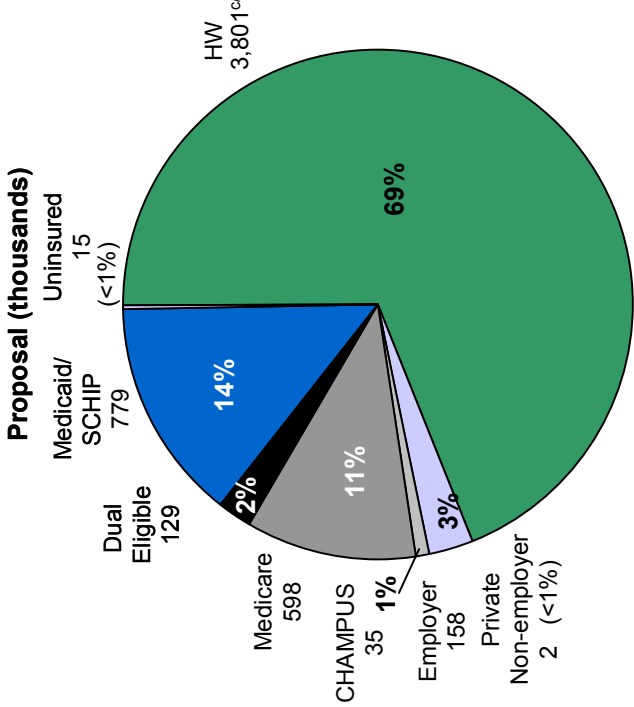
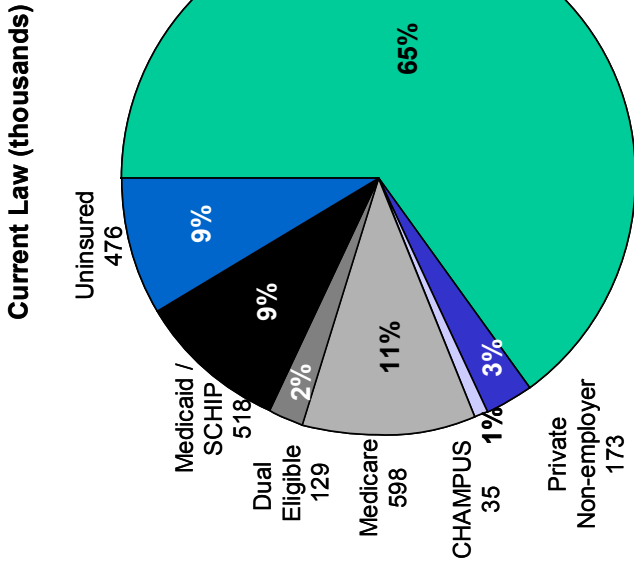
Assessment Used to Fund Program

- Employers: 10.5 percent of Social Security (SS) wages (\$97,500 in 2007)
- Employees not on Medicaid/BadgerCare: 4 percent of SS wages
- Employees on Medicaid/BadgerCare:
 - Below 150% of Federal Poverty Level (FPL): No Assessment
 - Families and Pregnant Women above 150% FPL: Sliding Scale of 0% to 4% between 150% and 300% of FPL
 - Individuals above 150% FPL: Sliding Scale of 0% to 4% between 150% and 200% of FPL
- Sole Proprietors: 10 percent of Social Security wages
- Those with income but no employment wages: 10% of Adjusted Gross Income up to Social Security wage limit

Medicaid Eligibility Expansion and Mandatory Enrollment for Eligible People

- **Eligibility Expansion:**
 - 300% of FPL for Families and Pregnant Women (currently 185% of FPL)
 - 200% of FPL for Non-Custodial Adults (currently ineligible at any income level)
- There would be no enrollment fee/premium for those enrolled in Medicaid/BadgerCare
- **Worker Assessment:**
 - Below 150% of FPL: None
 - 150% to 300% of FPL - Families and Pregnant Women: Sliding Scale between 0% and 4% of Social Security Wages between 150% and 300% of FPL
 - 150% to 200% of FPL - Non-Custodial Adults: Sliding Scale between 0% and 4% of Social Security Wages between 150% and 200% of FPL
- All Medicaid Eligible People are Required to Enroll

Wisconsin Residents by Primary Source of Coverage Under Current Law and the HW in 2007 a/, b/



Total Population 5,516,000

- a/ We estimate that the number of uninsured in Wisconsin would grow from about 404,000 in 2005 to 476,000 by 2007.
 - b/ Medicaid enrollment increases under the HW as eligible but not enrolled people enroll due to the mandate.
 - c/ Excludes an additional 158,000 workers and dependents living in other states but working in Wisconsin.
- Source: The Lewin Group estimates using the Wisconsin version of the Health Benefits Simulation Model (HBSM).

Transitions in Coverage under HW by Primary Source of Coverage in 2007 (in 1,000s)

Primary Source of Insurance under Current Law	All Wisconsin Residents	Healthy Wisconsin	Employer ^{a/}	Individual	TRICARE (military)	Medicare (excl. Dual Eligibles)	Medicare / Medicaid Dual Eligibles	Medicaid / SCHIP (excl. Dual Eligibles)	Uninsured
Employer ^{a/}	3,587	3,270	158	--	--	--	--	159	--
Individual Non-Group	173	165	--	1	--	--	--	7	--
TRICARE	35	--	--	--	35	--	--	--	--
Medicare (excl. Dual Eligibles)	598	--	--	--	--	598	--	--	--
Medicare/Medicaid Dual Eligibles	129	--	--	--	--	--	129	--	--
Medicaid/ SCHIP (excl. Dual Eligibles) ^{b/}	518	--	--	--	--	--	--	518	--
Uninsured	476	366	--	--	--	--	--	95	15
Total	5,516	3,801	158	1	35	598	129	779	15

a/ Includes people covered as workers, dependents and retirees.

b/ Excludes people eligible under the Family Planning waiver, nursing home and home and community-based services (HCBS) waiver recipients, and those covered under the Senior Care program.

Source: The Lewin Group estimates using the Wisconsin version of the Health Benefits Simulation Model (HBSM).

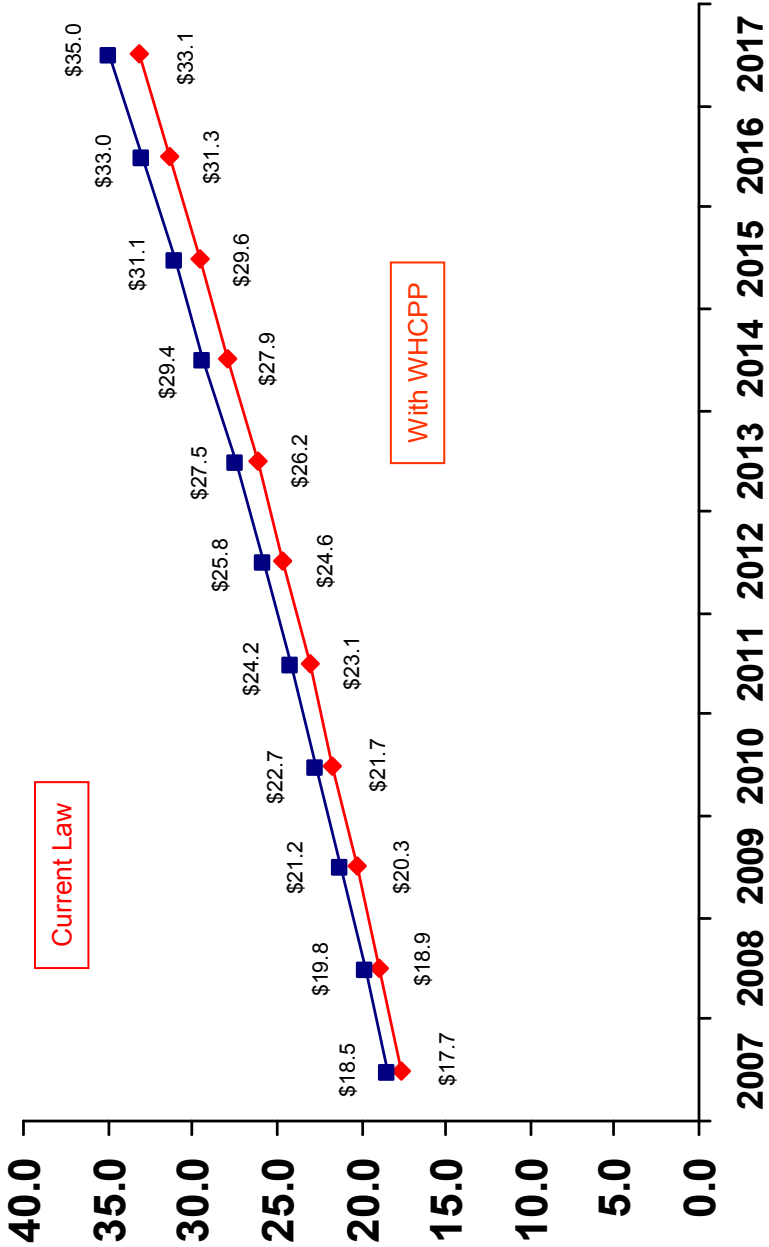
Changes in State-wide Health Spending under the HW in 2007 (millions)

Current State-wide Health Spending for All Residents		\$42,273
Current State-wide Health Spending for HW Population		\$18,512
Change in Health Services Expenditures		
Change in utilization for newly insured	\$788	
Change in utilization for currently insured	\$159	
Primary care emphasis	(\$565)	
Central purchase of prescription drugs	(\$178)	
Reimbursement Effects		
		\$66
Payments for previously uncompensated care	\$421	
Provider reimbursement with Medicaid expansion	(\$311)	
Total Net Change in Revenues	\$110	
Reduced Cost Shifting (40 percent) ^{a/}	(\$44)	
Adjustment for Provider Administrative Costs		
		(\$407)
Hospital Administration	(\$121)	
Physician Administration	(\$286)	
Change in Administrative Cost of Programs and Insurance		
		(\$614)
Medicaid and safety-net administration	\$41	
HW administration	\$799	
Private wrap-around benefits	\$135	
Current employer sponsored coverage	(\$1,349)	
Current non-group coverage	(\$240)	
Total Change in Health Spending		
		(\$751)

a/ Assumes 40 percent of change in provider payment rates are passed on to private networks in the form of lower negotiated rates.

Source: The Lewin Group estimates using the Wisconsin version of the Health Benefits Simulation Model (HBSM).

Projected Growth in Health Spending for workers and Dependents in Wisconsin 2008-2017 (billions)



Sources and Uses of Funds Under the HW in 2007 (in millions)

Uses of Funds		Sources of Funds	
HW Program Benefits Payments		\$13,679	
Benefits at Private Payment Rates	\$14,763		
Bulk Purchasing Savings	(\$178)		
Reduced Cost Shifting	\$66		
Provider Admin. Savings	(\$407)		
Primary Care Savings Effect	(\$565)		
Program Administrative Costs		\$315	
Insurer Administration		\$484	
FFS Plan	\$170		
Network Plans	\$314		
Cap on Higher Cost Plan Premiums		\$95	
Total Program – WI Residents		\$14,573	
Workers and Dependents Working in Wisconsin Who Live Outside Wisconsin			
Out of State Residents ^{a/}		\$639	
Total Program		\$15,212	
Private Employers Assessment			(10.5%)
Sole Proprietor Assessment			(10.0%)
Worker Assessment			(4.0%) ^{b/}
State and Local Government Assessments			(10.5%)
Special Assessment			\$98
Total Sources of Funds – Wisconsin Residents			\$14,573
Assessment Revenue			\$639
Total Sources of Funds			\$15,212

a/ Based upon 2000 Decennial Census data on the number of people in neighboring counties who work in Wisconsin (158,000).

b/ Reflects sliding scale assessment for Medicaid enrollees.

Source: The Lewin Group estimates using the Wisconsin version of the Health Benefits Simulation Model (HBSM).

Change in State and Local Government Spending Under the HW Program in 2007 (millions)

	Change in Spending
State & Local Government Employee Health Benefits	(\$1,360)
Workers and Dependents (\$1,260)	
Retirees (\$100)	
State Share of Increased Medicaid Enrollment	381
Total Expansion: \$904 million including \$41 million Admin.	
Savings to Current Safety Net Programs	(\$540)
Reduced Property Taxes to Business and Households ^{a/}	\$680
Households \$490	
Businesses \$190	
Tax Revenue Loss Due to Wage Effects ^{b/}	\$155
Net Cost/(Savings) to State and Local Government	(\$684)

a/ Half of savings for state and local health benefits would be used to reduce property taxes.

b/ Reduction in tax revenue is counted as an increase in State and Local Government health spending.

Source: The Lewin Group estimates using the Wisconsin version of the Health Benefits Simulation Model.

Changes in State and Local Government Employee Health Benefits Costs Under the HW in 2007 (in millions)

	Change in Spending
State and Local Government Employee Health Spending Under Current Law	
Current	
Workers & dependents	\$2,966
Retirees	\$256
Total	\$3,222
State and Local Government Employee Health Spending Under Policy	
Worker and dependent wrap around coverage	\$374
Retirees	\$156
HW premiums	\$1,332
Total	\$1,862
Change in State and Local Government Employee Health Spending	
Net Change	(\$1,360)

Source: The Lewin Group estimates using the Wisconsin version of the Health Benefits Simulation Model.

Change in Federal Government Health Spending Under the HW in 2007 (millions)

	Change in Spending
Federal Workers Health Benefits Program (FEHBP)	(\$96)
Workers and Dependents	\$0
Retirees	(\$96)
Wage Effects	\$0
Additional Medicaid Enrollment Due to HW	\$523
Tax Revenue Loss due to Wage Effect ^{a/}	\$316
Net Cost/(Savings) to Federal Government	\$743

Source: The Lewin Group estimates using the Wisconsin version of the Health Benefits Simulation Model (HBSM).

Changes in Private Employer Health Benefits Costs Under the HW in 2007 (millions)

	Currently Insuring Employers		Currently Non-Insuring Employers	All Employers
	All Insuring employers	Firms that Now Insure at Least 75% of their Workers		
Private Employer Health Spending Under Current Law				
Current Coverage Workers & Dependents ^{a/}	\$8,710	6,778	\$1,932	\$8,710
Retirees	\$481	\$374	\$107	\$481
Total	\$ 9,191	\$7,152	\$2,039	\$9,191
Private Employer Spending Under the HW				
Worker Wraparound coverage ^{b/}	\$395	\$265	\$130	\$395
Medicare Covered Workers and Dependents	\$214	\$144	\$70	\$214
Retirees	\$293	\$228	\$70	\$293
HW Assessments	\$7,769	\$6,014	\$1,755	\$8,868
Reduced Real Estate Property Tax ^{c/}	(\$166)	(\$130)	(\$36)	(\$190)
Total	\$8,505	\$6,521	\$1,989	\$9,580
Net Change in Private Employer Spending Before Wage Effects				
Net Change (before wage effects)	(\$686)	(\$631)	(\$50)	\$389
Net Change in Employer Spending After Wage Effects				
Net Change (after wage effects) ^{d/}	(\$354)	(\$276)	(\$73)	(\$378)

a/ Excludes spending for sole proprietors.

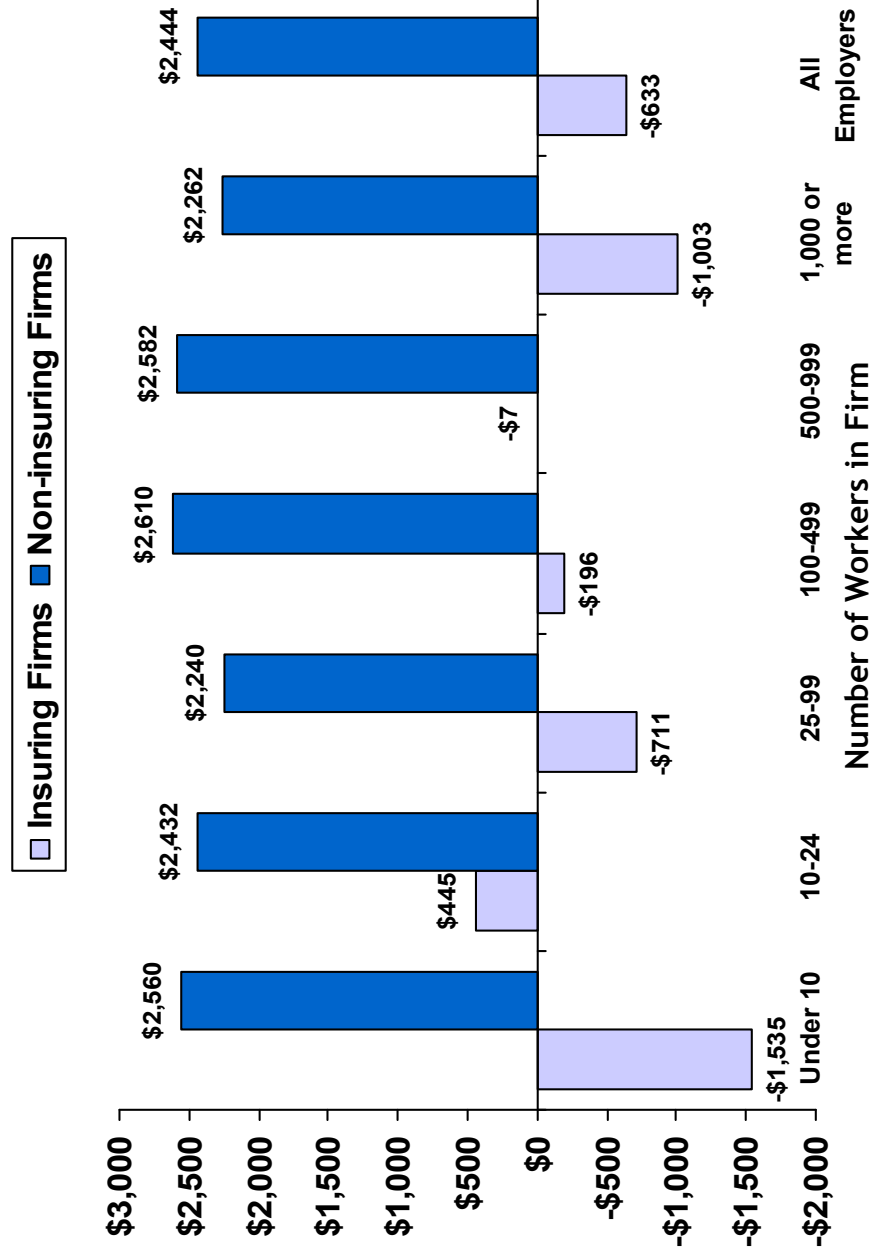
b/ Assumes employers provide wrap around coverage if the assessment is less than current spending. We assume that the employer supplemental benefits is limited so that the employer's combined cost does not exceed current spending.

c/ Assumes personal property taxes and real estate property taxes are distributed across employers in proportion to wages.

d/ Changes in employer health benefits costs for current workers and their dependents are assumed to be passed-on to workers in the form of changes in wages, less the amount of the Social Security tax paid by the employer (i.e., 7.65 percent). After wage effects, the change in employer spending includes savings for retiree benefits and reductions in property taxes.

Source: The Lewin Group estimates using the Wisconsin version of the Health Benefits Simulation Model (HBSM).

Change in Private Employer Health Spending Per Worker by current Insuring Status Under the HW Program in 2007: Before Wage Effects



Source: The Lewin Group estimates using the Wisconsin version of the Health Benefits Simulation Model (HBSM).

Impact of the HW on Family Health Spending in 2007 (in millions)

	With Wage Effects
Change in Premiums	(\$3,753)
HW Assessments (family share) ^{a/}	\$4,373
Subsidies for Higher Cost Plans (counted as an offset)	(\$95)
Change in Out-of-pocket Payments	(\$918)
Non-HW enrollees (moved from private to Medicaid)	(\$104)
HW Enrollee out-of-pocket	(\$814)
Reduced Property and Other Taxes ^{b/}	(\$490)
After Tax Wage Loss (counted as increase in health spending) ^{c/}	\$451
Net Change	(\$432)

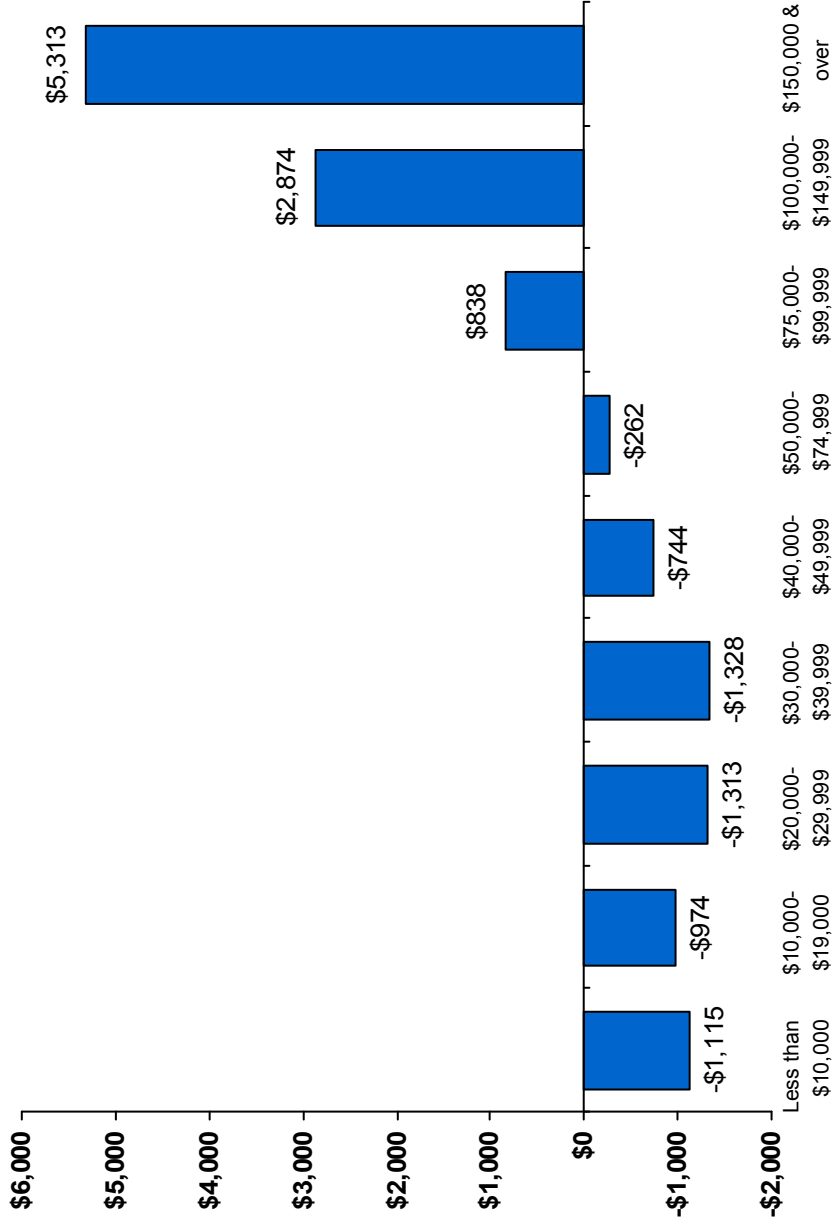
a/ Includes premiums and assessments paid by sole proprietors also includes special assessment for Wisconsin residents.

b/ Reduced property taxes financed with savings from State & Local Government Employee Health Benefits.

c/ The reduction in after-tax wage income resulting from increased costs to employers are counted here as an increase in family health spending.

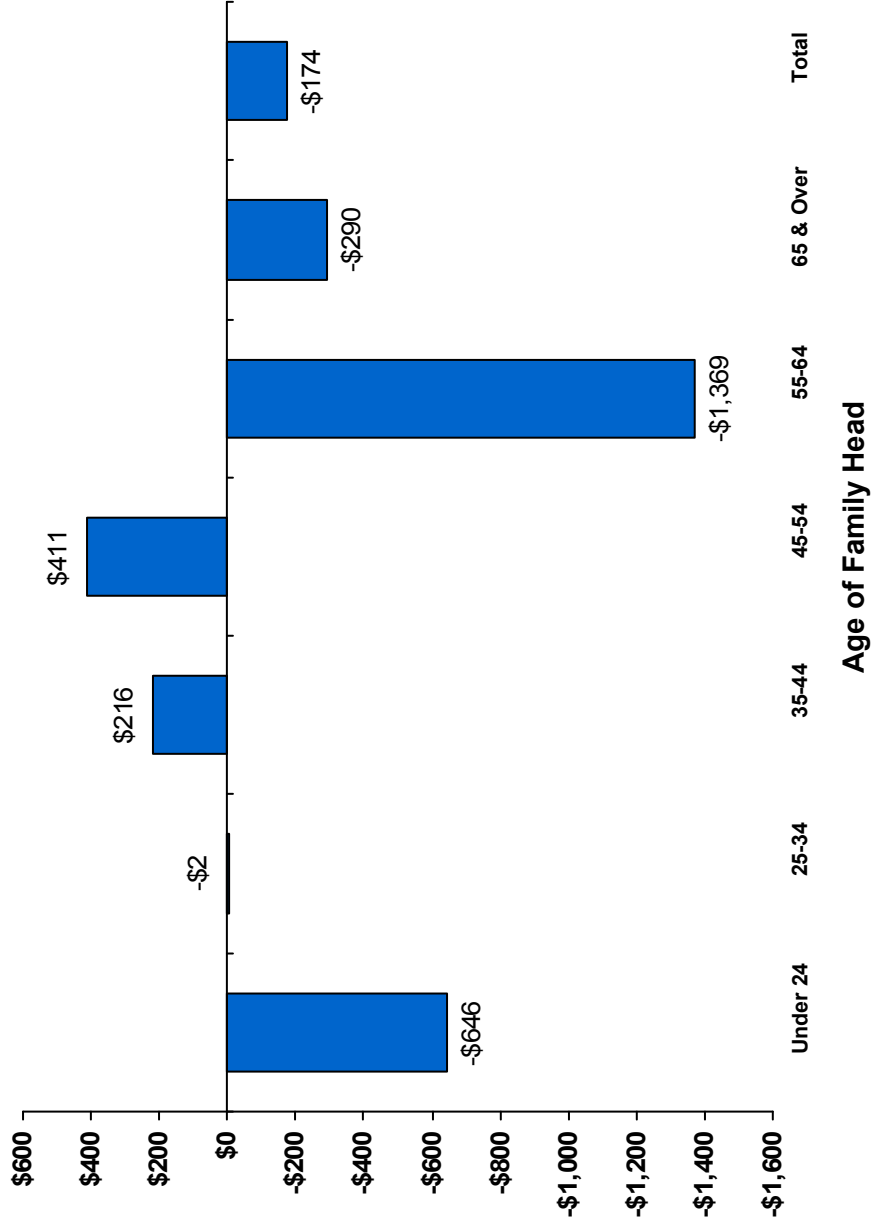
Source: The Lewin Group estimates using the Wisconsin version of the Health Benefits Simulation Model (HBSM).

Change in Average Family Health Spending by Income Group Under the HW in 2007 with Wage Effects



Source: The Lewin Group estimates using the Wisconsin version of the Health Benefits Simulation Model (HBSM).

Change in Average Family Health Spending by Age of Family Head Under the HW Program in 2007 with Wage Effects



Source: The Lewin Group estimates using the Wisconsin version of the Health Benefits Simulation model (HBSM)