DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

November 17, 2023

Jamie Kuhn
State Medicaid Director
Wisconsin Department of Health Services
1 W. Wilson St.
Madison, WI 53703

Dear Director Kuhn:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved a temporary extension of the state's section 1115 demonstration, entitled "Wisconsin BadgerCare Reform" (Project Number 11-W-00293/5), to allow the state and CMS to continue negotiations over the state's extension application submitted on November 18, 2022. This demonstration will now expire December 31, 2024.

This letter also serves as an amendment to the demonstration to remove the following title XIX non-applicable authorities for the childless adult demonstration population who are eligible non-pregnant, uninsured adults ages 19 through 64, with incomes over 50 percent up to and including 100 percent of the federal poverty limit (FPL) to do the following:

1. Impose monthly premium payments,
2. Vary monthly premium payments based on the completion of, and enable the state to deny eligibility for not completing, a health risk assessment, and
3. Deny eligibility and prohibit reenrollment for up to six months for failure to pay premiums.

These authorities will end on December 31, 2023.

CMS has determined that premiums can present a barrier to coverage, and therefore, charging beneficiaries premiums beyond those specifically permitted under the Medicaid statute are not likely to promote the objectives of Medicaid. This policy determination is informed by findings in recent research across different states with section 1115 demonstrations, which show that charging beneficiaries premiums beyond those authorized under the state plan resulted in shorter

enrollment spells,[1] and were associated with lower initial enrollment rates and increased obstacles to accessing care in several states.[2]

Further, premium requirements can exacerbate health disparities, as historically under-resourced populations may be disproportionately affected by these policies. For example, research from several states shows that premium policies led to decreased enrollment and shorter enrollment spells for Black beneficiaries compared to their White counterparts, and beneficiaries with lower incomes compared to those with higher incomes.[3] In other states, beneficiaries also reported misperceptions about the affordability of Medicaid coverage and concerns about their ability to make monthly contributions under section 1115 demonstrations with premium policies.[4] This beneficiary concern and confusion could contribute to lower initial and overall enrollment rates, and higher disenrollment rates.

On balance, the evidence from recent research across several states on premium policies in section 1115 demonstrations suggests that premiums can reduce access to coverage and care among populations that Medicaid aims to serve, and therefore, we do not have reason to believe that charging beneficiaries premiums beyond those authorized under the statute are likely to directly or indirectly promote coverage. As such, the temporary extension of the BadgerCare Reform demonstration will not include these title XIX non-applicable authorities to impose monthly premium payments; to vary monthly premium payments based on the completion of and

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[1] **Dague, L. (2014).** The Effect of Medicaid Premiums on Enrollment: A Regression Discontinuity Approach. Journal of Health Economics. 37: 1-12. Retrieved from https://www.sciencedirect.com/science/article/pii/S0167629614000642.

[2] **Bradley, K., Niedzwiecki, M., Maurer, K., Chao, S., Natzke, B., & Samra, M. (2020).** Medicaid Section 1115 Demonstrations Summative Evaluation Report: Premium Assistance, Monthly Payments, and Beneficiary Engagement. Retrieved from https://www.medicaid.gov/medicaid/section-1115-demonstrations/downloads/alt-medicaid-exp-summ-eval-report.pdf; **Social & Scientific Systems, Inc. and the Urban Institute. (2020).** Federal Evaluation of Indiana's Healthy Indiana Plan — HIP 2.0. Retrieved from https://www.medicaid.gov/medicaid/section-1115-demonstrations/downloads/summative-eval-rpt-indiana-2020.pdf; **University of Michigan Institute for Healthcare Policy & Innovation. (2018).** Report on the Impact of Cost Sharing in the Healthy Michigan Plan: Healthy Michigan Plan Evaluation Domains V/VI. Retrieved from https://deepblue.lib.umich.edu/bitstream/handle/2027.42/154759/UM_HMP_Eval_Domain_VVI_Report_7-30_Appendix_Included_629937_7.pdf?sequence=1&isAllowed=y; and **Cliff, B.Q., Miller, S., Kullgren, J.T., Ayanian, J.Z., & Hirth, R. (2021)**. Adverse Selection in Medicaid: Evidence from Discontinuous Program Rules. National Bureau of Economic Research. Working Paper 28762. Retrieved from https://www.nber.org/papers/w28762.

[3] **University of Wisconsin-Madison Institute for Research on Poverty. (2019).** Evaluation of Wisconsin's BadgerCare Plus Health Coverage for Parents & Caretaker Adults and for Childless Adults 2014 Waiver Provisions. Retrieved from https://www.irp.wisc.edu/wp/wp-content/uploads/2019/11/BC-2014-Waiver-Provisions-Final-Report-08302019.pdf; **Finkelstein, A., Hendren, N., & Shepard, M. (2019).** Subsidizing Health Insurance for Low-Income Adults: Evidence from Massachusetts. American Economic Review. 109(4): 1530-67. Retrieved from https://www.aeaweb.org/articles?id=10.1257/aer.20171455; and **The Lewin Group, Inc. (2020).** Healthy Indiana Plan Interim Evaluation Report. Retrieved from https://www.in.gov/fssa/hip/files/IN_HIP_Interim_Evaluation_Report_Final.pdf.

[4] **University of Michigan Institute for Healthcare Policy & Innovation. (2018).** Report on the Healthy Michigan Voices 2016-17 Survey of Individuals No Longer Enrolled in the Healthy Michigan Plan. Retrieved from https://www.michigan.gov/documents/mdhhs/Domain_IV_-_2018_Eligible_But_Unenrolled_Report_652005_7.pdf; and **The Lewin Group Inc. (2017).** Health Indiana Plan 2.0: POWER Account Contribution Assessment. Retrieved from https://www.medicaid.gov/sites/default/files/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/in/Healthy-Indiana-Plan-2/in-healthy-indiana-plan-support-20-POWER-acct-cont-assesmnt-03312017.pdf.

enable the state to deny eligibility for not completing, a health risk assessment; nor to deny eligibility and prohibit reenrollment for up to six months for failure to pay premiums. CMS understands the state is not currently implementing these authorities due to the COVID-19 public health emergency (PHE), which ended on May 11, 2023. However, as part of recent legislation passed within the Consolidated Appropriations Act of 2023 (Pub. L. 117-328), the continuous enrollment requirement and receipt of the temporary 6.2 percentage point increase in Federal Medical Assistance Percentage (FMAP) increase, which Wisconsin has accepted, will no longer be linked to the end of the PHE. The continuous enrollment requirement ended on March 31, 2023; therefore, states that had been claiming the temporary enhanced FMAP are now able to terminate Medicaid enrollment for individuals no longer eligible starting April 1, 2023. As Wisconsin begins initiating and completing renewals of eligibility for all Medicaid and CHIP enrollees, the state should not begin to take adverse action on those Medicaid-eligible beneficiaries who otherwise may be impacted by the above mentioned BadgerCare Reform demonstration authorities or require such additional conditions for new applicants.

CMS's approval is conditioned upon the state's continued compliance with the special terms and conditions (STC) defining the nature, character, and extent of anticipated federal involvement in the project. The current STCs and expenditure authorities will continue to apply during the temporary extension period of this demonstration. The state's current budget neutrality agreement and per member per month amounts will continue to apply as described in the STCs, until December 31, 2024, or until the demonstration is extended, whichever is sooner.

For this temporary extension period, the state must continue to monitor its demonstration as stipulated in the current STCs. In addition, the state is required to include the temporary extension period in its demonstration evaluation. The state may choose to include the temporary extension period within its summative evaluation for the demonstration approval period beginning October 31, 2018. Alternatively, if CMS approves an extension beyond December 31, 2024, the state may choose to include this temporary extension period in the Evaluation Design and activities of the next full demonstration approval period.

Your CMS project officer for this demonstration is Kelsey Smyth. She is available to answer any questions concerning your section 1115 demonstration. Kelsey Smyth can be reached at kelsey.smyth@cms.hhs.gov.

Sincerely,

Daniel Tsai
Deputy Administrator and Director

cc: Mai Le-Yuen, State Monitoring Lead, Medicaid and CHIP Operations Group