The many policy impacts of the federal Patient Protection and Affordable Care Act (PPACA) are untested and unknown. When PPACA became law neither the federal government, nor the states fully understood the impact these changes would have on individuals and families as health care purchasers and consumers.

In March 2012, the Wisconsin Department of Health Services (DHS) received approval from the Centers for Medicare and Medicaid Services (CMS) to apply certain provisions of the federal Patient Protection and Affordable Care Act to its BadgerCare Plus program. Approval to apply these policy changes was granted through the amendment of Wisconsin's two existing 1115 demonstration waivers: (1) the BadgerCare Waiver and (2) the BadgerCare for Childless Adults Waiver. Federal authority was granted to Wisconsin to amend state eligibility standards, in conformance with PPACA provisions, which thereby provided Wisconsin a unique position to demonstrate certain impacts of impending PPACA changes affecting U.S. health care consumers.

For purposes of testing the effects of PPACA eligibility provisions, the CMS authorized a number of amendments to Wisconsin's Medicaid eligibility policies for non-pregnant and non-disabled adults, effective July 1, 2012. This report is intended to address early data related to the DHS premium policy reforms as authorized under the department's broader PPACA demonstration project. Notably, the premium reforms as implemented July 1, 2012, represent the greatest impact to demonstration project participants. It is with this in mind that the department endeavors to highlight early eligibility data that may signal to what degree health care will be viewed as affordable under PPACA. It is important to note that under PPACA, individuals will also be required to pay cost sharing for services. Additional, cost sharing is not a part of the Wisconsin waivers. Therefore, individuals will pay an even greater share of the total cost of this coverage under PPACA than under the Wisconsin demonstration.

PPACA and Affordable Healthcare

The legislative intent of PPACA is to decrease the number of uninsured Americans as well as reduce the cost of health care. In an effort to make mandatory health coverage affordable, PPACA provides federally subsidized premium contributions for adults with incomes greater than 100% of the federal poverty level (FPL). Specifically, individuals between 100%-400% of the FPL will qualify for premium tax credits structured to prevent individual health care costs from exceeding a certain percentage of household income, as detailed in the chart below.

Out of Pocket Premium Payments Under PPACA
For Individuals and Families

2012 FPL Level	Maximum Premium as a % of Income	Maximum Annual Premium by Family Size			
		1	2	3	4
100.0%	2.0%	$223	$303	$382	$461
133.0%	3.0%	$446	$604	$762	$920
150.0%	4.0%	$670	$908	$1,145	$1,383
200.0%	6.3%	$1,407	$1,906	$2,405	$2,904
250.0%	8.1%	$2,262	$3,072	$3,866	$4,668
300.0%	9.5%	$3,183	$4,312	$5,441	$6,569
400.0%	9.5%	$4,245	$5,749	$7,254	$8,759

Based on the premium of the second lowest cost silver plan available to the individual in the Exchange, qualifying individuals at or below 133% of the FPL would pay no more than 2% of income toward premiums, while individuals between 133% - 400% would incur premium costs ranging from 3% to 9.5% of income as provided in the schedule below.

Revised Policy for PPACA Alignment

Wisconsin proposed demonstrating the affordability of the PPACA premium contribution schedule, given that Wisconsin Medicaid covers similar adult populations and income levels that will be covered in the exchange beginning in January 2014. Prior to the implementation of the PPACA demonstration by DHS, adult parents and caretaker relatives eligible for BadgerCare Plus for Families were required to pay a monthly premium only if household income was at or above 150% of the FPL. The premiums were calculated on an individual basis and the total was capped at 5% of family income.

Under the former DHS premium policy, adult premium exemptions were granted for adults covered under other eligibility categories. Specifically, exemptions were extended to adults without dependent children (BadgerCare Plus Core) and adults in a transitional medical assistance group (BadgerCare Plus Extension). This latter group represents an eligibility category that applies to MA recipients whose income exceeds 100% of the FPL, either as a result of increased earned income or from additional child support. During their transitional MA eligibility period, participants have been exempt from premiums regardless of income level.

Effective July 1, 2012, non-pregnant, non-disabled BadgerCare Plus adults with household countable income at or above 133% are required to pay a single premium per household, calculated using household income according to the federal PPACA schedule noted above. Also, the premium policy under the demonstration project is in effect for all three types of adult eligibility groups to include non-pregnant and non-disabled adults that are provided Medicaid coverage through 1) BadgerCare Plus for Families, 2) BadgerCare Plus Core Plan, and 3) BadgerCare Plus Extension. Notably, the premium changes do not impact children or self-employed parents or caretaker relatives. Premiums for these individuals are calculated under former DHS policy.

The chart below compares the price impact of this demonstration for a family of 4 with household income of 133%, and alternatively 150% of the FPL. As shown, the 133% FPL family experiences a $77 monthly price increase while the family at 150% experiences an increase of $95 monthly.

Monthly Income and Federal Poverty Level	Prior Wisconsin Policy (Before July 2012)	PPACA Rate Schedule Implemented July 2012
133% FPL ($2,555/month)	$0	$77
150% FPL ($2,881/month)	$20	$115

Early Premium Impact Analysis

The following analysis represents premium payment statistics for the 3 months following demonstration implementation, July through September 2012. Given the limited amount of data, this analysis is not intended to estimate long-term premium impacts. This is because it is too soon in the demonstration to know how many members will continue to shoulder the cost of the demonstration premiums. Rather, this analysis provides a better view of economic decisions by Medicaid recipients who choose whether to purchase health care coverage at an initial price point.

The data collected for this analysis isolates adult premium payers in BadgerCare Plus (Parents / Caretakers), the Badger Care Plus Core Plan (Childless Adults) and the transitional medical assistance population (BadgerCare Plus - Extension) according to income level. The analysis demonstrates that the process of aligning state premium policies to PPACA parameters has had varying enrollment effects to the broader population now subject to the state's premium changes. This is partly due to implementation of a premium rate schedule that uses a wider range of rates with a more progressive sliding scale (compared to prior policy), and also because there are now individuals subject to premiums who were not previously. As a result, the marginal impact of premium charges varies substantially among population cohorts. For this reason, the analysis is organized in a way that distinguishes cohorts according to their lesser or greater response to the state's Medicaid premium changes.

In terms of data collection and methodology, DHS reviewed data from the state's CARES eligibility system to determine the number of adult members subject to a premium as well as the number that paid their premium for the month due. To get an accurate count of premium payers, the department waited until the option to make a late premium payment had passed and also allowed for administrative time to process payments. In addition, it is important to note that the household circumstances or income of a member may change and result in continued enrollment at a non-premium paying FPL level. The data analyzed accounts for these circumstances.

Baseline Premium Payers

Prior to implementing the July 2012 premium changes, the Wisconsin Medicaid program enrolled nearly 21,000 BadgerCare Plus parents and caretakers already subject to premiums. These members earned household incomes between 150% and 200% of the FPL, and experienced an average premium payment amount of just under $50 monthly. As shown in Table 1 below, monthly premium payers comprised approximately 17,500 ongoing premium payers and 3,100 individuals newly required to pay premiums. Those newly subject to premiums represent either new Medicaid applicants or ongoing members with increased income resulting in a premium requirement. In either case, the "newly subject" cohort represents a population who had newly engaged (that month) in the economic decision concerning whether to purchase Medicaid covered health care at a given cost, and, in fact, chose to purchase the Medicaid coverage. On average, 15% of total premium paying members were newly subject and chose to pay premiums during the baseline period.

Additionally, a monthly average of approximately 590 individuals disenrolled over the baseline period due to incomplete premium payments. This cohort represents 3% of the total monthly premium population, which includes both ongoing payers and those that are newly subject to premiums. Therefore, during the baseline period, 97% of those subject to premiums successfully completed payments for the premium month owed. This payment completion rate includes both on time and late payment.

Table 1
BadgerCare Plus for Families
(Parents and Caretakers Subject to Premiums)
Baseline Period

Adults Individuals with Income 150 to 200% FPL	May 2012	June 2012	Average Monthly Composition
Individuals Newly Subject to Premium Payments	3,155	3,101	15%
Members Subject to Premium Ongoing	17,524	17,578	85%
Total Population Subject to Premium	20,679	20,679	100%
Average Premium Cost per Member	$47	$48	
Non-Payment Eligibility Reduction	-509	-678	3%

Effective July 1, 2012, Wisconsin's PPACA demonstration project was implemented with premium reforms. As noted, this introduced premium changes that affected both the baseline population above, as well other adult Medicaid categories for whom premium requirements were newly expanded. As it relates strictly to the baseline population (i.e., BadgerCare Plus Parents & Caretakers with household income of 150%-200% FPL), the "newly subject" cohort faced a higher initial premium price, at approximately $100 monthly, compared to the average cost of nearly $50 per month prior to July 2012. The average impact to ongoing payers in July was a marginal rate increase of 100% by doubling the average payment of $48 per month in June 2012 to $96 by August and September.

As shown in Table 2 below, the higher premium rate for members newly subject to premiums resulted in an enrollment reduction of approximately 27%, as nearly 800 fewer individuals chose to purchase Medicaid coverage. This indicates that, compared to the baseline population level of 3,100 individuals that chose to pay the previous premium rates, approximately 73% of this cohort subsequently chose to pay premiums at the higher PPACA rate after July 2012. Also, given that the June-to-August population reduction remained roughly consistent through September, it is suggested that the enrollment reduction will likely stabilize at an estimated level of 800 fewer adults per month, compared to the baseline period.

Table 2
BadgerCare Plus for Families
(Parents and Caretakers Subject to Premiums)
May through September 2012

Adult Individuals with Income 150 to 200% FPL	May 2012	June 2012	July 2012	August 2012	September 2012	YTD % Change vs. Baseline (Ave)
Individuals Newly Subject to Premium Payments	3,155	3,101	2,592	2,280	2,299	-27%
Members Subject to Premium Ongoing	17,524	17,578	15,804	15,272	15,295	-13%
Total Population Subject to Premium	20,679	20,679	18,396	17,552	17,594	-15%
Average Premium Cost per Member	$47	$48	$93	$96	$96	99%
Non-Payment Eligibility Reduction	509	678	1,068	666	604	31%
Non-Payment Population as a % of Total Population Subject	3%	3%	6%	4%	3%	

For ongoing premium payers, the July changes resulted in a more modest enrollment reduction, presumably due to the more modest marginal premium change experienced by this group. Notably, ongoing premium payers experienced roughly half the marginal price impact experienced by the population newly subject to premiums, and, as a result, the ongoing payer group also experienced approximately half the enrollment reduction as a percentage of the baseline population. As indicated in Table 2, the price impact to the ongoing premium payer cohort reduced enrollment by 13%, compared to a 27% reduction experienced by those that were newly subjected to premiums and experienced premium prices double their ongoing payer counterparts. And, similar to those newly subject to premium payments, the enrollment reduction appears to have stabilized at approximately 15,300 compared to the baseline average of 17,550. This provides an estimated enrollment reduction of 2,250 individuals for this group compared to the baseline period.

The result of the combined price flows for both populations above (i.e., the newly subject and ongoing premium payers) is informative for measuring the effect of price on the demand for health care for

parents & caretaker adults with household income between 150%-200% of the FPL. Given the approximately 100% price increase for ongoing payers from $48 to $96 monthly, it was noted that ongoing payers declined by 13%, suggesting a demand and enrollment reduction of 1.3% for each incremental price change of 10%. Additionally, since the resulting rate of population decline for individuals newly subject to premiums approximately doubles in correlation with twice the marginal price impact for this group (as compared to the ongoing payer population), it is reasonable to conclude that the noted 1.3% reduction in demand will scale accurately for parent and caretaker households in this income bracket.

Early premium payment data also shows useful measures related to payment failure. While the rate of payment failure for the above population increases modestly in July to 6%, this rate reverted back to the baseline mean of 3% for the total population subject to premiums. Importantly, this suggests that payment compliance rates for this group are adversely affected in the very early stages of pricing changes, but do not persist at an increased level as the new equilibrium for those who choose to pay at the new price is quickly established.

Additional Premium Payers

As noted previously, the demonstration population for premiums expanded beyond the baseline population by including members previously exempt from premiums. Table 3 below shows that beginning July 2012 there were 48,835 total adults required to pay premiums compared to 21,000 baseline members. Also compared to baseline member premium costs, which averaged under $50 per month, Table 3 reflects the broader premium price increase associated with the PPACA income based sliding scale. This scale results in average premium payments that range from $57 per month for the lower income population to $499 per month on the higher end.

In terms of income composition, the largest segment of premium payers exists at 150% - 200% of the FPL, while a still sizable adult population makes up the 133% to 155% income bracket. Adults with incomes above 200% of the FPL made up only 6.5% of members subject to premiums. Notably, BadgerCare Plus for Families (Parents & Caretakers) is not included in this income group. Rather these individuals represent a portion of the BadgerCare Extension population and BadgerCare Plus Core enrollees only.

Table 3
July 2012 - Combined Adult Premium Programs
(Parents & Caretakers, CORE, and TMA)

Percent of Federal Poverty Level	Number of Individuals Subject	Average Premium Amount (July) Per Member	Percentage of Total Subject to Premiums in July
133 to <150	18,547	$57	38%
150 to <200	27,148	$92	55%
200 to <300	2,571	$207	5%
≥300	569	$499	1%
Total	48,835		

Given the substantial expansion of premiums, it is not surprising that premium prices had a broader effect on adult demand for Medicaid enrollment. As shown in Table 4 below, of the 48,800 individuals initially subject to premiums under the PPACA demonstration project, 7,656 opted to disenroll for premium reasons in the first month, a reduction of approximately 16%. The rate of enrollment reduction continued to decrease at a more moderated pace over the next two months by dropping an addition 1,858 members in August and another 1,648 in September. As of September 2012, the combined

enrollment decline was 11,162 adult Medicaid members, representing a 23% reduction to adult members subject to premiums as of July 2012.

Table 4
Premium – Enrollment Impact
Fiscal Year-to-Date through September 2012

Federal Poverty Level	Total Adults Subject to Premiums, July 2012	Adult Enrollment Reduction due to Non-Payment of July Premium	Adult Enrollment Reduction due to Non-Payment of August Premium	Adult Enrollment Reduction due to Non-Payment of September Premium	Adult Enrollment Reduction due to Non-Payment of Premium, YTD	Percentage Enrollment Reduction by FPL Group due to Non-Payment of Premium
133 to <150	18,547	3,237	719	612	4,568	-24%
150 to <200	27,148	3,021	979	893	4,893	-18%
200 to <300	2,571	1,085	126	119	1,330	-52%
>300	569	313	34	24	371	-65%
Total	48,835	7,656	1,858	1,648	11,162	-23%

When reviewing the rate of decline by income category in Table 4, it is clear that the rate of disenrollment is substantially higher for households earning greater than 200% of the FPL. Notably these individuals faced no premium prior to July 2012, but subsequently faced monthly premiums that averaged between $200 and $500 per month. While the size of these higher income groups is significantly smaller than other adult enrollees, it is worth noting that almost half of adults earning 200%-300% of the FPL chose not to continue coverage given the premium requirement, and over 60% of adults earning greater than 300% chose the same.

Additionally, a closer look at the enrollment impacts by income category indicates a divergence from the baseline population take-up trend that suggested a 1.3% change in quantity demanded for each incremental price change of 10%. Table 5 below helps explain this difference by comparing the take-up rates of the three adult premium populations at similar income levels (133%-150%), all of whom represent new premium payers as of July 2012.

Table 5
Premium Effects for Adults in BadgerCare Plus, All Programs
July 2012

Adult Individuals with Income 133% -150% FPL	Count of Adults Subject to Premiums	Ave. Premium Amount Per Individual	% Reduction in Enrollment due to Non-Payment	Take-up Rate
BadgerCare Plus for Families	13,242	$58	-16%	84%
BadgerCare Plus Extensions	4,044	$58	-25%	75%
BadgerCare Plus Core	1,261	$44	-5%	95%

The first category listed in Table 5, BadgerCare Plus for Families, represents an expansion to the same adult baseline population that represented parents and caretakers with household income between 150% and 200% of the FPL. This is the population that most accurately reflects a change in quantity demanded of 1.3% for each incremental price change of 10%. Where the marginal impact on the baseline population reduced eligibility by 13% when premiums increased for ongoing baseline premium payers by $48 monthly, the impact below demonstrates that a $10 increase to this baseline price reduced eligibility by an additional 2.6%, or approximately 16% total. In short, the 1.3% quantity demand change per 10% price increment continues to hold for BadgerCare Plus Families.

On the other hand, the two populations represented by BadgerCare Plus Extensions and the BadgerCare Plus Core population conform less to this model. First, the BadgerCare Plus extension population represents an adult population with a lower level of income stability. Also referred to as the Transitional Medical Assistance population, adults in the extension program initially entered Medicaid with income levels at or below 100% of the FPL. For Medicaid members with this history, it is reasonable to conclude that their experience in lower income brackets colors their economic decisions in a way that makes them more sensitive to price. As noted in Table 5, the take-up rate for this group was 75% compared to the higher 84% for their BadgerCare Plus for Family counterparts.

As it concerns the BadgerCare Plus Core population, this group represents a small number of Medicaid members with relatively high acuity levels compared to other BadgerCare Plus adults. This is evidenced by the dramatically higher per member per month health care cost to the Medicaid program for these individuals, which exceeds $400 monthly compared to approximately $275 in monthly costs for BadgerCare Plus parents and caretakers. The result of these higher acuity levels is a more inelastic response to price changes. As noted in Table 5, the take-up rate for Badger Care Plus Core members was 95%.

As shown, the demonstration population's response to price changes varies according to the unique characteristics of distinct adult population groups. The relative stability of the BadgerCare Plus Family population assists in modeling price impacts for this group as described. However, this group represents only 65% of the affected population. The remaining population is comprised of two groups, one highly sensitive to price, (TMA; 27%), and another represented by a high acuity population (CORE; 9%). For these groups, who represent 35% of the demonstration population, one's economic condition and health condition are more heavily weighted than what's been represented by the demonstration's baseline adult. Over the course of the remaining demonstration period, the Department of Health Services will further engage data in analysis of these economic and health factors to better understand how price influences the decision to own health coverage.

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