

# BadgerChoice Background & Analysis

## Background

BadgerCare Plus is the expansion of BadgerCare and Phase III of BadgerCare Plus is known as BadgerChoice. Governor Doyle first discussed his plan during his State of the State Address back in early 2008. The proposal is still under development, but from what we know, BadgerChoice would do the following:

- Create a “connector” style government program, similar to Massachusetts state-run plan, for all small group employers and their employees
- Eliminate all existing small group plans for all employers 2 – 50 employees in size
- Possibly combine the individual market into this connector, although this is still unknown
- Provide subsidies for employers who signed up on the connector program with the state to help offset the premium increase the majority of employers and employees would see due to eliminating health status as a rating factor
- Establish community or modified community rating to eliminate medical underwriting with limits placed on rate adjustments. Rating factors considered are age, sex, and/or geographic region.
- Requirement that all employers can only get their coverage through BadgerChoice
- Eliminate need for any agent involvement
- Allow employees of small employers to obtain coverage just like state employees
- Possibly include part-time employees so that the employer would have to contribute to their premiums as well

## Analysis

BadgerChoice essentially creates what Healthy Wisconsin would have created, but it does so incrementally. The plan would require insurers to submit a bid in order to be one of the state approved insurers. While the details don't discuss the specifications of the bid, it is likely to be a three tier system based upon the insurers' premium. According to the Department of Health Services, the plan design would be similar to the State Employees Plan, but with potentially a few more options.

Those insurers who didn't meet the qualifications set by the state would not be able to compete in the small group market, so it is very possible your current insurer would no longer be an option for you. Those that did meet the specifications would then be placed into the pool where the employees would be able to annually pick and choose which carrier they want to be insured with. Guaranteed issue and removal of any pre-existing conditions limitations would also likely be part of the final plan. Employers who wanted to participate would only need to pay \$1 per month toward the cost of the employees' premium, thereby requiring employees to pay the rest. The logical conclusion is that the state would have to set minimum employer and employee

contribution levels. It is predicted that employers would begin dropping contribution levels shadowing the employer who contributes the least. As that shift to increase employee contributions begins, employees would likely drop coverage (as their contribution requirement would be too high) and the state would have no alternative but to set minimum contribution requirements or face an increasing uninsured population.

It is believed by DHS that the state employee's model is the most cost effective program in the market place and they therefore would like to provide that type of plan to all small employers and their employees. Their theory is that this type of "managed competition" reduces costs and provides for affordable health insurance premiums. This theory obviously ignores that most private sector plans, on average, spend less than \$7,000 per employee per month (pepm) and the state employees plan spends over \$11,000 pepm.

**Status**

While it is the Governor's proposal, the process is being developed and presented by the Department of Health Services (formerly Health and Family Services). It is the intent of the administration to include BadgerChoice in the upcoming State Biennial Budget. This would prevent open public debate about the plan. The budget will likely be introduced in mid-February. The estimate from DHS is that they would need \$100 Million to get BadgerChoice going. This is on top of the state's \$5.4 Billion dollar Budget Deficit, the existing overruns of BadgerCare Plus of over \$16 Million, and the projected \$586 Million the state would need to keep BadgerCare Plus and our Medicaid program going for the upcoming fiscal year.

It is imperative that employers and employees raise their concerns with the proposal directly to the Governor and their elected officials.