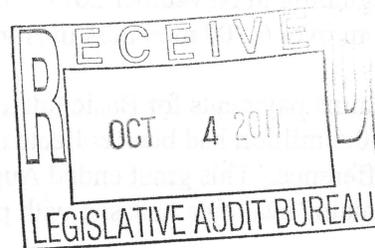




State of Wisconsin  
Department of Health Services

Scott Walker, Governor  
Dennis G. Smith, Secretary

October 4, 2011



The Honorable Samantha Kerkman, Senate Co-Chair  
Joint Legislative Audit Committee  
Room 315 North, State Capitol  
Madison, WI 53702

The Honorable Robert Cowles, Assembly Co-Chair  
Joint Legislative Audit Committee  
Room 118 South, State Capitol  
Madison, WI 53702

Dear Senator Kerkman and Representative Cowles:

The BadgerCare Plus Basic Audit (May 2011) addressed the sustainability of the plan created in 2009 to provide temporary, unsubsidized health insurance to childless adults.

The Basic Plan serves individuals without dependent children on the BadgerCare Plus Core Plan waiting list. The Core Plan was established under a federal Medicaid waiver in January 2009 and is funded with GPR and federal funding. The Department capped enrollment in the Core Plan in October 2009 because it had reached the budget neutrality limit under the federal waiver, due to significant caseload growth. No federal funding would be available above the budget neutrality limit.

The audit report recommended that DHS submit follow-up information to the Legislative Audit Committee. Consistent with the audit findings, the Department understands the challenges involved in keeping the Basic Plan viable. The program was intended to support itself on a premium of \$130 per month, which was not adequate. Approximately 40% of Basic's costs have been funded from a federal grant (HRSA).

The Department took action to align revenues to expenditures with the goal putting Basic on a sustainable course for members already enrolled in the program. The steps taken include:

- New enrollment was frozen
- Monthly premiums were increased to better align with claims
- Core waitlist bypass option ended (related to Core funding availability)
- Re-determination of eligibility removed 140 members who did not meet income limits or had access to insurance.

Senator Kerkman and Representative Cowles

October 4, 2011

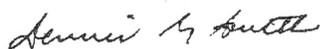
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Ongoing efforts to align premiums and expenditures in combination with the depletion of HRSA funding led the Department to increase member premiums to \$250 and again to \$325 for coverage beginning in November 2011. Since premium adjustments began, Basic enrollment has decreased from over 6,200 members in April 2011 to 3,552 for October 2011.

Claims payments for Basic totaled \$14 million through September 2011. Premium revenue totaling \$10.5 million had been collected through the same time frame with federal funding covering the difference. This grant ended August 31, 2011; however, carryover funding of about \$1.4 million remains available to assist with payment of claims.

The Department continues to address claims issues identified in the audit and monitor claims payments.

Sincerely,



Dennis G. Smith  
Secretary