



# State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK ROAD • Mail Stop 624A • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX (608) 266-5718  
<http://www.revenue.wi.gov>

*Tony Evers*  
Governor

*Peter W. Barca*  
Secretary of Revenue

**Date:** June 19, 2019

**To:** Tony Evers, Governor

**From:** Peter Barca, Secretary  
Department of Revenue

**Subject:** Wisconsin's share of the federal costs associated with the Medicaid expansion

I am writing to report an analysis undertaken by the Department of Revenue showing that, in Federal Fiscal Year 2020, Wisconsin residents will pay an estimated \$1.01 billion a year in federal income taxes to support Medicaid expansion in other states. Over the next biennium, this amounts to \$2.07 billion. Because Wisconsin has not yet expanded Medicaid coverage to nonelderly adults with incomes below 138 percent of poverty, Wisconsin residents experience no return on this investment.

## Background

The Patient Protection and Affordable Care Act, passed in 2010, included a provision that expanded Medicaid coverage to non-elderly adults with incomes up to 138% of the federal poverty level (FPL). A 2012 Supreme Court ruling gave states the option to expand coverage, and since January 1, 2014, 37 states (including Washington, D.C.) have extended coverage to non-elderly adults not previously eligible for Medicaid. As of 2017, approximately 12 million adults were newly eligible for Medicaid under the expansion. Medicaid is jointly funded by the state and federal government, and, in 2019, the United States spent a total of \$69 billion to support adults that gained coverage under expansion.<sup>1</sup> Wisconsin residents pay a share of these costs through their federal income taxes.

## Wisconsin Residents Will Pay Approximately \$1 billion a Year to Support Medicaid Expansion in Other States

The department estimated the amount that Wisconsin residents will have to pay over the next biennium to support the Medicaid expansion. Since Wisconsin has not yet expanded Medicaid, this funding is being used to support newly eligible populations in other states. The department estimates that in Federal Fiscal Year 2020, Wisconsin taxpayers will pay approximately \$1.01 billion to provide coverage to expansion adults. Over the biennium, the total rises to \$2.07 billion.<sup>2</sup> Currently, Wisconsin residents experience no financial benefit or return for this spending, and they can expect to pay this amount regardless of whether the state chooses to expand Medicaid coverage.

<sup>1</sup> Urban Institute <https://www.urban.org/research/publication/state-state-estimates-coverage-and-funding-consequences-full-repeal-aca>

<sup>2</sup> According to SOI data published by the IRS (<https://www.irs.gov/statistics/soi-tax-stats-historic-table-2>), Wisconsin taxpayers paid 1.58% of all federal individual income tax revenue collected in the United States, or roughly \$22 billion of \$1.4 trillion total revenue in 2016. The Urban Institute estimates that in 2019, the United States spent \$69 billion in All Funds to support new eligible populations under the Medicaid expansion. The department then used budget projections from the Congressional Budget Office to generate estimates for Medicaid expenditures in 2020 and 2021. The department estimates that Medicaid costs will grow 3.4% in 2020 and 4.6% in 2021. The federal government paid 93% of total Medicaid expenditures associated with the expansion population in 2019 and will pay 90% of the costs in 2020 and beyond.

<b>Total National Medicaid Costs for "Newly Eligible" Receiving 90% FMAP And Wisconsin's Share of the Federal Costs (In Billions of Dollars)</b>			
	<b>FFY 2020</b>	<b>FFY 2021</b>	<b>2019-21 Biennium</b>
<b>All Funds Expenditures</b>	\$ 76.7	\$ 80.2	\$156.98
<b>Federal Funds (90% FMAP)</b>	\$69.1	\$ 72.2	\$141.28
<b>Wisconsin's Share of Federal Costs</b>	\$1.01	\$ 1.06	\$2.07