



Legislative Fiscal Bureau

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TO: Senator Dianne Hesselbein
Room 3 South, State Capitol

FROM: Jon Dyck, Supervising Analyst

SUBJECT: Estimated GPR Fiscal Effect of Full Medicaid Expansion -- 2014 through the 2023-25 Biennium

At your request, this memorandum provides an estimate of the cumulative GPR cost of the state's decision to adopt a partial Medicaid expansion policy in 2014, relative to a full Medicaid expansion scenario under provisions of the federal Affordable Care Act (ACA). For the purposes of this estimate, the period examined is the six fiscal biennia from 2013-15 through the end of the 2023-25 biennium. The beginning date for the analysis is April 1, 2014, the date that the state's partial expansion took effect.

BACKGROUND

As passed in 2010, the ACA would have required state Medicaid programs to cover all adults under the age of 65, in households with income up to 138% of the federal poverty level (FPL), beginning in 2014.¹ The ACA provides enhanced federal matching rate for services provided to any "newly-eligible" group that did not qualify for full Medicaid coverage prior to December 1, 2009. This enhanced federal medical assistance percentage (FMAP) was initially 100% of benefit costs, gradually declining to 90% in 2020 and subsequent years. The standard FMAP under Medicaid is determined by formula based on the state's per capita income, in relation to the national average. In Wisconsin, the standard FMAP has ranged between approximately 58% and 61% since 2014, although it was subject to a temporary 6.2 percentage point increase applicable during the public health emergency related to the COVID-19 pandemic.

The requirement that states expand Medicaid eligibility standards was one subject of the U.S. Supreme Court decision in *National Federation of Independent Business et al v. Sebelius*. The Court found the mandatory expansion of Medicaid coverage unconstitutional. As a result, each state may decide whether to adopt full expansion.

¹ By federal statute, the income threshold for full Medicaid expansion is 133% of the FPL. However, for the purposes of determining eligibility for the expansion group, a standard income disregard equal to 5% of the FPL is applied, effectively setting the income standard for a full expansion at 138% of the FPL. This memorandum refers to the full expansion income eligibility threshold as 138% of the FPL.

Rather than adopting the full Medicaid expansion eligibility thresholds in 2014, the state set the income eligibility threshold at 100% of the FPL for both parents and childless adults, a policy sometimes referred to as "partial expansion" since it offered full coverage to childless adults who had not previously been eligible. However, because this level does not meet the ACA's minimum standards for full Medicaid expansion, the state has not been eligible for the enhanced FMAP for services provided to childless adults. Instead, the state has received the lower, standard FMAP for MA benefit expenditures associated with the childless adults.

In comparison to full Medicaid expansion, the state's partial expansion policy carries a higher state GPR cost. Although the state would have incurred additional GPR costs under a full expansion scenario to cover parents and childless adults between 100% and 138% of the FPL, these additional costs would have been more than offset by savings associated with shifting from standard FMAP to the enhanced FMAP for childless adults under 100% of the FPL. This memorandum estimates the additional GPR cost that the state has incurred for each biennium since 2014.

ESTIMATED GPR COST FOR ADULT MA COVERAGE UNDER PARTIAL EXPANSION, RELATIVE TO FULL EXPANSION SCENARIO

The following table provides the estimated GPR cost of adult coverage under the partial expansion and full expansion scenarios, along with the difference. This difference equates to the additional GPR cost that the state has incurred for following the partial expansion policy, instead of adopting full Medicaid expansion. As shown in the final column, over the six biennia (slightly more than 11 years of full implementation), GPR expenditures have been an estimated \$2,674 million higher under partial expansion than they would have been under the full Medicaid expansion scenario.

Estimated GPR Cost of Adult MA Coverage under Partial Expansion and Full Expansion Scenarios, 2013-15 through 2023-25 Biennia (\$ in Millions)

	<u>2013-15*</u>	<u>2015-17</u>	<u>2017-19</u>	<u>2019-21</u>	<u>2021-23</u>	<u>2023-25</u>	<u>Total</u>
Partial Expansion Cost	\$582	\$1,026	\$1,056	\$1,119	\$1,471	\$1,398	\$6,652
Full Expansion Cost	318	534	602	706	920	897	3,977
Difference: (Additional Cost of Partial Expansion)	\$264	\$492	\$454	\$412	\$551	\$501	\$2,674

*Beginning April 1, 2014

Please contact me if you have questions.

JD/ml