



## Legislative Fiscal Bureau

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December 3, 2015

TO: Senator Jennifer Shilling  
Room 206 South, State Capitol

FROM: Sam Austin, Fiscal Analyst

SUBJECT: Full Medicaid Expansion under the ACA: 2013-15 and 2015-17 Fiscal Biennia

You requested an estimate of the fiscal effect through fiscal year 2016-17 of implementing a "full expansion" of the Medicaid program in Wisconsin under provisions of the Patient Protection and Affordable Care Act (ACA), if that expansion had occurred on April 1, 2014.

### Background

The ACA made multiple changes to the private insurance market in the United States and to state Medicaid programs. 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 133% of the federal poverty level (FPL), beginning January 1, 2014.\* The ACA also provides enhanced federal matching funds for services provided to any "newly-eligible" group that did not qualify for full Medicaid coverage prior to December 1, 2009. For newly-eligible individuals, the federal government funds 100% of benefit costs in calendar years 2015 and 2016, 95% in 2017, 94% in 2018, 93% in 2019, and 90% in 2020 and subsequent years. In Wisconsin, the current percentage of most Medicaid benefit costs paid by the federal government (the federal medical assistance percentage, or FMAP) is approximately 58%.

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 expand its Medicaid program to the levels described in the ACA, and claim the enhanced federal matching funds for services provided to newly-eligible individuals.

Medicaid income eligibility standards for nonelderly, nondisabled adults vary widely among

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\* For the purposes of determining Medicaid eligibility under the ACA, household income equals modified adjusted gross income, plus an income disregard equal to 5% of the FPL, effectively setting the income standard for a full expansion at 138% of the FPL.

states. In Wisconsin, prior to the 2013-15 biennial budget, parents and caretaker relatives (referred to in this memorandum collectively as "parents") with household income under 200% of the FPL qualified for full BadgerCare Plus coverage, while adults without dependent children ("childless adults") did not qualify for Medicaid coverage unless they had enrolled in the BadgerCare Plus Core Plan for childless adults with income under 200% of the FPL prior to enrollment in that program being capped in September, 2009. For that reason, under a full Medicaid expansion, services provided to parents in Wisconsin would be funded with the standard FMAP of approximately 58%, and services for childless adults would be funded with the enhanced FMAP for newly-eligible individuals.

The Legislature considered the issue of Medicaid eligibility standards for nondisabled, non-elderly adults as part of the 2013-15 biennial budget and subsequent legislation, and adopted the Governor's recommendations to establish the standard at 100% of the FPL, effective April 1, 2014. This reduced the eligibility standard for parents from 200% to 100% of the FPL, while providing eligibility for all childless adults with income up to 100% of the FPL. (Adults with income between 100% and 400% of the FPL meet the income eligibility criteria for subsidized private insurance coverage purchased through the federal health insurance marketplace.) This policy is commonly referred to as a "partial expansion" of the Medicaid program, since the income eligibility level was set at a level lower than specified in the ACA. The enhanced FMAP for newly-eligible populations is only available to states that implement a full expansion, so the standard FMAP applies to the cost of most services provided to childless adults enrolled in BadgerCare Plus.

#### **Full Expansion on April 1, 2014**

The following table provides the estimated fiscal effect of a full expansion in the 2013-15 and 2015-17 fiscal biennia, if the expansion had occurred on April 1, 2014 (the effective date of the partial expansion).

**Comparison of Current Law and Full Expansion on April 1, 2014**  
**Non-pregnant, Non-disabled Adult Benefit Costs**  
**(\$ in Millions)**

	<u>2013-15*</u>	<u>2015-17</u>	<u>Total</u>
<b>GPR</b>			
Current Law	\$624.3	\$1,177.0	\$1,801.3
Full Expansion	<u>396.7</u>	<u>726.0</u>	<u>1,122.7</u>
Difference	-\$227.6	-\$451.0	-\$678.6
<b>FED</b>			
Current Law	\$883.2	\$1,647.6	\$2,530.8
Full Expansion	<u>1,483.6</u>	<u>2,799.1</u>	<u>4,282.7</u>
Difference	\$600.4	\$1,151.5	\$1,751.9
<b>All Funds</b>			
Current Law	\$1,507.5	\$2,824.6	\$4,332.1
Full Expansion	<u>1,880.2</u>	<u>3,525.1</u>	<u>5,405.3</u>
Difference	\$372.7	\$700.5	\$1,073.2

\*Under this scenario, the full expansion would have occurred in April, 2014, so FY 2013-14 only includes expenditures made for BadgerCare adults in April, May, and June of 2014.

The estimated fiscal effect, compared to current law over the requested timeframe, is a decrease in GPR expenditures of \$678.6 million, and an increase in federal expenditures of \$1,751.9 million.

This GPR expenditure decrease does not equal the sum of this office's most recent estimate of the effect of an expansion in the 2013-15 biennium (-\$206 million), and the most recent projection of implementing an expansion in the 2015-17 biennium (-\$324 million, provided in a separate memorandum). This is due to two factors: (a) a reestimate of the fiscal effect in the 2013-15 biennium to reflect actual caseload (resulting in a GPR expenditure decrease of \$228 million, rather than \$206 million); and (b) the fact that the current estimate for an expansion occurring in the 2015-17 biennium reflects an implementation date of January 1, 2016, with the full expansion in effect for 18 months of the biennium, rather than for the entire biennium as would have occurred with an implementation date of April 1, 2014.

I hope that this information is helpful. Please contact me with any further questions.

SA/sas