



Legislative Fiscal Bureau

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TO: Senator Jon Erpenbach
Room 104 South, State Capitol

FROM: Sam Austin, Fiscal Analyst

SUBJECT: Full Medicaid Expansion under the Affordable Care Act: Updated Estimate

At your request, this memorandum updates the estimate of the fiscal effect of an increase of BadgerCare Plus income eligibility standards for nondisabled, non-elderly adults to 133% of the federal poverty level (FPL) under provisions of the federal Patient Protection and Affordable Care Act (ACA). This option is commonly referred to as a "full expansion" of Medicaid program eligibility under the ACA, and was the subject of an August 19, 2014, memorandum provided to, and subsequently made public by, Senator Jennifer Shilling.

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 FPL, beginning January 1, 2014. [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.]

The ACA also provides enhanced federal matching funds for 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 states. In Wisconsin, prior to the 2013-15 biennial budget, parents and caretaker relatives (hereafter, "parents") with household income under 200% of the FPL qualified for full BadgerCare Plus coverage, while adults without dependent children (hereafter, "childless adults") were not eligible 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 of the cost of most services provided to childless adults enrolled in BadgerCare Plus.

Full Expansion Fiscal Estimate

Table 1 provides an updated fiscal estimate and enrollment projections of a full Medicaid expansion in each year of the 2015-17 biennium, if that policy was implemented on January 1, 2016.

TABLE 1

**Comparison of Current Law and Full Expansion, 2015-17 Biennium
Non-pregnant, Non-disabled Adults Benefit Costs
(\$ in Millions)**

	<u>2015-16</u>	<u>2016-17</u>	<u>Biennial Total</u>
GPR			
Current Law	\$550.9	\$570.5	\$1,121.4
Full Expansion	<u>442.7</u>	<u>333.6</u>	<u>776.3</u>
Difference	-\$108.2	-\$236.9	-\$345.1
FED			
Current Law	\$768.5	\$793.6	\$1,562.1
Full Expansion	<u>995.8</u>	<u>1,371.6</u>	<u>2,367.4</u>
Difference	\$227.3	\$578.0	\$805.3
All Funds			
Current Law	\$1,319.4	\$1,364.1	\$2,683.5
Full Expansion	<u>1,438.5</u>	<u>1,705.2</u>	<u>3,143.7</u>
Difference	\$119.1	\$341.1	\$460.2

**Average Monthly Enrollment,
Non-pregnant, Non-disabled Adults**

	<u>2015-16</u>	<u>2016-17</u>
Current Law	324,000	325,000
Full Expansion	<u>360,000</u>	<u>406,000</u>
Difference	36,000	81,000

This estimate uses the same basic methodology as that used for the August, 2014, memorandum and includes the following: (a) updated enrollee per-member per-month (PMPM) costs; (b) updated actual and projected program enrollment of adults with household income under 100% of the FPL; (c) updated projections of the standard FMAP in the 2015-17 biennium; and (d) an adjustment to the estimate of newly enrolled adults with income between 100% and 133% of the FPL.

A full Medicaid expansion would result in GPR savings by substituting federal for state expenditures for currently-enrolled childless adults (the state pays 42% of that group's benefit costs under current law, but would receive the enhanced ACA FMAP under a full expansion). These savings are partially offset by the increased cost of expanding coverage to parents at the standard FMAP, and to childless adults when the enhanced ACA FMAP decreases to 95% in calendar year 2017. (The attachment to this memorandum provides a chart comparing the FMAPs and state cost impacts under current law and a full expansion). The expansion would result in a net decrease in

GPR benefit expenditures of \$108.2 million in 2015-16 and \$236.9 million in 2016-17, with a corresponding increase in federal spending of \$227.3 million in 2015-16 and \$578.0 million in 2016-17. The state savings amount is greater than the amount estimated in August, 2014, due to enrollment by childless adults continuing to exceed projections. The current estimate presented in this memorandum assumes that enrollment of childless adults with income under 100% of the FPL will equal approximately 152,000 in June, 2015 (compared to the previous projection of 136,000 for that same month).

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

SA/lb

Attachment

ATTACHMENT

Comparison of 2016 and 2017 Medicaid Coverage and Federal Matching Rates under Current Law and a Full Medicaid Expansion

Parents		
	Current Law	Expansion Scenario
Under 100% FPL	Covered at standard matching rate*	Covered at standard matching rate* <i>No change to state or federal cost</i>
100% FPL to 133% FPL	Not covered	Covered at standard matching rate* <i>Increased state and federal cost</i>

Childless Adults		
	Current Law	Expansion Scenario
Under 100% FPL	Covered at standard matching rate*	Covered at enhanced matching rate** <i>Reduced state cost Increased federal cost</i>
100% FPL to 133% FPL	Not covered	Covered at enhanced federal matching rate** <i>No state cost in 2016; increased state cost in later years Increased federal cost</i>

*Under the standard matching rate, federal funds cover approximately 58% of benefit costs in 2016 and 2017.

**Under the enhanced matching rate, federal funds cover 100% of benefit costs in 2016, and 95% in 2017.

