



## Legislative Fiscal Bureau

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December 11, 2015

TO: Senator Jon Erpenbach  
Room 104 South, State Capitol

FROM: Sam Austin, Fiscal Analyst

SUBJECT: Full Medicaid Expansion under the ACA: Updated Projections

You requested an updated estimate of the effect of implementing a "full expansion" of the Medicaid program in Wisconsin under provisions of the Patient Protection and Affordable Care Act (ACA), based on current enrollment and cost data. You also requested an estimate of the fiscal effect, through state fiscal year 2020-21, of a full expansion compared to the current law. This memorandum provides those estimates under two scenarios: (a) implementation of the expansion on January 1, 2016; and (b) implementation of the expansion on January 1, 2017.

### 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

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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.

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 (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.

### **Expansion on January 1, 2016**

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

**TABLE 1**

**Comparison of Current Law and Full Expansion on January 1, 2016  
Non-pregnant, Non-disabled Adult Benefit Costs  
(\$ in Millions)**

	<u>2015-16</u>	<u>2016-17</u>	<u>Biennial Total</u>
<b>GPR</b>			
Current Law	\$578.4	\$598.6	\$1,177.0
Full Expansion	<u>475.5</u>	<u>378.0</u>	<u>853.5</u>
Difference	-\$102.9	-\$220.6	-\$323.5
<b>FED</b>			
Current Law	\$806.7	\$840.9	\$1,647.6
Full Expansion	<u>1,035.1</u>	<u>1,421.4</u>	<u>2,456.5</u>
Difference	\$228.4	\$580.5	\$808.9
<b>All Funds</b>			
Current Law	\$1,385.1	\$1,439.5	\$2,824.6
Full Expansion	<u>1,510.6</u>	<u>1,799.4</u>	<u>3,310.0</u>
Difference	\$125.5	\$359.9	\$485.4

**Average Monthly Enrollment**

	<u>2015-16</u>	<u>2016-17</u>
Current Law	329,000	332,000
Full Expansion	<u>366,000</u>	<u>415,000</u>
Difference	37,000	83,000

This estimate uses the same methodology as that used for previous Fiscal Bureau estimates, 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; and (c) updated projections of the standard FMAP in the 2015-17 biennium.

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. A full expansion on January 1, 2016, would result in a net decrease in GPR expenditures of \$102.9 million in 2015-16 and \$220.6 million in 2016-17, with a corresponding increase in federal spending of \$228.4 million in 2015-16 and \$580.5 million in 2016-17. Average monthly enrollment in 2016-17 would increase by an estimated 83,000 adults.

*Change from Previous Estimate.* Estimates of the effect of any Medicaid policy decision

depend on caseload and cost assumptions. This office last updated the fiscal estimate of a full Medicaid expansion in May, 2015, during the Joint Finance Committee's 2015-17 biennial budget deliberations. At that time, the projected GPR savings of enacting a full expansion, effective January 1, 2016, were \$360.5 million over the 2015-17 biennium. The current estimate is lower than the May version due to several factors:

- The largest factor affecting the estimate is the change in the trend of enrollment by childless adults in BadgerCare Plus. Beginning in April, 2014, with the implementation of the partial expansion, childless adult enrollment grew rapidly and in excess of projections. However, childless adult enrollment for May, June, July, and August of 2015 was lower than projected, as shown below in Table 2. This reduces the projected expenditures for the childless adults enrolled under current law, which reduces the savings that would be generated by substituting federal for state funding for that group.

**TABLE 2**  
**Comparison of Projected and Actual Childless Adult Enrollment**  
**January through August, 2015**

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>
Actual Enrollment	153,190	159,972	162,161	159,617	152,983	147,781	148,412	149,252
Projected Enrollment, Previous Estimate	-	-	-	-	159,139	158,139	158,396	158,653
Difference	-	-	-	-	-6,156	-10,358	-9,984	-9,401

- Projected enrollment for parents and caretaker relatives is slightly higher than previously projected, as is the PMPM cost. This increases the projected number of, and costs of covering, parents with income between 100% and 133% of the FPL that would enroll in the program under a full expansion, which increases GPR expenditures under that scenario.

- Federal Funds Information for States (FFIS) periodically updates its projections of the FMAP that states receive, which this office uses to forecast Medicaid spending. Earlier this month, FFIS released an updated FMAP projection in which Wisconsin's projected FMAP for federal fiscal year 2016-17 rose to 58.51% (compared to the 58.15% assumed under 2015 Wisconsin Act 55). With the increased projected FMAP, the federal government will cover comparatively more of the cost of childless adult benefit costs under current law, reducing the amount of GPR offset by federal funds under a full expansion.

### **Expansion on January 1, 2017**

This memorandum also provides a fiscal estimate of a full Medicaid expansion if that policy was implemented on January 1, 2017. Though the state may enact an expansion at any time during

the year, this date would align with the end of the 2016 coverage year for individuals who purchase subsidized private coverage through the health insurance exchange.

**TABLE 3**

**Comparison of Current Law and Full Expansion on January 1, 2017  
Non-pregnant, Non-disabled Adult Benefit Costs  
(\$ in Millions)**

	<u>2015-16</u>	<u>2016-17</u>	<u>Biennial Total</u>
<b>GPR</b>			
Current Law	\$578.4	\$598.6	\$1,177.0
Full Expansion	<u>578.4</u>	<u>511.3</u>	<u>1,089.7</u>
Difference	\$0.0	-\$87.3	-\$87.3
<b>FED</b>			
Current Law	\$806.7	\$840.9	\$1,647.6
Full Expansion	<u>806.7</u>	<u>1,058.1</u>	<u>1,864.8</u>
Difference	\$0.0	\$217.2	\$217.2
<b>All Funds</b>			
Current Law	\$1,385.1	\$1,439.5	\$2,824.6
Full Expansion	<u>1,385.1</u>	<u>1,569.4</u>	<u>2,954.5</u>
Difference	\$0.0	\$129.9	\$129.9

**Average Monthly Enrollment**

	<u>2015-16</u>	<u>2016-17</u>
Current Law	329,000	332,000
Full Expansion	<u>329,000</u>	<u>368,000</u>
Difference	0	36,000

**Fiscal Estimates Through State Fiscal Year 2020-21**

You also requested an estimate of the annual fiscal effect of an expansion through state fiscal year 2020-21. The estimate is based on current PMPM cost and enrollment projections for the 2015-17 biennium, with an assumption of 1% annual enrollment growth and 3% annual PMPM cost growth beginning in 2017-18. This timeframe includes calendar year 2020, when the enhanced FMAP for newly-eligible individuals reaches the 90% level (the lowest enhanced FMAP level, and the FMAP which applies to newly-eligible individuals in all years after 2020). Table 4 provides these estimates under the two expansion scenarios: (a) expansion on January 1, 2016; and (b) expansion on January 1, 2017.

**TABLE 4**

**Fiscal Effect of Full Medicaid Expansion on January 1, 2016  
Difference from Current Law, \$ in Millions**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>6-Year Total</u>
GPR	-\$102.9	-\$220.6	-\$197.1	-\$194.9	-\$183.1	-\$171.6	-\$1,070.2
FED	<u>228.4</u>	<u>580.5</u>	<u>570.5</u>	<u>583.3</u>	<u>587.2</u>	<u>592.0</u>	<u>3,141.9</u>
All Funds	\$125.5	\$359.9	\$373.4	\$388.4	\$404.1	\$420.4	\$2,071.7

**Fiscal Effect of Full Medicaid Expansion on January 1, 2017  
Difference from Current Law, \$ in Millions**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>6-Year Total</u>
GPR	\$0.0	-\$87.3	-\$197.1	-\$194.9	-\$183.1	-\$171.6	-\$834.0
FED	<u>0.0</u>	<u>217.2</u>	<u>570.5</u>	<u>583.3</u>	<u>587.2</u>	<u>592.0</u>	<u>2,550.2</u>
All Funds	\$0.0	\$129.9	\$373.4	\$388.4	\$404.1	\$420.4	\$1,716.2

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

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