

Medicaid Expansion Strengthens Individual Health Insurance Market

Medicaid expansion means lower Marketplace premiums along with expanded healthcare access

If Wisconsin chooses to become the 37th state to expand its Medicaid program, about [80,000](#) additional people would be covered. In addition to ensuring access to affordable health care for so many, this expansion would qualify Wisconsin for a very large increase in federal funding, yielding a net reduction in state spending for BadgerCare of about [\\$160 million per year](#).

Many lawmakers have raised questions about how this expansion might affect those covered by private insurance, such as through Marketplace plans created by the Affordable Care Act. Thankfully, those questions have been answered by experts who have studied the impacts of Medicaid expansion on the many other states that have chosen to increase access to healthcare.

Researchers have consistently found that Medicaid expansion reduces Marketplace premiums

Several different studies compared the Marketplace premiums of expansion and non-expansion states and consistently found that premiums were lower in expansion states.

In fact, the most recent research is also the most relevant for Wisconsin and shows some of the largest savings for Marketplace premiums. On June 6, 2019, the journal [Health Affairs published new research](#) comparing premiums in Wisconsin border counties to premiums in border counties of neighboring states that expanded Medicaid. It found that Marketplace plan premiums were 19 percent lower among Wisconsin's neighbors compared to Wisconsin over the 2014-18 period.

The group of people purchasing health insurance in the individual market is known as the "risk pool." In states which expanded Medicaid, this group of purchasers tends to be healthier and less expensive to insure. That's because the lowest income people eligible for Marketplace plans – those between 100% and 138% of the federal poverty level, who could potentially be in Medicaid – tend to be in poorer health, so their presence in the risk pool increases premiums. However, when that low-income population is moved into Medicaid the composition of the risk pools is changed and Medicaid expansion states are able to achieve lower Marketplace premiums ([Antonisse, 2018](#)).

In addition to this reduction in premiums for those enrolled in the individual market, those enrolled in

Medicaid are able to access less expensive health plans which allows them to more fully access health care.

Additional research and findings include the following:

- In May of 2019, [a report by Wakely consulting](#) estimated that Medicaid expansion in Wisconsin could result in a 7%-11% reduction in Marketplace premiums in future years.
- When comparing border counties in expansion and non-expansion states, premiums were 11% lower in expansion states ([Sen and DeLeire, 2018](#))
- States that expanded Medicaid have significantly lower premiums than non-expansion states. Premiums were approximately 7% lower controlling for demographic differences ([Sen and DeLeire, 2016](#))
- Looking at two states that adopted Medicaid expansion later (Indiana and Pennsylvania), premiums were lower across all metal levels in the Marketplace. Metal levels refer to the bronze, gold and silver plans available on healthcare.gov ([Peng, 2017](#))

These comprehensive reviews of Medicaid expansion show how Wisconsin could benefit both in expanded access to more affordable care for Medicaid recipients, and could lower the premiums by as much as 19% for those on the Marketplace.

Based on the model and underlying assumptions used in the most recent research comparing border counties in expansion states to adjacent counties in Wisconsin, if the state were to expand Medicaid, Marketplace premiums would significantly decline. In order to help visualize the

reduction in Marketplace premiums that could result from Medicaid expansion, the map shows the impact of lowering premiums in Wisconsin by an average of 19% in each county. A 19% reduction from the current rates would mean an average savings of about \$1700 per year for those paying full price for Marketplace plans.

Wisconsin's 1332 Waiver: Wisconsin Healthcare Stability Plan

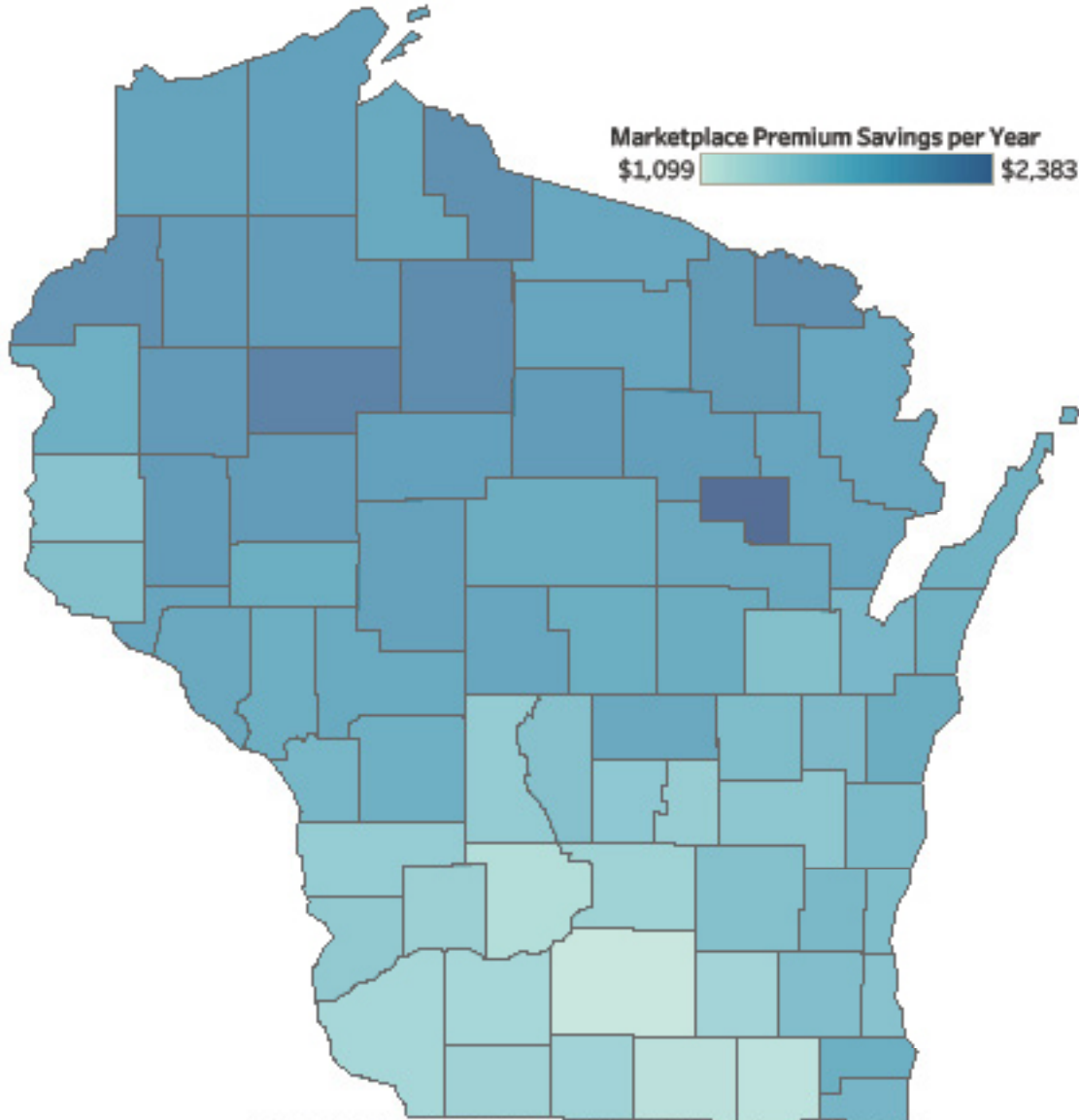
In July of 2018, the Department of Health and Human Services approved a [waiver request](#) from the Walker administration. The waiver seeks to hold down Marketplace premiums in Wisconsin by creating a [reinsurance program](#) that limits risks for health insurers. A report completed by Wakely consulting said the plan was expected to lower premiums by an [estimated 10 percent](#), as compared to premiums without the program.

The Joint Finance Committee recently approved spending [\\$200 million](#) in 2020-21 to continue the program, including \$72 million from state general purpose revenue (GPR). That budget appropriation is a clear indicator of the strong bipartisan interest in keeping Marketplace premiums affordable. While the primary goal of Medicaid expansion isn't to lower those premiums, that has been a welcome side effect in expansion states.

Like Wisconsin, Minnesota has implemented a reinsurance program. However, it has also chosen to pursue Medicaid expansion, which has contributed to substantially lower Marketplace premiums compared to Wisconsin. Legislators in Wisconsin who are willing to make large expenditures for a reinsurance program to keep premiums stable and affordable should also value the significant role that Medicaid expansions have demonstrated in holding down premiums.

Marketplace Premiums Lower in States that have Expanded Medicaid

A 19 Percent Reduction in Marketplace Premiums would mean an Average Savings of \$1,700 per Year from Current Rates



Source: Medicaid Expansion Estimates applying assumptions from Health Affairs analysis June 2019 to the average premium based on county-level 2019 open enrollment data as reported by CMS, March 2019 kidsforward.net

Conclusion

The most obvious benefit of expanding Medicaid in Wisconsin is enabling about 80,000 more adults to get quality, affordable health care services through BadgerCare. But expanding Medicaid would also have many indirect benefits for other Wisconsinites. For example, fiscal analysts estimate that expanding access to BadgerCare, and thereby qualifying for increased federal funding, would save Wisconsin taxpayers about [\\$160 million per year](#).

Research on Medicaid expansions in other states has consistently found another indirect but very significant benefit. States that have expanded Medicaid have substantially lower premiums in the private insurance marketplace than non-expansion states. Those studies make it clear that expanding eligibility for BadgerCare would help control the rising costs of premiums for the over [200,000](#) Wisconsinites currently enrolled in a Marketplace plan.

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