

Top 10 Reasons to Take the Federal Funds to Improve BadgerCare

The Affordable Care Act (ACA) provides funding for states to expand health insurance coverage for low-income adults who have income below 138% of the federal poverty level (FPL). That part of the ACA gave Wisconsin a great opportunity to close a very large gap in BadgerCare – coverage for “childless adults” (adults who aren’t custodial parents of a dependent child). The Legislature approved the Governor’s plan, which turns down the federal funding but partially expands coverage for childless adults (up to 100% of FPL) and offsets much of the cost by cutting in half the BadgerCare eligibility limit for parents in BadgerCare (from 200% to 100% of FPL).

	Adult Eligibility for Medicaid	Federal Funding Wisconsin Receives
Governor’s Plan	0 to 100% of the federal poverty level	58% federal funding
ACA Expansion Option	0 to 138% of the federal poverty level	100% federal funding through 2016 for childless adults, then the federal share would gradually phase down to 90% in 2020 and beyond

Here are ten of the many reasons why Wisconsin should accept the federal funding and cover more parents and childless adults in BadgerCare.

- 1) To significantly reduce spending of state tax dollars** – An August 2014 Legislative Fiscal Bureau estimate concluded that if Wisconsin had covered adults to 138% of FPL effective April 1, 2014 and accepted the full federal funding, the cost to state taxpayers would be \$206 million less during the current biennial budget period compared to the Governor’s plan. The cost of turning down the federal funds has been growing rapidly because enrollment of childless adults has been rising far faster than expected. In fact, the Fiscal Bureau’s August estimate already needs to be revised upwards because the Dept. of Health Services (DHS) said in mid-September that it expects enrollment of childless adults to reach 145,000 by June of 2015, which is 10,000 more than the last upward revision assumed.
- 2) To avoid substantial cuts to BadgerCare or Medicaid** – A June 27 DHS report estimated that the state is on track to have a \$232 million deficit in Medicaid funding by the end of the biennium, including a shortfall of \$93 million in state funds – primarily because of the larger-than-anticipated growth in coverage of childless adults. In addition, the department’s 2015-17 budget request seeks an increase of \$760 million from state funds to maintain BadgerCare in the next biennium. The Walker Administration plans to close this year’s shortfall by making cuts in Medicaid, but hasn’t said how it plans to achieve the cost cutting. Deep Medicaid cuts could be avoided by accepting the full federal funding for expansions of coverage to 138% of the poverty level.
- 3) To prevent financial hardships for low-income working adults and families** – The August Legislative Fiscal Bureau report estimates that about 87,000 additional adults would be covered in BadgerCare if eligibility is increased to 138% of FPL. Although those low-income adults are typically eligible for either employer-sponsored insurance or subsidized plans through the new insurance Marketplace, many of them can’t afford the premiums or other cost-sharing. And many parents who lost their previous BadgerCare coverage are enduring substantial financial hardships to purchase private coverage.
- 4) To improve access to preventive care and save lives** – Reducing the number of uninsured enables far more people to get preventive care, which makes our health care system more cost effective. In addition, research shows that states that have extended Medicaid coverage to more adults have seen fewer deaths - especially those caused by disease, accidents, injuries, and drug abuse.¹

- 5) **To save money for employers** – Expanded BadgerCare coverage would assist employers in at least a couple of ways. Because the ACA imposes a penalty on employers for workers who receive subsidized coverage in the Marketplace, broader BadgerCare coverage would reduce the amount of penalties owed by Wisconsin businesses.² It would also result in a healthier and more productive workforce.³
- 6) **To reduce the number of uninsured and the amount of uncompensated care** – Many of the 87,000 adults below 138% of FPL who could be in BadgerCare are uninsured because of the state’s choice not to take the federal funding, and that significantly increases the uncompensated care delivered by hospitals. The Legislature recognized that problem when it amended the budget by adding \$30 million of state funding and about \$43 million of federal matching funds to help hospitals during the 2013-15 biennium. However, that is a one-time appropriation, so hospitals won’t get that relief in future years, and the cost of their uncompensated care is often shifted to people with private insurance.
- 7) **To boost Wisconsin’s economy** – Expanding BadgerCare would help the Wisconsin economy in a number of ways, including the cost-savings for employers noted above. As also mentioned above, it would also result in a healthier and more productive workforce, which would improve Wisconsin’s economic competitiveness. In addition, bringing a larger share of federal Medicaid funds into Wisconsin would positively affect our economy.⁴
- 8) **To reduce premiums for coverage in the Marketplace** – Putting adults below 138% of FPL into BadgerCare would create a lower-cost pool of participants in the health insurance Marketplace, which would lower premiums for the adults who buy coverage there.⁵ A statistical analysis by Wisconsin Citizen Action of all the premiums across the county found that the decision in Wisconsin not to cover adults in BadgerCare to 138% of FPL raised the cost of Marketplace plans in 2014 by an average of about \$21 per person per month.
- 9) **To assist counties and improve mental health services** – Some community-based Medicaid services are the financial responsibility of counties rather than the state. By getting 100% federal funding for coverage of childless adults below 138% of FPL, the counties would enjoy substantial savings for mental health services and could either improve those services or use the savings for other purposes, including property tax relief.
- 10) **To improve coverage of children** – When Governor Thompson proposed the creation of BadgerCare in 1997 he argued that covering parents would improve enrollment of their children, and that was proven to be correct. The converse is also true. Although the budget bill assumed that implementation of the ACA would substantially increase participation of Wisconsin children, that hasn’t happened. Knocking tens of thousands of parents out of BadgerCare has resulted in a sharp drop in enrollment of kids over the poverty level.

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¹ See this study in the New England J. of Medicine: *Mortality and Access to Care among Adults after State Medicaid Expansions*

² See this brief January 2014 report by Jackson Hewitt: *State Medicaid Choices and the Hidden Tax Surprises for Employers*

³ The state *Family Health Survey* (for 2010) found that 60% of uninsured, low-income “childless adults” in Wisconsin have not had a checkup during the past two years.

⁴ Calculating the total net effect on federal funding is very complicated because expanding BadgerCare would bring substantially more federal Medicaid funds into Wisconsin, but would reduce federal subsidies for Marketplace plans. A key factor in the calculation will require some careful analysis to estimate – the portion of adults between 100% and 138% of FPL who end up uninsured because their BadgerCare eligibility is capped at 100% of FPL. The size of that uninsured group may be the most important variable with respect to determining how much federal funding Wisconsin forgoes.

⁵ Low income childless adults who have been uninsured are more expensive, and because the adults below 138% of FPL aren’t subject to the mandate to buy insurance, the sicker people in that income range are more likely to buy insurance, which increases costs and premiums.