

THE WISCONSIN APPROACH TO MEDICAID EXPANSION

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KIDS FORWARD

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Executive Summary

Wisconsin's approach to implementation of the Affordable Care Act (ACA) has had mixed results. However, because Wisconsin has a lower uninsured rate than any of the 18 other states that have not expanded coverage to all adults up to 138 percent of the federal poverty level (FPL), the path taken by Wisconsin has generated interest outside the Badger state.

Wisconsin is the only state that makes all adults below the poverty level eligible for Medicaid. Under the ACA, people above the poverty level are eligible for subsidized insurance plans through the Marketplace or "exchanges," but those below the poverty level are not. As a result, there are significant coverage gaps in the 18 "non-expansion" states that have income eligibility caps below 100 percent of the FPL. While that is not true in Wisconsin, there is an "affordability gap" for some of the adults over the poverty level.

Wisconsin's ACA implementation and partial Medicaid expansion have had several positive outcomes:

- According to Census Bureau data, Wisconsin continued to have one of the 10 lowest uninsured rates in 2016 (tied with West Virginia for 9th, although that was a drop from 6th lowest in 2013).
- The number of uninsured Wisconsinites declined by 42 percent from 2013 to 2016.
- Uncompensated care in Wisconsin hospitals fell by nearly 37 percent during that period, which was comparable to the decline in other states.

However, when one considers how Wisconsin compares to the expansion states and what happened to parents who lost their BadgerCare eligibility in 2014, the Wisconsin record loses some of its luster:

- If Wisconsin were to fully expand Medicaid, more than 80,000 adults between 100 and 138 percent of FPL would be covered in BadgerCare, and that change would yield a net savings for state taxpayers of about \$190 million per year.
- Wisconsin's 42 percent decline in the number of people who are uninsured is 5 percentage points behind the average improvement in the 31 expansion states, and 5 to 9 percentage points behind each of Wisconsin's neighbors (all of which are expansion states).
- Four Medicaid expansion states that had higher uninsured rates than Wisconsin in 2013 caught up to or surpassed Wisconsin by 2016 (Connecticut, Kentucky, Rhode Island and West Virginia).
- More than 62,000 adults lost their BadgerCare eligibility in 2014, and a study by the Department of Health Services could only show that 58 percent of them obtained other insurance coverage (or regained BadgerCare coverage). Most of the rest are presumably uninsured.
- Wisconsin went from having the 12th lowest rate of uninsured children in 2013 to a tie for 20th lowest in 2016, because states that expanded Medicaid coverage for parents found that there was increased Medicaid participation among kids who were already eligible.

Whether other states seriously entertain following Wisconsin's path will depend on developments at the federal level. Many of the proponents of the Wisconsin approach have relied heavily on the argument that states should not count on the continuation of the ACA funding for Medicaid expansions. However, that funding has survived attempts to repeal the ACA, whereas executive actions and pending federal legislation have caused many to question whether the Marketplace plans, which are critical for the Wisconsin approach, will continue to be an affordable option.

Introduction

Wisconsin has taken a very different approach to implementation of the Affordable Care Act (ACA). Among the 19 states that have not taken advantage of the ACA option to expand Medicaid eligibility for adults to 138 percent of the federal poverty level (FPL), only Wisconsin has extended Medicaid to all adults below the poverty level.

In 2014 Wisconsin significantly expanded Medicaid eligibility for adults without dependent children by ending the prior waitlist for enrolling. The state partially offset the cost of expanding coverage for “childless adults” by cutting in half the eligibility ceiling for parents – reducing it from 200 percent of FPL down to 100 percent of the poverty level.

Because Wisconsin capped eligibility of parents and childless adults at the poverty level, it does not qualify for the substantially increased Medicaid matching funds authorized by the ACA for states that cover all adults to at least 138 percent of FPL. However, at least two states have applied for waivers that would allow them to reduce their income ceiling for adults to the poverty level and still qualify for the substantially increased federal funding. If any of those waivers are approved, there will be far more interest in the Wisconsin approach.

This report presents and reviews the best available data on what has happened in Wisconsin since the state began implementing the partial expansion and compares how Wisconsin’s experience with that of other states.

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Evolution of BadgerCare Eligibility for Adults

Wisconsin was one of the first states to significantly expand Medicaid coverage for adults. In 1997, when Democrats in the state legislature were attempting to use the new Children’s Health Insurance Program (CHIP) to expand eligibility for children, Governor Thompson insisted that eligibility for parents should also be much broader. He argued that the state’s welfare-to-work initiatives would not succeed if low-income working parents did not have health insurance. He also contended that by enrolling parents, more of their children would also be signed up for coverage.

Ultimately, Thompson and the legislature agreed on the bill creating BadgerCare, which took effect in 1999. That bill extended eligibility of children and parents to 200 percent of FPL. [Footnote: Until 2008, the income ceiling when a family enrolled was 185 percent of FPL, but an enrolled family could stay in the program until its income exceeded 200 percent of FPL.]

In 2009 Wisconsin began the BadgerCare Core plan, which offered a somewhat narrower set of health care benefits to adults below 200 percent of FPL who do not have dependent children. However, the funding level was capped, and that quickly led to a waiting list for coverage of childless adults.

In April 2014, the Wisconsin Department of Health Services (DHS) implemented sweeping changes to the BadgerCare program through an 1115 waiver demonstration. The state’s objectives through this demonstration were to:

- “Ensure every Wisconsin resident has access to affordable health insurance and reduce the state’s uninsured rate.”
- “Provide a standard set of comprehensive benefits that will lead to improved healthcare outcomes at no additional cost to state tax payers and the federal government.”
- “Create a program that is sustainable so our healthcare safety net is available to those who need it most.”

The state used the waiver to sharply reduce BadgerCare eligibility for parents and caretakers (“parents”) from 200% of the federal poverty level (FPL) to just 100%, while expanding full benefit BadgerCare coverage to childless adults up to 100% of the FPL. The state explicitly stated in its waiver application that it could reduce Medicaid coverage for adults to 100% of the FPL because the Affordable Care Act (ACA) would enable Wisconsin adults with incomes over the poverty level to get coverage with federal subsidies through the federally facilitated marketplace.

This “partial” expansion meant that Wisconsin has the distinction of being the only non-expansion state to not have a “coverage gap,” since technically adults over 100% FPL are eligible for federal premium and cost-sharing assistance on the marketplace.

Wisconsin Could Have Saved over \$1 Billion, while Covering More People

The Legislative Fiscal Bureau (LFB) estimates that if Wisconsin had opted to implement a full expansion of Medicaid in 2014, BadgerCare would cover more than 80,000 additional adults, and the state would be spending far less of its own money for BadgerCare. According to an LFB analysis in April 2017, if the state had implemented a full expansion of Medicaid by January 1, 2014, WI would have saved \$1.07 billion in state funds over the next five years. The ongoing savings for state taxpayers, are estimated to be about \$190 million per year.

Effects of the BadgerCare Coverage Change

Many Adults Became Uninsured

Following the implementation of the waiver changes in April 2014, 62,776 adults with incomes above 100% FPL lost their BadgerCare coverage.

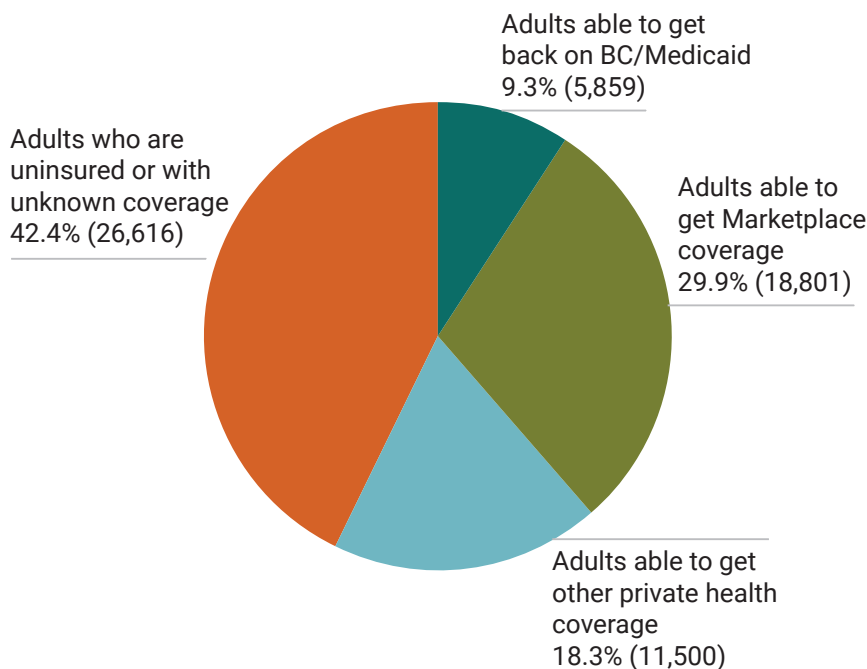
Among those, 5,859 were able to get back into BadgerCare or Medicaid by July 2014 because of a drop in income or by showing that they qualified for another type of BadgerCare coverage.

In July of 2014, the department released data that showed that of the adults who lost BC coverage, 30% (18,801) were participating in the Marketplace. By the end of the summer DHS released additional data, following closer review of their third party database, indicating that an additional 18.3% (11,500) adults were able to obtain other private health insurance.

That left 42% of adults who lost their Badger Care coverage either uninsured or their status was unknown. Since this initial evaluation by the state in the summer of 2014, the fate of those 26,616 adults who lost coverage remains unknown, and no other follow-up evaluations have been published.



Health Insurance Status is Unknown for Two-Fifths of Adults Who Lost BadgerCare Health Coverage



Over 81,000 Childless Adults Gain Coverage

Following the shift to cover childless adults (CLA) up to the poverty level in April 2014, 81,731 enrolled in BadgerCare. This number far surpassed the Legislative Fiscal Bureau's initial uptake estimate of 47,900 people for the 2013-14 state fiscal year. The number of adults without dependent children continued to grow over the next year and reached a high of 159,711 enrollees in April 2015, which was far above the LFB projections of 98,642 for SFY2015 and beyond. Since then the number of childless adults participating in BadgerCare has decreased and stabilized to an average of roughly 144,000

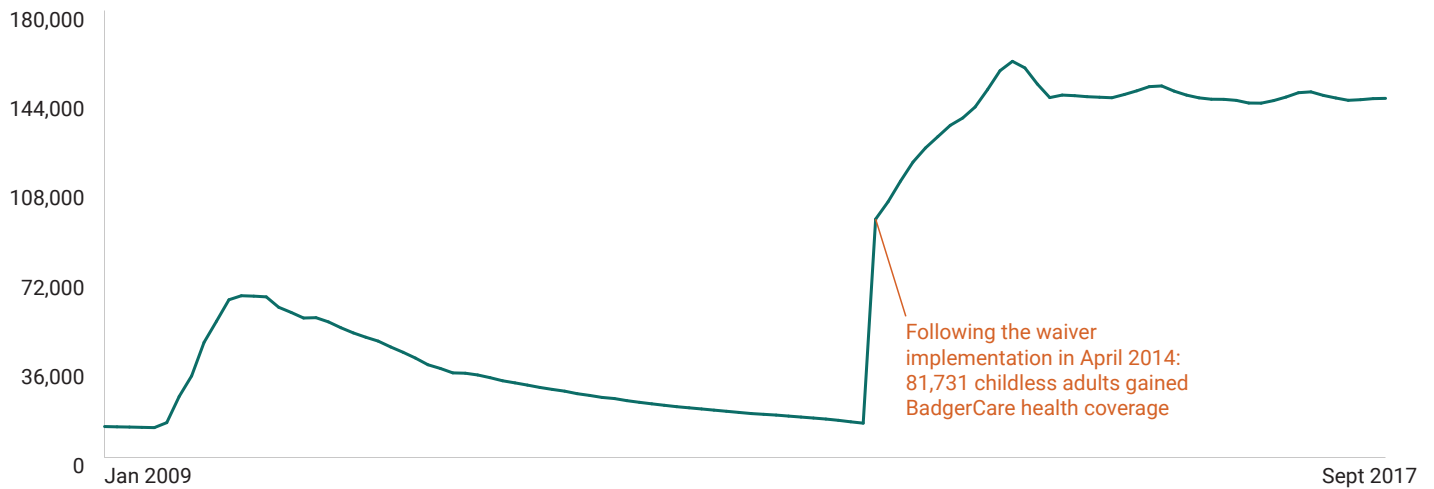
over the past year, compared to only 17,000 in August 2013.

Between September 2013 – when DHS first sent out notices to beneficiaries of the impending change in income eligibility for parents – and April 2014, total enrollment of parents decreased by 51,618 (including more than 44,000 from March to April of 2014). Those figures are net changes that reflect a drop from September through April of more than 67,000 parents above the poverty level, and an increase of nearly 16,000 parents below the poverty level. Some parents below that level did not previously know they were eligible for BadgerCare, but were enrolled when they applied for Marketplace coverage.



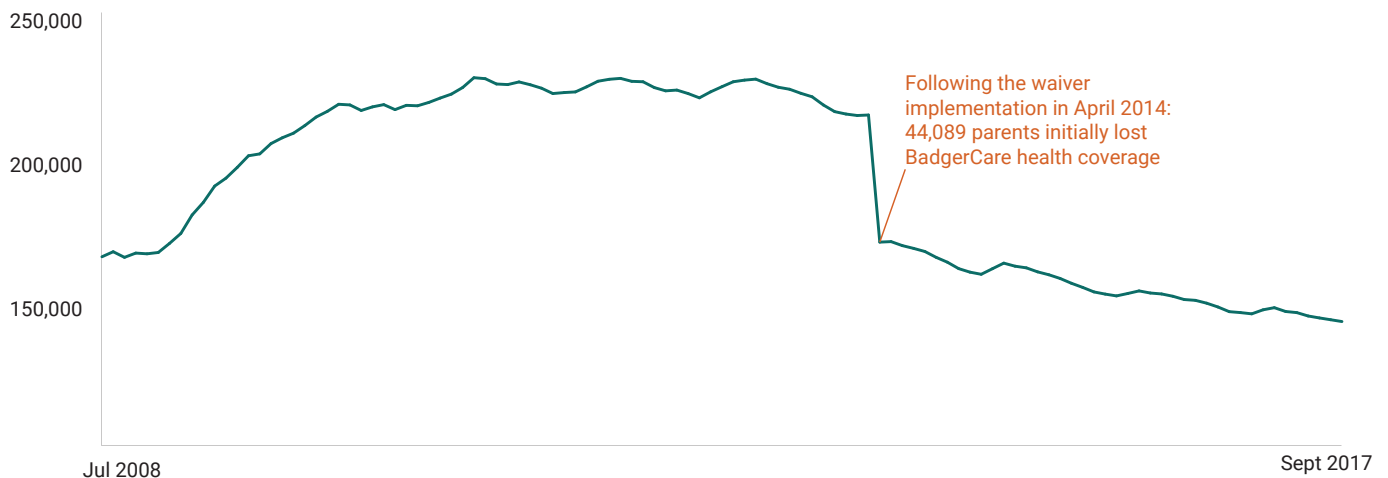
Number of Childless Adults with BadgerCare Health Coverage

July 2009 - September 2017



Number of Parents with BadgerCare Health Coverage

July 2008 - September 2017



Wisconsin vs Full Expansion States

Uninsured Rates

Wisconsin has historically been a leader in health insurance coverage. However, its choice to expand Medicaid only to 100% of the FPL for childless adults, while at the same time substantially reducing eligibility for parents has kept the state from being a true leader in the nation in health insurance coverage.

The bar graph below illustrates that Wisconsin’s percent reduction in the uninsured population (between 2013 and 2016) trailed the gains in each of the four neighboring states, all of which expanded Medicaid eligibility for adults.

Wisconsin’s Ranking for Children’s Coverage Drops Sharply

The chart on page six illustrates that Wisconsin had the 12th lowest rate of uninsured children in 2013, but fell in 2016 to a tie for 20th. Although the number of uninsured kids dropped modestly in Wisconsin during that three-year period, 8 other states – all of which expanded eligibility – had larger improvements in children’s coverage and in 2016 had lower uninsured rates for children.

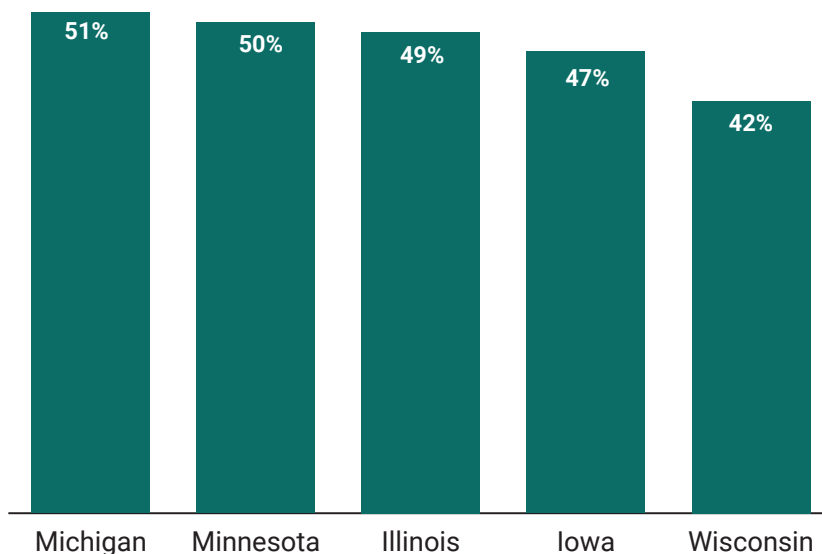
An important reason for Wisconsin’s sharp drop in kids’ coverage, relative to other states, is that insurance coverage of parents is closely tied to whether their children are covered. Many studies have shown that states that expand coverage of parents see significant gains in the percent of children who are uninsured because parents who are newly eligible for Medicaid often sign up their already eligible kids. Health policy analysts often refer to this relationship as the “welcome mat effect.”

Governor Thompson was one of the first policymakers to recognize the importance of getting parents enrolled as a strategy for improving the Medicaid participation rate among uninsured children. Thompson argued in 1997 that the proposed legislation to create BadgerCare should include coverage for parents in order to better serve their children. His arguments were proven correct when the implementation of BadgerCare in 1999 led to a sharp enrollment increase among children who already met the Medicaid eligibility tests. Contrast that to 2014, when other states were expanding eligibility for parents, while Wisconsin dropped about 60,000 parents from BadgerCare. Although there may also be other relevant factors, the reverse welcome mat effect appears to be a key reason why Wisconsin’s ranking for kids’ coverage dropped so fast from 2013 to 2016.



Wisconsin Falls Behind Neighboring States who Expanded Medicaid

Percent Reduction in Uninsured, 2013-2016

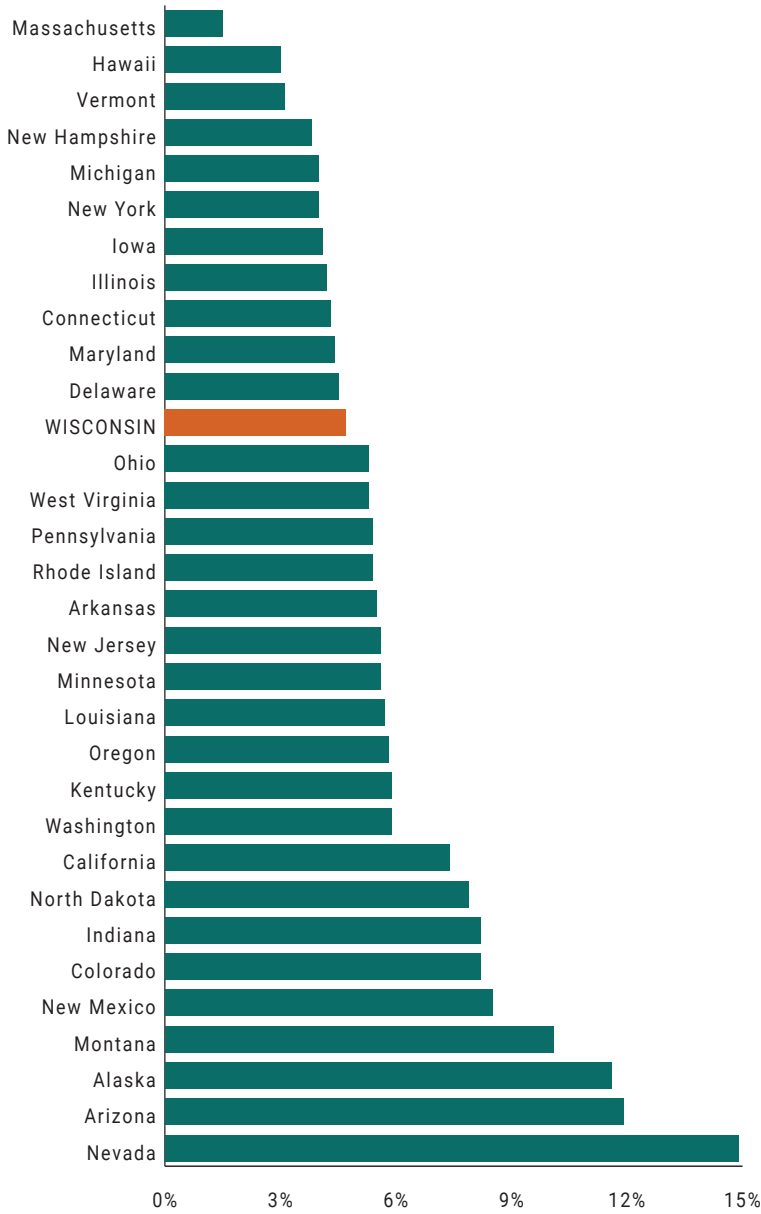


Source: American Community Survey

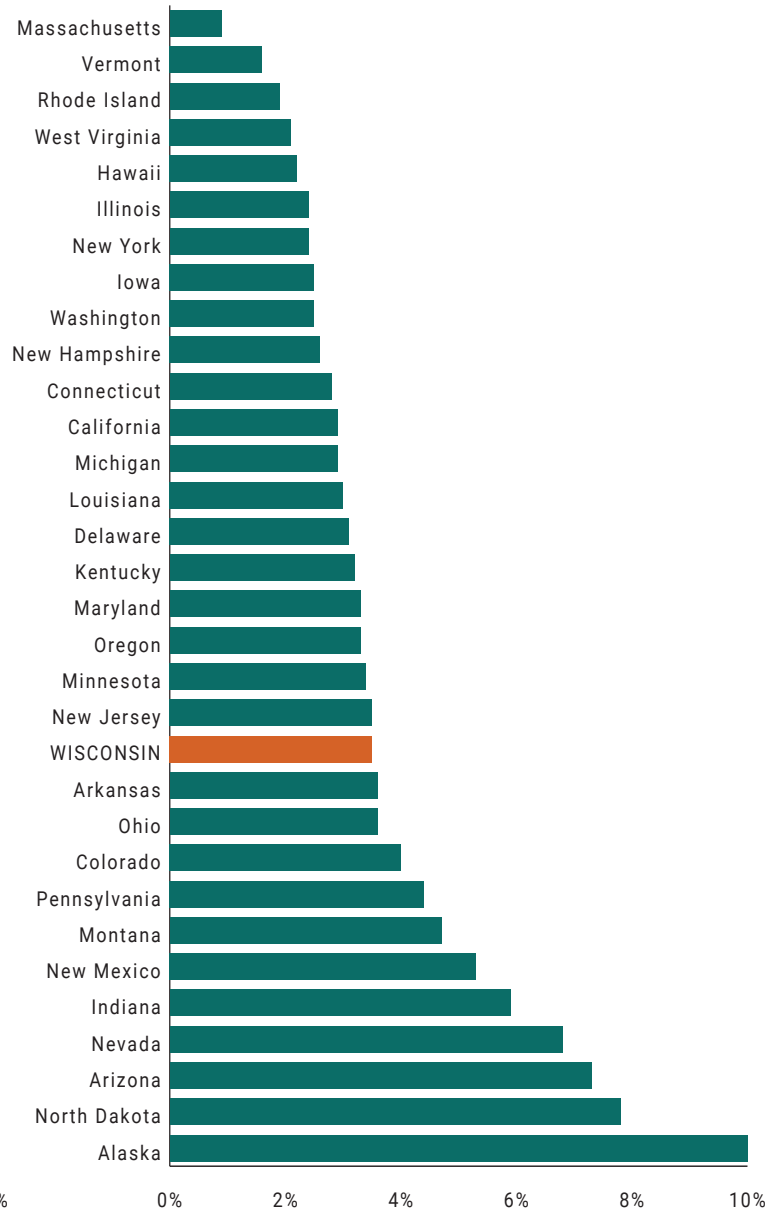
Wisconsin is Losing Ground in Child Health Coverage to Medicaid Expansion States

Percent of Uninsured Children Under 18 (2013 vs 2016)

2013: Percent Uninsured Children in Expansion States and Wisconsin (Pre-Expansion)



2016: Percent Uninsured Children in Expansion States and Wisconsin (Following Expansion)



Source: American Community Survey

Uncompensated Care Drop-off

A 2016 study by the Wisconsin Hospital Association (WHA) found that total uncompensated care fell from 3.6% in 2013 to 1.9% in 2015. WHA estimated that total uncompensated care (measured by hospital charges) fell by \$534 million in FY2015—a 36.8 percent reduction from 2013.

Research regarding reductions in uncompensated care faced by hospitals in expansion states found that between 2013 and 2015 the share of uncompensated care costs fell by 1.6 percentage points, from a little over 3.9% to 2.3% of operating costs, with hospitals with the highest burden of uncompensated care benefiting the most. According to further estimates from this study, for states that expanded eligibility for every additional dollar spent on hospital services for Medicaid patients, hospitals saw about 41 cents in reductions in uncompensated care. Extrapolated across all 31 expansion states—uncompensated care costs were reduced by nearly \$6.2 billion between 2013 and 2015.

Non-expansion States Can Expect Higher Costs for Marketplace Insurance

Under the ACA, individuals under 138% FPL are not subject to the insurance mandate. Thus, in Wisconsin, for those individuals with incomes between 100% and 138% of the FPL, the incentive to purchase a marketplace plan is reduced, particularly for healthier adults. The people in that income range who buy marketplace insurance are more likely to be those who are sicker and more costly to cover.

That outcome, known as “adverse selection,” drives up the costs for insurers, and they have to charge higher premiums. As a result, Marketplace costs and premiums will tend to be higher in states like Wisconsin that choose not to extend Medicaid to people who are eligible for Marketplace plans and below 138% of FPL.

Endnotes

1. Office of Governor Scott Walker. 81,731 Wisconsinites Living in Poverty Access Health Care through Medicaid. The Wheeler Report, May 19, 2014. http://www.thewheelerreport.com/wheeler_docs/files/0519walker.pdf
2. D. Dranove, C. Garthwaite, and C. Ody, The Impact of the ACA’s Medicaid Expansion on Hospitals’ Uncompensated Care Burden and the Potential Effects of Repeal, The Commonwealth Fund, May 2017. <http://www.commonwealthfund.org/publications/issue-briefs/2017/may/aca-medicaid-expansion-hospital-uncompensated-care>
3. State of Wisconsin BadgerCare Plus Demonstration Project Waiver. Center for Medicaid and Medicare Services, August 9, 2013. <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/wi/wi-badgercare-plus-pa.pdf>

Conclusion

Despite available funding from the Affordable Care Act, Wisconsin took its own approach to expanding Medicaid for childless adults. This decision cost state taxpayers more than \$1 billion over the past four years and covered fewer people than if we had chosen to expand Medicaid.

Because of Wisconsin’s approach, more than 60,000 adults lost BadgerCare coverage in 2014 in order to help pay for the costs of increasing coverage for childless adults. The study the department conducted showed that only about 30 percent of those adults enrolled in Marketplace insurance plans, while more than 42 percent were either uninsured or their insurance status could not be determined.

Wisconsin’s decision to reduce eligibility for parents and not fully expand Medicaid has increased health care costs for about 80,000 adults between 100 and 138 percent of the poverty level who could otherwise be participating in BadgerCare. This approach has also played a role in Wisconsin’s decline as once being a nationwide leader in access to health insurance coverage.

If Wisconsin chose to fully expand Medicaid under the ACA to all adults with income up to 138 percent FPL, it would save state taxpayers \$190 million per year, result in more people getting health insurance, and help the state regain its leading national role in providing access to quality, affordable health insurance.

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