

Top 10 Reasons to Take the Federal Funds to Improve BadgerCare

Updated May 27, 2015

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). Instead of expanding BadgerCare to 138% of FPL and qualifying for almost full federal funding for covering low-income childless adults, state lawmakers decided in 2013 to partially expand coverage for those adults (up to 100% of FPL) and to offset part of the cost by cutting in half the BadgerCare eligibility limit for parents (from 200% to 100% of FPL).

	Adult Eligibility for Medicaid	Federal Funding Wisconsin Receives
Current WI law	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** – A recent Legislative Fiscal Bureau (LFB) analysis concluded that if Wisconsin begins covering adults to 138% of FPL in January 2016 and accepts the full federal funding, the net cost to state taxpayers would be \$360 million less during the next biennial budget period. The cost of turning down the federal funds has been growing rapidly because enrollment of childless adults has been rising far faster than expected.
- 2) To avoid substantial cuts to health programs and other parts of the state budget** – The proposed DHS budget for 2015-17 contains a large increase in funding for Medicaid programs in Wisconsin – primarily for the cost of covering childless adults – but the budget also makes a number of negative changes to BadgerCare and other health care services for the elderly and people with disabilities. By accepting the full federal funding for expansion of coverage to 138% of the poverty level, state lawmakers could avoid not only the cuts in health care services, but also the deep cut for the university system and a number of other budget reductions.
- 3) To prevent financial hardships for low-income working adults and families** – A February 2015 Legislative Fiscal Bureau memo estimated that about 81,000 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 reduce consequences of a Court ruling against subsidies** – When state lawmakers cut the BadgerCare income limit for parents from 200% of FPL to just half of that, they justified that decision on the basis that those adults could potentially buy subsidized insurance plans through the federal Marketplace. However, the Supreme Court might rule in the *King v. Burwell* case that subsidies are not authorized in states like Wisconsin that haven’t set up their own Marketplaces, which would mean

that an even larger number of the 60,000 people who lost BadgerCare eligibility in 2014 are at risk of being uninsured. Expanding BadgerCare to 138% of FPL would significantly reduce the number of Wisconsinites at risk of losing their access to affordable health insurance.

- 5) **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
- 6) **To reduce the number of uninsured and the amount of uncompensated care** – Many of the 81,000 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 Governor recognized that problem when he recommended the inclusion of \$30 million of state funding in the 2015-17 budget for hospitals that have a disproportionate share of uncompensated care.
- 7) **To boost Wisconsin’s economy and help employers** – Expanding BadgerCare would help the Wisconsin economy in a number of ways, including cost-savings for employers. Because the ACA will impose 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 In addition, Wisconsin’s economy would benefit from bringing a larger share of federal Medicaid funds into our state and from having a healthier and more productive workforce.³
- 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.⁴ A statistical analysis by Wisconsin Citizen Action of all the premiums across the country 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.⁵
- 9) **To assist counties and improve access to 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 access and delivery of 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 2013-15 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 above the poverty level.

Jon Peacock

Updated May 27, 2015

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 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.

⁵ See this July 2014 report by Citizen Action: *“Taking the Next Step: The Role of States in Restraining Health Insurance Costs.”*