Medicaid in Wisconsin Since the 1990s

In this report, we seek to explain Wisconsin's unique approach to health care for low-income residents and provide options for policymakers moving forward. Our state has long walked an unusual and even singular path on the issue of health care coverage. In the 1990s and 2000s, the state played a leading role in expanding public health insurance coverage to those with low incomes. These efforts have expanded the joint state-federal Medicaid program and, together with low unemployment and poverty rates, a strong private insurance market, and a favorable mix of employers and industries in the state, have helped to keep our uninsured rate among the lowest in the nation.

What is Medicaid?

Medicaid programs provide health coverage to low-income individuals and families as well as the elderly and disabled and are overseen by the state and federal governments. The federal government and states like Wisconsin set eligibility rules on criteria such as residency and immigration status, income, assets, family size, age, and disability status and decide on certain types of benefits and coverage levels. States can also seek waivers allowing them to depart from federal rules. In general, federal taxpayers in fiscal year 2024 will defray 60.7% of Medicaid costs in Wisconsin and state taxpayers essentially cover the rest.

Wisconsin's Medicaid programs include BadgerCare Plus, which provides primary and acute care to individuals and families, separate long-term care programs such as nursing home and in-home care, and the SeniorCare prescription drug plan. Over time, Medicaid has largely transitioned from a model of paying a fee for individual services to paying a set amount per recipient to managed care organizations, which then pay for all the annual care that the individual might receive.

To expand Medicaid, Gov. Tommy Thompson and lawmakers created BadgerCare and his successor, Jim Doyle, later created BadgerCare Plus. This latter program covered qualifying children and pregnant women with household income up to 300% of the federal poverty level ($77,460 in 2024 for a family of three – see Table 1). At the time of its creation, it also covered parents and other caretaker relatives up to 200% of the poverty level.

With the implementation of the federal Affordable Care Act (ACA) in 2014 following a major U.S. Supreme Court decision, states decided whether to accept additional federal funds to extend Medicaid to more of their residents. To incentivize states to expand the programs to 138% of the federal poverty level ($20,783 for an individual and $35,632 for a family of three in 2024) for adults between the ages of 19 and 64, the ACA stipulates the federal government will pay 90% of the costs of the additional recipients. That's a much higher matching rate than the 60.7% typically provided for Medicaid spending in Wisconsin in 2024.

In Wisconsin, then Gov. Scott Walker and Republican lawmakers opted against this full expansion. The state instead lowered the coverage limit for BadgerCare Plus for both parents and adults with no dependent children to 100% of the poverty level ($25,820 for a family of three) from the previous 200% level but also eliminated a waiting list for qualifying childless adults.

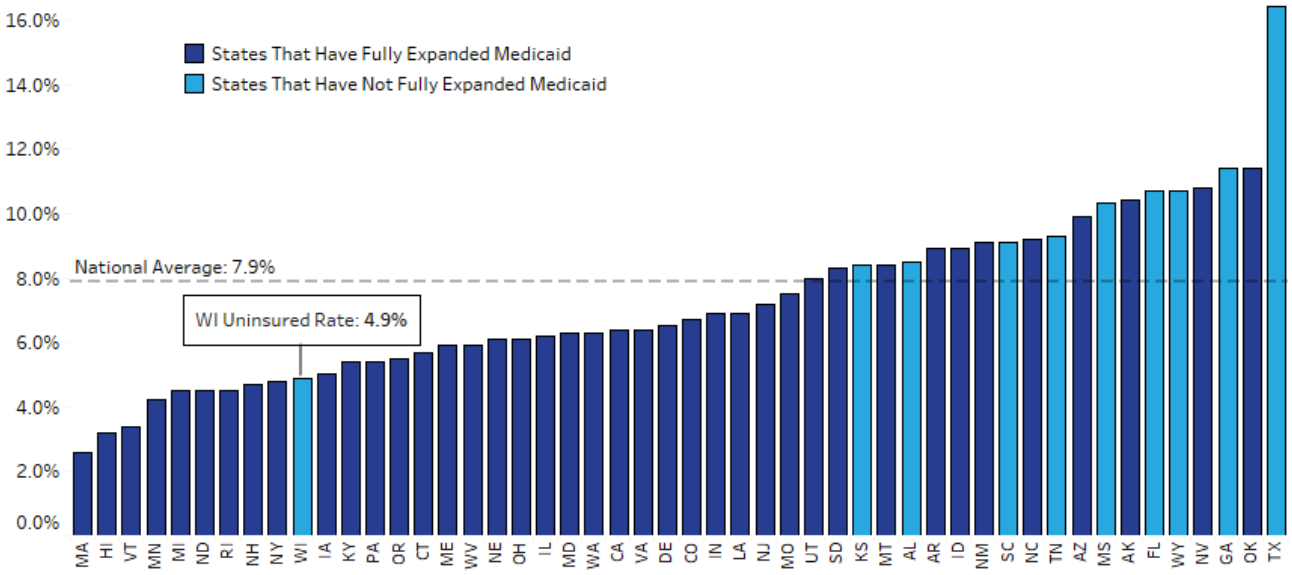
Table 1: 2024 Federal Poverty Level Guidelines By Family Size

	Percent of Federal Poverty Level (FPL)			
Family Size	100%	138%	200%	300%
Individual	$15,060	$20,783	$30,120	$45,180
Family of 2	$20,440	$28,207	$40,880	$61,320
Family of 3	$25,820	$35,632	$51,640	$77,460
Family of 4	$31,200	$43,056	$62,400	$93,600
Family of 5	$36,580	$50,480	$73,160	$109,740

Source: U.S. Department of Health and Human Services

Figure 1: Wisconsin Has Lowest Uninsured Rate by Far Among Non-Expansion States

Percent of residents without comprehensive health coverage by state at time of survey, 2023



Source: U.S. Census Bureau ACS One-Year Estimates.

Adults below the poverty level could enroll in Medicaid, and those above it with no employer-sponsored coverage could purchase private coverage through the existing channels or through an insurance exchange created and subsidized through the ACA. On net, these changes increased Medicaid enrollment even though many recipients lost coverage. Since 2014, state lawmakers have debated the question of full Medicaid expansion in every two-year session and rejected it each cycle.

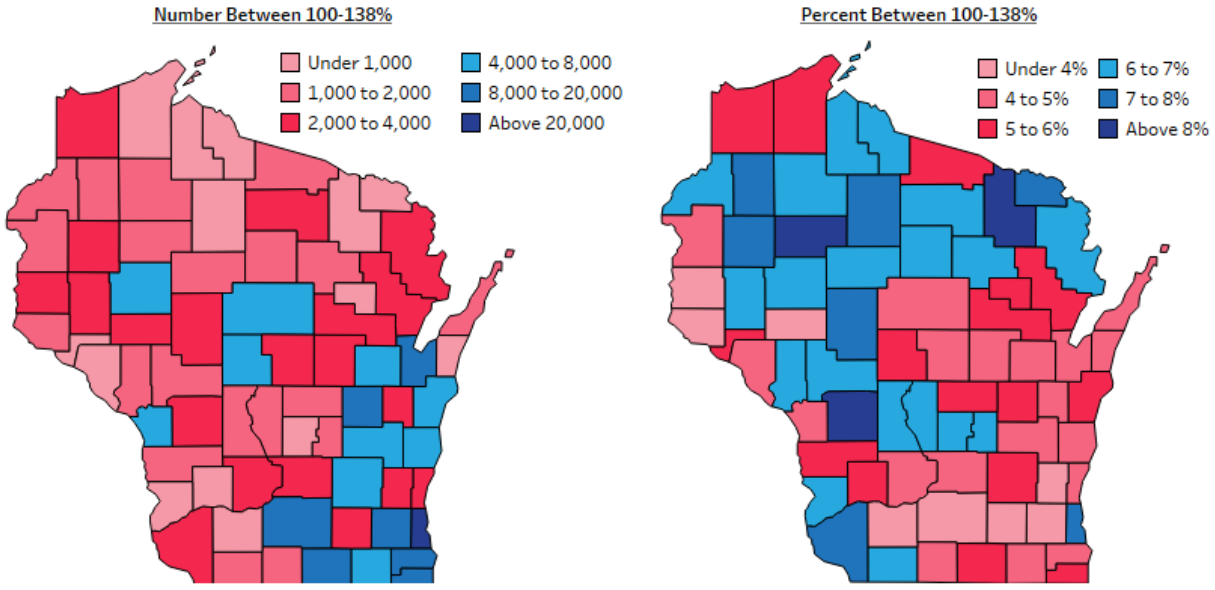
These Medicaid changes left Wisconsin as the only non-expansion state with at least some public insurance option for all residents of lower income levels. In some non-expansion states, a coverage gap exists between the upper income limit for Medicaid eligibility and the federal poverty level (100% of FPL) – the minimum income level at which consumers can purchase plans through the ACA exchanges.

Wisconsin's approach eliminates this gap and helps to give the state the lowest uninsured rate of any of the ten remaining non-expansion states, which are mainly found in the South (see chart above). At the same time, a 2022 analysis in the *Journal of Health Politics, Policy, and Law* noted an increase in the uninsured rate among the individuals who lost Medicaid coverage in Wisconsin.

During the COVID-19 public health emergency, the federal government paid for an additional 6.2% of Medicaid costs starting retroactively on January 1, 2020. But federal officials prohibited states from reviewing enrollees' circumstances and dropping their coverage because of a rise in income or other changes. As a result, BadgerCare Plus enrollment climbed from 777,312 in March 2020 to a peak of 1.19 million in May 2023, an increase of 53%. In 2023, the additional federal funding and "continuous coverage requirement" were phased out and recipients once again had to show they met program requirements. As a result, the number of BadgerCare Plus recipients as of June 2024 had fallen to 925,002, more than halfway back to its pre-pandemic level.

Fig 2: Largest Share of Potential Eligibles for Medicaid Expansion Lives in Rural Areas, Largest Number in Cities

Percentage and number of residents between 100% and 138% of the federal poverty level by county



Source: U.S. Census Bureau 2022 American Community Survey Five-Year Estimates

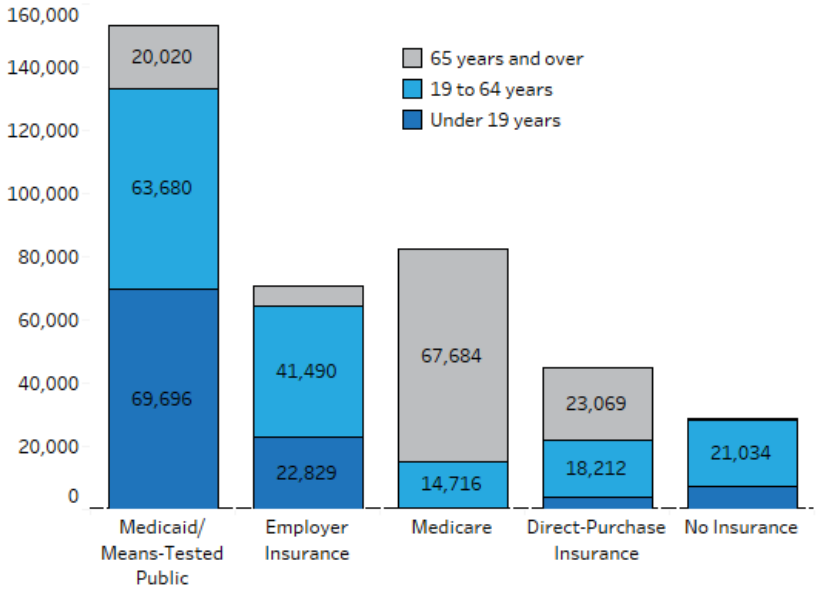
Where Would Medicaid Expansion Have the Biggest Impact?

Medicaid expansion would affect individuals between 100% and 138% of the poverty level. As of 2022, roughly 290,000 state residents fell into this category, and Milwaukee, Dane, and Brown counties accounted for roughly one-third of the people in this group, or 97,643 (see chart above).

However, the share of residents in this category is low in large urban areas in Wisconsin with the exception of Milwaukee County, where 7.3% of residents have incomes between 100% and 138% of the poverty level. By contrast, six rural counties count at least 7% of their residents in this category and more than 8% of residents in Monroe, Rusk, and Forest counties fall into this group. In other words, residents of rural counties are the most likely to benefit from Medicaid expansion.

Fig. 3: Half of Those Just Over Poverty Level Already on Medicaid

Number of Wisconsin resident between 100% and 138% of the federal poverty level by type of coverage and age, 2023



Source: U.S. Census Bureau American Community Survey One-Year Estimates

The impact of expansion in Wisconsin would be modest in

terms of lowering the uninsured rate. The overwhelming majority of state residents between 100% and 138% of the poverty level already have some form of health insurance. Within this income group in 2023, 271,268 state residents – 90.3% – reported having some form of health coverage, according to the U.S. Census Bureau. Only 24,342 individuals, or 8.3%, reported having no health coverage, as shown in the chart on the previous page. Among those surveyed, 23.6% had coverage from their employer. An additional 27.5% were covered by the federal Medicare program and 15.0%, or 45,134, had insurance that they had purchased themselves.

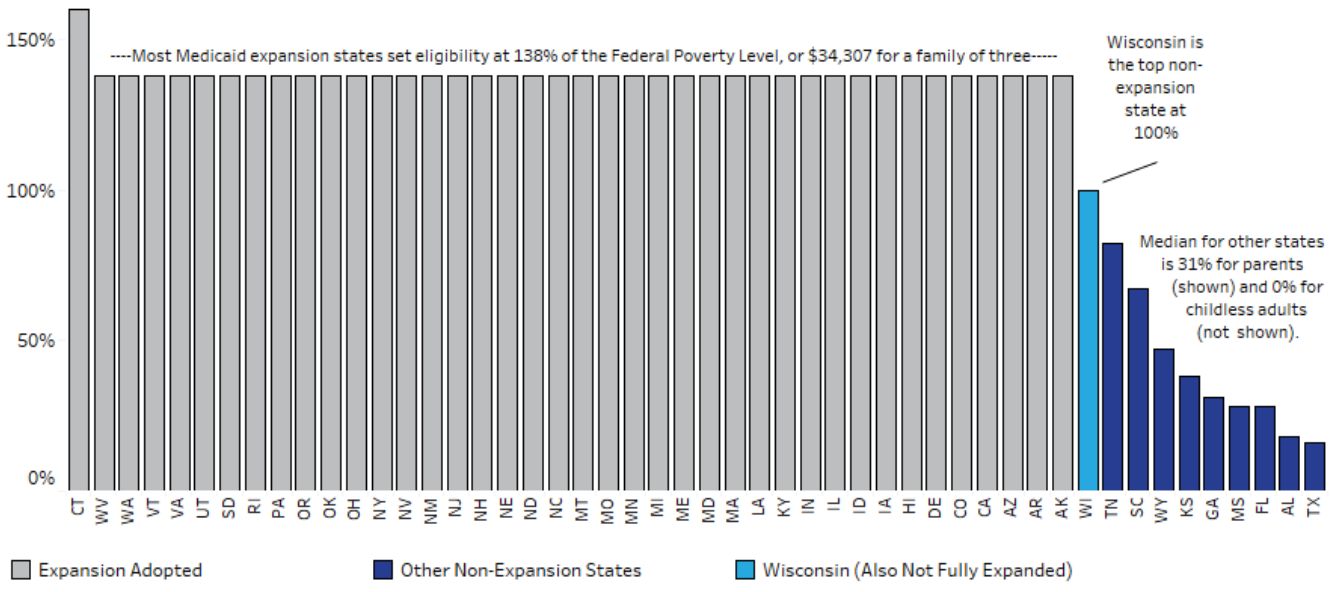
Perhaps surprisingly to some readers, 51.1% of those in this income category (153,396 people) were already covered through Medicaid or other public program subject to means testing. Some of these individuals are likely covered by Medicaid because they are a child or pregnant woman – and therefore eligible even above the poverty level. Other enrollees have a coverage extension that allows the eligibility of children and parents to continue for 12 months even though their income has risen. A smaller portion of these individuals are over age 65, suggesting they may be covered under Medicaid long-term care programs for the elderly and disabled, perhaps because those programs allow certain deductions from applicants' income.

Wisconsin and Other Non-Expansion States

Wisconsin is nearly unique in its current approach to Medicaid and the question of expansion. Among the other nine non-expansion states, the median maximum income level for Medicaid eligibility for a parent is 31% of FPL, or $8,004 for a family of three in 2024, according to Kaiser Family Foundation data (see the chart below). That's less than one-third of the 100% maximum set in Wisconsin. Even more notably, BadgerCare Plus accepts all childless adults in Wisconsin up to the poverty level. Among the other states that have not expanded Medicaid, not one covers childless adults without a qualifying disability regardless of their income level, as Kaiser has shown.

Figure 4: Wisconsin Has Highest Medicaid Income Limits Among States That Have Not Fully Expanded the Program

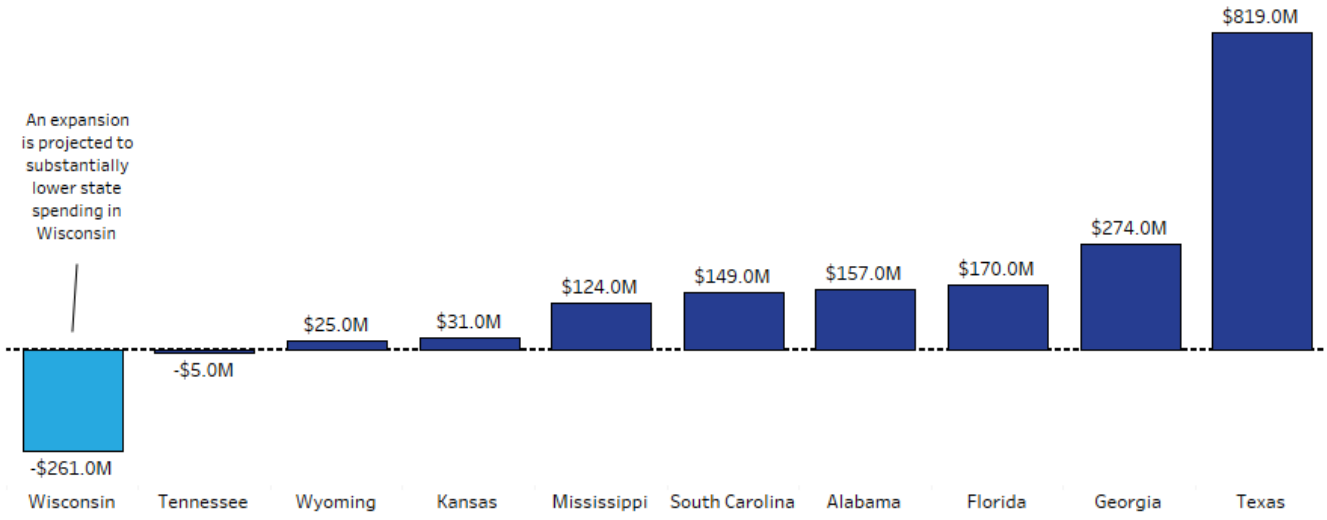
State income limits for Medicaid eligibility for parents as a percentage of the federal poverty level



Source: Kaiser Family Foundation

Figure 5: Wisconsin Would Save the Most from Fully Expanding Medicaid Among the States That Have Not Done So

Projected impact to state Medicaid spending in 2024 from potential expansion under federal Affordable Care Act (in millions)



Source: The Urban Institute and Robert Wood Johnson Foundation

As previously noted, Wisconsin is using more of its own state tax dollars to pay for this expanded coverage since it falls short of the ACA requirements. The upshot is that unlike taxpayers in the other nine states, Wisconsin taxpayers would actually save substantially on Medicaid spending if elected officials expanded the program and drew down additional ACA funding.

As the chart above shows using projections from The Urban Institute and the Robert Wood Johnson Foundation, a full Medicaid expansion would require the other nine states to spend an average of $193.7 million more per year for that program in 2024 because they would be covering so many more individuals under an expansion. Wisconsin, on the other hand, would lower its ongoing state Medicaid spending by a projected $261 million in 2024 as part of an expansion, since the state would capture a much higher federal matching rate on the coverage it is already paying to provide to tens of thousands of adults (90% rather than the fiscal year 2025 rate of 60.7%).

A full expansion would add a projected 72,000 residents to the Medicaid program in Wisconsin, a 7.2% increase that would be the smallest by far among the remaining states that have done less to date than Wisconsin in expanding eligibility. The projected drop in Wisconsin's uninsured population would also be modest, with a reduction in the uninsured population of 23,000 people, or 8.1%, since many of those who would gain Medicaid eligibility already have some other form of coverage.

Assessing the Impacts of Medicaid Expansion in Wisconsin

For state residents between 100% and 138% of the poverty level, Medicaid coverage would mean lower costs from premiums, deductibles, and co-pays than obtaining coverage and medical care through the ACA or an employer plan. However, the difference with the ACA plans has narrowed over time. BadgerCare Plus at present has no monthly premiums for adults. Though there is currently no premium for this income group in certain ACA plans, that could change by 2026.

BadgerCare Plus also has few out-of-pocket health care costs – children and pregnant women do not have co-pays, the co-pays for all services typically do not exceed $3, and any premiums and co-pays in a given month cannot exceed 5% of a participant's income. On the other hand, a 30-year-old Milwaukee marketplace participant with no children making $17,921 in 2024 could incur up to $3,150 in out-of-pocket costs in 2024 – or 17.6% of the participant's total annual income.

BadgerCare Plus also generally covers more types of services and health care providers than ACA marketplace plans, including dental, vision, and chiropractic care. ACA marketplace plans must offer dental and vision coverage for children but do not have to do so for adults and may or may not cover visits to a chiropractor. Service providers also point to the more comprehensive benefits available from Medicaid for mental health and substance abuse treatment.

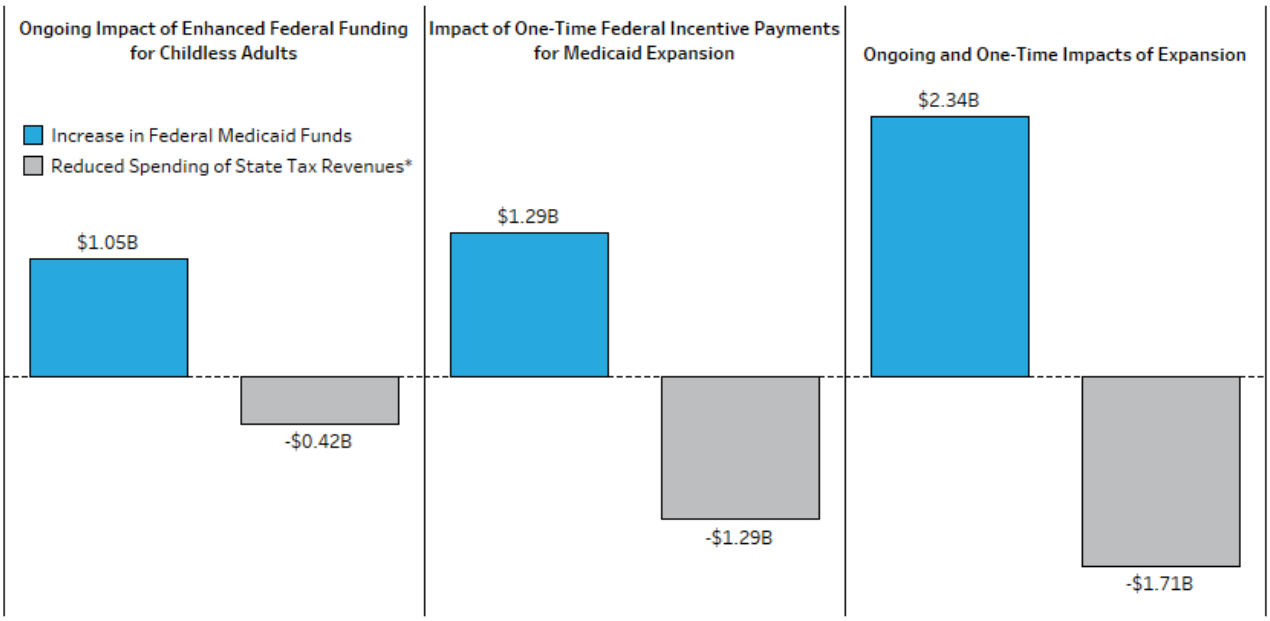
For state taxpayers, Medicaid expansion could have a major effect by drawing down additional federal funding. This assistance would pay for the majority of the state's costs to cover the roughly 190,000 childless adults already served by BadgerCare Plus, according to the state Department of Health Services. New agency projections show Medicaid expansion would provide state taxpayers with permanent ongoing savings totaling $423.8 million over the course of 2026 and 2027 (see chart below). That averages out to $211.9 million per year, somewhat less than the Urban Institute's independent projections for the earlier year of 2024.

The agency budget request estimates 90,900 state residents would gain Medicaid coverage in fiscal year 2026 over what enrollment would have otherwise been. That is somewhat more than what the Urban Institute projects. The estimates include 61,100 parents and 29,800 childless adults.

In addition to the ongoing annual savings, the state would also receive one-time federal incentives that would raise the federal reimbursement rate for most Medicaid spending in the state by 5 percentage points for two years. This increase would bring in an estimated $1.29 billion over the period following implementation. Expanding Medicaid during the 2025-27 state budget, therefore,

Figure 6: Medicaid Expansion Would Draw Down Federal Funds, Lower State Spending

Projected fiscal effect of a proposed Medicaid expansion over the upcoming 2025-27 state budget



Source: Wisconsin Department of Health Services; *General Purpose Revenue (GPR)

would cover more state residents and provide a total net benefit to state taxpayers of just over $1.7 billion over the two years. The impacts of Medicaid expansion on health care providers would depend in part on whether the state used those new funds to improve reimbursement rates or make other health care changes in Wisconsin or used them for other state priorities such as education or lowering taxes.

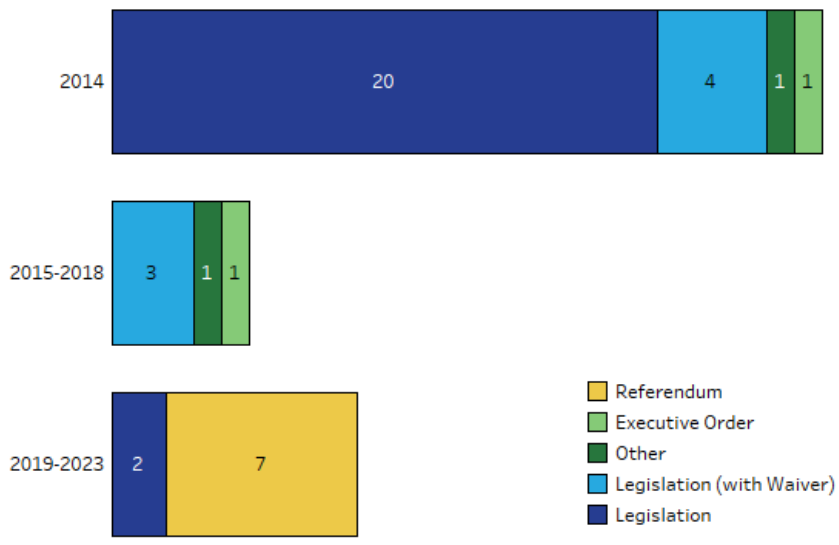
A portion of this gain in federal Medicaid funds would be offset by a loss of federal premium tax credits that subsidize the health coverage provided to consumers at between 100% and 138 of FPL through the ACA insurance marketplaces. We conservatively estimate that these enrollees in the state are benefiting from at least $283 million in federal tax credits in 2024 and likely more.[1] To the extent that expanding Medicaid in Wisconsin causes these enrollees to shift into BadgerCare Plus, it would lead to the loss of this portion of the federal tax credits that are currently flowing into the state and helping to pay for health care coverage and services here.

For the effect of expansion on employers and the labor force, it is worth noting that in 2021, 68% of Medicaid recipients without a qualifying disability between 19 and 64 in Wisconsin were employed. An even greater portion of the potential expansion population is likely to be employed given their higher incomes. Given that nearly half of the population in Wisconsin between 100% and 138% of the poverty limit already receive Medicaid, a full expansion would likely affect 90,000 or fewer individuals in a state with a labor force of 3.14 million. As a result, any marginal effects of expansion on the labor force – whether positive or negative – would likely be small, at least with respect to the Medicaid recipients themselves.

Expansion would also affect Wisconsin's health care providers, who receive low Medicaid reimbursement rates which may leave some of them less willing to serve Medicaid patients or support legislation to expand the program. The lower rates may also put upward pressure on the rates paid by private insurers and their customers to hospitals and clinics to the extent that the providers have enough market leverage to pass along the unreimbursed Medicaid costs. In Wisconsin, policymakers could choose to use all or part of the state savings from an ACA expansion to raise Medicaid reimbursement rates.

Figure 7: More States Turning to Referenda to Expand Medicaid

How Medicaid was expanded and the number of states using each method by year



Sources: WPF analysis of research from Kaiser Family Foundation, Advisory Board, and others. Louisiana lawmakers first passed a concurrent resolution and the governor then expanded Medicaid via executive order. Ohio expanded Medicaid initially via a Controlling Board.

[1] These calculations were made with the assistance and input of UW-Madison researcher Donna Friedsam.

A Look at Other States

Many commentators have noted that a number of states from across the political spectrum have approved Medicaid expansion, including a slow but steady trickle in recent years. As the chart on the previous page shows, however, many of the more recent states to do so have accomplished expansion through either citizen-led referenda or executive orders by governors. These options are not available for enacting Medicaid expansion in Wisconsin – the governor cannot do so by executive order and citizens in this state cannot place binding legislation onto ballots and then vote on whether to approve it into law.

The Forum also reviewed the pathways to expansion in several other states, noting steps that Minnesota took to strengthen health coverage beyond merely expanding Medicaid while Iowa and Arkansas used Medicaid expansion funds to provide coverage to low-income residents through the ACA insurance marketplaces. The report also discusses the short-lived Medicaid work requirements imposed in Arkansas and the debate over them in other states such as Wisconsin and North Carolina.

Options Moving Forward

Ultimately, the question of Medicaid expansion in Wisconsin will be decided by lawmakers and would likely require a bipartisan compromise to succeed. The report provides the pros and cons of several options for elected officials and the public to consider:

- Make no change – The status quo offers some advantages for Wisconsin, including maintaining a familiar system, limiting the effect of low Medicaid payments on providers, and still offering an uninsured rate that is below the national average and all other non-expansion states. Yet some individuals just above the poverty line are left with ACA plans with higher out-of-pocket costs than they would with BadgerCare Plus and Wisconsin must bear higher costs and miss out on the substantial additional federal funding afforded to expansion states.

- Expand Medicaid without a waiver from federal rules – This step could extend health insurance to tens of thousands of uninsured state residents, improve coverage benefits for tens of thousands more enrollees, and draw down additional federal funding. Residents and health care providers would likely lose the federal premium tax credits now going to ACA marketplace participants between 100% and 138% of the poverty level. One question would be whether elected officials would use the net increase in federal funding from expansion to help boost reimbursement rates for providers or improve the health care system in other ways.

- Adopt a non-traditional approach to expansion – The state could consider steps such as Montana's voluntary work-referral program for Medicaid recipients or the Iowa and Arkansas approach of expanding coverage to Medicaid recipients by using additional federal funds to provide greater subsidies for coverage within the ACA exchanges.

- Start Small – Both sides could work on a smaller bill pairing a modest coverage expansion with an accountability measure such as a pilot work referral program in one or more counties. For example, Wisconsin could extend BadgerCare Plus coverage of pregnant women for a full year after they give birth at a cost of $11.6 million over two years. Wisconsin is the only state in the country that either has not already done so or begun to do so, according to the Kaiser Family Foundation.

Opponents can argue that expanding Medicaid from 100% of the federal poverty level to 138% would have some offsetting costs. Moving the ACA plan participants in this income group to Medicaid would mean that these individuals – and by extension their health insurers and providers – would no longer benefit from at least $283 million in federal tax credits from the ACA, reducing the net influx of federal assistance to Wisconsinites from an expansion. Providers might also receive lower reimbursement rates to care for these individuals under BadgerCare Plus than they currently receive from ACA plans.

Expansion supporters can point to the fact that it would provide a projected 72,000 to 90,900 individuals with more robust and affordable health care coverage and treatment than is currently available to them through the ACA marketplaces. An expansion also would lower state costs and reduce the number of uninsured by a smaller amount, and that reduction could lower costs for other health care consumers and potentially limit the cost of uncompensated and charity care for providers.

Finally, the uncertainty regarding the potential use of state Medicaid expansion savings leaves a large unknown in our analysis. On the one hand, these savings give policymakers unique flexibility to finance various compromises while also pouring more money into health care improvements that could offset financial concerns for providers. On the other hand, there is no guarantee that savings would be invested in that way, which may help to explain the skepticism of some providers.

In publishing this report, we ultimately seek neither to promote nor to undermine expansion proposals. Instead, we have simply sought to frame this issue for policymakers and citizens as they consider the next steps for our state.