



## Using the ACA to Fill the Gap in BadgerCare: Who Would be Served and What Is It Likely to Cost?

July 31, 2012

Our state faces a major decision in the next budget regarding whether to use the Affordable Care Act (ACA) to improve access to health care for a large segment of uninsured Wisconsin – i.e., adults who aren't custodial parents of a dependent child. Because this is a very significant policy choice for the state, we need to take a comprehensive look at the costs and benefits.

The following outline is our first effort to begin analyzing who would benefit from the change and the net fiscal impact of using the ACA to close a large gap in eligibility for BadgerCare.

**This document is a work in progress, which we will update as additional information becomes available. We welcome your thoughts and suggestions.**

### I. Who's Potentially Eligible?

A. Non-custodial adults (NCAs) – Adults age 19-64 who aren't the caretaker or primary custodial parent of a minor child

1. Wisconsin now provides coverage for some NCAs through the BadgerCare Core Plan

- a. Up to 200% of federal poverty level (FPL)
- b. Narrow benefit package
- c. Excludes anyone with an offer of employer coverage (regardless of cost)
- d. Now serves about 24,000 (compared to more than 65,000 in Jan. 2010)
- e. DHS hasn't lifted the moratorium on new enrollment, even though the current budget contains funding to lift it.
- f. As of mid-July 2013, the waiting list was over 134,000. (Note: Not everyone on the waiting list is eligible, but there are probably many eligible adults who haven't bothered to get on the waiting list.)

2. ACA option

- a. Everyone up to 138% of FPL (except undocumented immigrants & lawfully residing adult immigrants who have been in the U.S. less than 5 years)
- b. Regular Medicaid benefit package
- c. [Urban Institute estimate](#) – 201,000 MA-eligible NCAs in WI below 138% of FPL
  - (1) That figure is based on Census (ACS) data from 2010, when BadgerCare Core Plan enrollment averaged about 16,000 higher than it was in June 2012.
  - (2) The 201,000 estimate excludes ineligible non-citizens.
  - (3) It includes roughly 20,000 NCAs who are believed to already be eligible based on one of the pathways for people with disabilities.
- d. Wisconsin's annual Family Health Survey estimates a much lower number of uninsured NCAs below 200% of FPL (81,000 based on combined 2009 & 2010 data), but their estimate is based on NCAs ineligible for the entire year, whereas the far higher Urban Institute figure is based on a "point in time" estimate of the uninsured in 2010. (Yet that estimate is just for NCAs below 138% of FPL.)

- e. Those differences in the parameters of the Urban Institute's estimate and the DHS figure for 2009/2010 don't explain the magnitude of the gap and make it difficult to put a figure on the number of potentially eligible NCAs.
- B. Youth aging out of foster care
- 1. The ACA requires states to provide Medicaid coverage to youths aging out of foster care until they reach age 26, starting in 2014. There is no income test.
  - 3. This is separate from the expansion that the Supreme Court made optional; and states will get the regular Medicaid match rate.
  - 2. BadgerCare Plus expanded coverage to youths aging out of foster care, through age 20, which serves about 240 young adults in WI, so the number added because of the ACA provision will be fairly small – probably well under 1,000.

## II. Fiscal Considerations

- A. Broader fiscal context – The following fiscal issues are relevant, but will affect state costs regardless of whether WI decides to close the gap in coverage for NCAs
- 1. Current Medicaid deficit – The latest DHS estimate is a shortfall of about \$149 million GPR in the 2011-13 biennium; however, that does not take into account various cost-saving measures for Medicaid, BadgerCare and Family Care, which – if they all meet DHS projections -- could turn the deficit into a \$28 million GPR surplus.
  - 2. BadgerCare Plus changes – The changes that began to take effect in July 2102 are expected to save about \$25 million GPR in the current fiscal year, but that number will increase in the next biennium because some of the changes are phased in.
  - 3. Cost of already eligible adults and kids
    - a. Based on 2010 data, the Urban Institute estimated that there were 274,000 uninsured Wisconsinites below 138% of FPL who were potentially MA-eligible – including about 34,000 parents and 39,000 children.
    - b. Some of those people will enroll in BadgerCare in 2014 (because of the individual mandate and the new portal for getting insurance), but all or nearly all of that increase can be expected regardless of whether the state decides to expand eligibility for childless adults.
    - c. Among the estimated 201,000 uninsured childless adults below 138% of FPL, the Urban Inst. estimates that nearly 20,000 were already eligible, based on one of the disability pathways.
    - d. A small number of childless adults (probably less than 1,000) will be eligible through the mandatory expansion of coverage until age 26 for youth aging out of foster care.
  - 4. The CHIP match rate is scheduled to increase in 2015, but first CHIP has to be reauthorized.
  - 5. The funding for Disproportionate Share Hospitals (DSH) is being phased down (which will be problematic for states that don't expand Medicaid coverage).
  - 6. Reforms in the bill could save states on their portion of the costs of adults who are dually eligible for Medicare and Medicaid.
- B. The net cost of expansion
- 1. Early estimates for WI
    - a. Doyle Administration (Dec. 2010)

- (1) According to an [LFB summary](#) of the Dec. 2010 DHS estimate, they expected the net effect of the ACA on BadgerCare spending would be a reduction of \$365 million from 2014 through 2016.
  - (2) That DHS estimate assumed the state would get the 100% federal match rate during the first 3 years of the Medicaid expansion for all NCAs below 138% of FPL.
  - (3) It doesn't include some of the indirect savings (such as benefits from reduced uncompensated care, and increased taxes resulting from the infusion of federal funding, but it also overestimates savings by making the incorrect assumption that children now in BadgerCare who are above 138% of the poverty level would be moved into exchanges.
- b. [Secretary Smith's testimony](#) to Rep. Ryan's committee (Jan. 26, 2011)
- (1) Sec. Smith said it could cost \$433 million in state funds over the first 6 years (2014-19).
  - (2) That estimate was taken from the Doyle Administration's calculations, except that it makes the surprising assumption that WI would continue to get just the current 60% match for covering NCAs, which is a highly unlikely scenario.
  - (3) Governor Walker still used the \$433 million figure in his Washington Post column this month, even though it's clear that Wisconsin will get an enhanced federal match for NCAs below 138% of FPL.
- c. Urban Institute (July 2011) – "[Consider Savings as Well as Costs](#)"
- (1) In a report examining potential costs and benefits in all the states, they estimated that WI would save in the range of \$3.25 billion to \$3.7 billion from implementation of the ACA from 2014 through 2019.
  - (2) Their analysis assumed WI would save between \$460 million and \$920 million from reduced state spending for uncompensated care, and they assumed large savings would be achieved by dropping Medicaid/BadgerCare coverage for adults over 138% of FPL. (It's unclear to me how the reduction in uncompensated care will be translated into state budget savings of that magnitude.)
  - (3) Their calculations don't account for new tax revenue (from the influx of federal funds) or savings from mental health care or for dual eligibles, or from higher federal CHIP share beginning in 2015,
2. New [estimate for Arkansas](#) by the state's Dept. of Public Health (summer 2012)
- a. Estimated spending change (in state dollars) of:
    - (1) \$372 million less in the first six years of implementation
    - (2) In 2021 it will become a \$3.4 million net spending increase each year, which is negligible and could be offset by other savings, such as higher CHIP match or a reduction in spending for "dual eligibles."
  - b. Assumptions
    - (1) \$25 million increase in state share of spending in 2015 for increased enrollment of already eligible people (plus about \$17 million for administration and outreach).
    - (2) \$96 million saved in 2015 because of reduction in state spending for uncompensated care and higher federal match rate for medically needy adults (who currently spend down to eligibility).
    - (3) \$35.5 million in 2015 from higher state tax revenue resulting from the influx of federal dollars.

- (4) Doesn't account for savings in state or local spending for people with mental illness.
3. How the fiscal analysis for WI differs from the Arkansas estimate
  - a. WI probably wouldn't have much increase in coverage of previously-eligible adults and children that could be attributed to closing the current gap in coverage. (All or nearly all of the increase among people already eligible will be independent of the decision on whether to expand coverage.)
  - b. WI probably has much smaller savings from reduced uncompensated care and from increased federal Medicaid match percentage for medically-needy adults.
  - c. Unlike Arkansas, our state would have savings from an enhanced federal match rate for the cost of covering those already in BadgerCare Core.
  - d. Wisconsin can potentially save a lot by moving adults over 138% of FPL into exchanges or by using the ACA's Basic Health Plan option.

### **III. Summary**

- A. Funding in the Affordable Care Act (ACA) gives Wisconsin a great opportunity to close a very large gap in BadgerCare – coverage for low-income adults who aren't custodial parents of minor children.
- B. Beginning in January 2014, the ACA will allow Wisconsin to cover roughly 200,000 adults with incomes below 138% of the poverty level (however, the actual enrollment increase might be considerably less than that).
- C. A comprehensive analysis by the state of Arkansas recently concluded that closing their Medicaid gap would result in a net gain for their state treasury of about \$372 million over the initial 6 years, followed by a small net cost (about \$3 million per year) in 2021 and thereafter.
- D. By using the enhanced funding in the ACA to close the gap in BadgerCare, Wisconsin's budget could have a net gain – for the following reasons: the ACA provides a substantially higher match rate for covering adults without custodial children than the rate the state now gets; there would be a reduction in uncompensated care costs (which would save money for the state, as well as for hospitals and their patients); the state will be able to reduce spending for adults over 138% of the poverty level; and the infusion of federal funds into the state will have a positive effect on state tax revenue.
- E. Wisconsin doesn't have to wait until 2014 to begin improving access to health insurance for adults who don't have custody of dependent children. The state's 2011-13 budget contains funding to lift the moratorium on new enrollment in the BadgerCare Core Plan, but the decision by DHS not to take that action is causing Core Plan enrollment to drop rapidly.
- F. If our state doesn't lift that moratorium and doesn't use the ACA in 2014 to begin covering all adults up to 138% of FPL, Wisconsin will continue to experience growth in uncompensated care. We would squander an opportunity to increase economic security for state residents, while lowering our state's health care spending by shifting the focus to preventive care (rather than emergency room care) and reducing the current cost-shifting that is growing as uncompensated care rises.

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