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The Picture of Health? Considering Medicaid Expansion in Wisconsin

Report analyzes stakes of Wisconsin's Medicaid debate, which differ in key ways from other states

Expanding Medicaid coverage in Wisconsin would add fewer enrollees than the other remaining non-expansion states, but deliver a larger fiscal benefit to the state, a new study by the nonpartisan Wisconsin Policy Forum finds.

In Wisconsin, the state has already devoted much of its own tax dollars to paying for Medicaid coverage. More than half of the residents in the target group for Medicaid expansion already are enrolled in the program, the report shows. The estimated \$1.7 billion savings from state expansion over the next two years could be spent to improve the state's healthcare system, address other spending priorities, reduce taxes, or some combination.

Wisconsinites who would be newly enrolled in Medicaid likely would receive better coverage in terms of cost and benefits, the report finds. However, state residents, and by extension health care insurers and providers, would no longer receive substantial subsidies in the form of federal Affordable Care Act (ACA) tax credits – a factor for policymakers to also consider.

Another significant impact would be for medical providers, which would face the possibility of receiving reduced reimbursements for care due to some Wisconsinites shifting from ACA marketplace plans onto Medicaid coverage. To address this, policymakers could choose to use some or all of the projected expansion savings to boost Medicaid reimbursement rates to providers.

These are among the key findings from the Forum's new report, which analyzes the pros and cons of whether to expand Medicaid using federal ACA funding, as 40 other states have done. The report looks at other states' Medicaid policies and lays out a range of options for Wisconsin policymakers, including how the state might use the savings from a potential expansion.

“On the one hand, these savings give policymakers unique flexibility to finance various compromises while also pouring more money into health care improvements,” the report finds. “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.”

Wisconsin's path

In the 1990s and 2000s, Wisconsin played a leading national role in expanding state health coverage to those with low incomes, and the state retains a relatively low uninsured rate.

Following its 2010 passage, the ACA offered incentives to states to increase their Medicaid income eligibility threshold to 138% of the federal poverty level (\$20,783 for an individual and \$35,632 for a family of three in 2024) for adults ages 19 to 64. The ACA stipulates the federal government will pay

90% of the costs of the additional recipients – a much higher matching rate than the 60.7% typically provided for Medicaid spending in Wisconsin in 2024.

In 2014, then-Gov. Scott Walker and lawmakers opted against expansion. Instead, they lowered the income threshold for both parents and adults with no dependent children to 100% of the poverty level from the previous 200% level, but also eliminated a waiting list for qualifying childless adults. Adults above the poverty level with no employer-sponsored coverage could buy private coverage through a federally subsidized insurance exchange. This partial expansion left Wisconsin as the only non-expansion state with at least some public insurance option for all low-income residents.

Who would be affected

Full expansion would add a projected 72,000 to 90,900 residents to Medicaid in Wisconsin, increasing program rolls by between 7% and 9%. This would be the smallest percentage increase by far among the remaining non-expansion states. The projected drop in Wisconsin's uninsured population also would be comparatively modest: 23,000 people, or 8.1%.

This is because in Wisconsin, many of the roughly 300,000 state residents between 100% and 138% of the federal poverty level already have health coverage. In 2023, just over half (51.1%) of those in this income range were already covered through a means-tested program such as Medicaid. Others had Medicare or employer coverage, or had purchased coverage for themselves.

Milwaukee, Dane, and Brown counties account for one-third of Wisconsinites between 100% and 138% of the poverty level. However, with the exception of Milwaukee County, the share of residents in this category is low in Wisconsin's large urban areas. 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 most likely to benefit by Medicaid expansion.

State budget, providers affected

Expansion would tap additional federal funding to pay the majority of state costs to cover the nearly 200,000 childless adults already served by Medicaid in Wisconsin. The Department of Health Services projects Medicaid expansion would provide state taxpayers with permanent ongoing savings that, for the next two-year budget cycle that begins in July 2025, would total \$423.8 million.

The state also would receive added one-time federal incentives totaling an estimated \$1.29 billion during the two years following implementation. Thus, if Medicaid is expanded in the 2025-27 state budget, the total net benefit to the state would be just over \$1.7 billion over the two-year period.

Medicaid expansion could greatly affect Wisconsin's health care providers, which receive lower reimbursement rates for treating Medicaid patients than they receive from Medicare and private insurance. As a result, providers could see some impacts from enrolling individuals in Medicaid who previously had other forms of insurance, although that impact could be lessened if the state used at least part of the new funds to increase Medicaid reimbursement rates.

Opponents of Medicaid expansion can note that it would come with at least some offsetting costs. Moving ACA plan participants between 100 and 138% of the poverty level to Medicaid would mean that these individuals – and by extension their health insurers and providers – would no longer receive at least \$283 million in federal tax credits through the ACA.

Other states, and Wisconsin's options

States from across the political spectrum have approved Medicaid expansion, and our report examines the path taken by several of them. Minnesota chose to strengthen health coverage beyond

simply expanding Medicaid, while Iowa and Arkansas used Medicaid expansion funds to provide coverage to low-income residents through the ACA insurance marketplaces.

For Wisconsin, moving forward on Medicaid expansion likely would require a bipartisan compromise. The report examines the pros and cons of various options, such as maintaining the status quo, expanding Medicaid without a waiver from federal rules, or adopting a non-traditional approach to expansion that requires a waiver, as some states have done. The report also considers the possibility of starting small with a more modest coverage proposal that could also include a work referral program or other accountability components sought by conservatives.

This report was sponsored by the American Cancer Society Cancer Action Network, The Leukemia and Lymphoma Society, Community Care Inc., Jewish Family Services, Lutheran Social Services of Wisconsin and Upper Michigan, and the Wisconsin Medical Society.

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