

Medicaid Expansion Isn't Free Money HERE'S WHY WISCONSIN SHOULD SAY NO

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Medicaid expansion is once again at the forefront of discussion, as Governor Tony Evers has included it in his fourth consecutive budget proposal. Advocates of Medicaid expansion promote the potential cost savings that they claim will result from its passage. However, these "cost savings" aren't actual savings, but rather a cost shift to the federal government. To encourage states to expand Medicaid coverage for all adults up to 138% of the federal poverty level (FPL) under the Affordable Care Act (ACA), the Obama administration pledged to reimburse states for 90% of the costs associated with newly eligible enrollees. Without the enhanced reimbursement rate, states would be on the hook for higher costs than they were prior to expansion.

WILL, along with many others, has long made the case that the 90% reimbursement rate exists purely at the discretion of the federal government. There is no guarantee that this rate would continue in the event of things like a major recession, significant deficit reduction efforts, or a shift in selected officials' stance towards socialized medicine. Now, it appears that these warnings may be proven prescient. Among the ideas being floated by Congressional Republicans to cut federal spending is a reduction in the match rate for expansion states, specifically for the expansion population. Since Wisconsin is the only non-expansion state that does not have a coverage gap, the cost benefits are really the only justification for Medicaid expansion. So, what would the cost savings be at the standard Medicaid matching rate of 60.7%, or the 50% reimbursement rate that Congress is considering?

We can make an estimate by looking at the average cost to provide healthcare for the newly eligible adults under expansion. Nationally, a recent analysis from the Kaiser Family Foundation (KFF) examined the average spending per enrollee among several groups, including adults eligible under ACA expansion. The 2021 average for this group was \$6,513. Accounting for inflation, that number would give us a spending level of \$7,858 per expansion enrollee today. KFF also estimates the spending for this group at the state level. Among Wisconsin's neighbors (Illinois, Minnesota, Michigan and Iowa), the average is \$6,682, inflation adjusted to \$8,061. These numbers will provide a range of estimates on the potential long-term costs of expansion in Wisconsin.

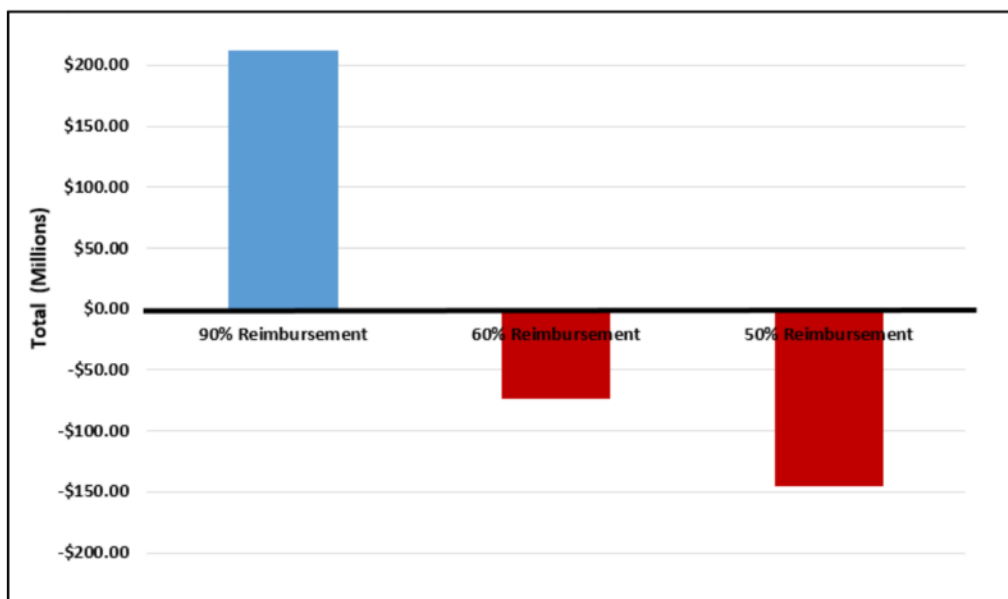
According to the Department of Health Service's 2025-27 budget request, 90,900 individuals would become newly eligible for Medicaid under expansion in Wisconsin. To estimate the total cost of expansion to the state, we multiply that figure by our spending estimates from the previous paragraph, and the varying reimbursement rates.

Table 1. Total Costs & State Medicaid Expansion Costs Under Various Scenarios

Scenario	Total Cost	90% Reimbursement	60% Reimbursement	50% Reimbursement
National Average	\$714,292,200	\$71,429,220	\$285,716,880	\$357,146,100
Neighbor Average	\$732,744,900	\$73,274,490	\$293,097,960	\$366,372,450

According to estimates from the Department of Administration, Medicaid expansion under the current 90% reimbursement rate would be a net positive for the state of about \$211.9 million annually. However, under a 60% reimbursement rate using the national average, those benefits would be fully lost, and the state would be on the hook for approximately \$73.8 million in new annual expenses (\$285.7 million minus \$211.9 million). At a 50% reimbursement rate, the state could be in the hole more than \$150 million annually using the neighbor average. This deficit is visualized below using the 60% reimbursement rate.

Figure 1. Net Annual Budgetary Impact of Medicaid Expansion



Current law also provides that Wisconsin would receive a one-time boost in the reimbursement rate for most Medicaid spending that would bring in an additional \$1.29 billion. If this money isn't spent elsewhere, the state would lose any fiscal benefit from expansion after approximately 9 years under a 50% reimbursement scenario. Some of these scenarios are depicted in Table 2. However, these funds would likely be depleted even sooner because Gov. Evers has suggested that this money should be "invested back in health care to expand services and improve access to care across the state."

Table 2. Time to Deplete \$1.29 Billion Under Various Scenarios (Neighbor Estimates Used)

	90% Reimbursement	60% Reimbursement	50% Reimbursement
Savings to State	\$211,900,000	\$211,900,000	\$211,900,000
Total Cost to State	\$73,274,490	\$293,097,960	\$366,372,450
Net	\$138,625,510	-\$81,197,960	-\$154,472,450
Time to Deplete \$1.29 Billion	N/A	15.88 years	8.35 years

Fear of a reduction in the reimbursement rate has led 9 states to put "automatic or almost automatic" triggers in state law that would reverse Medicaid expansion if the reimbursement rates are lowered. This includes the midwestern states of Illinois and Indiana.

Even if current plans to reduce the cost of Medicaid don't result in a change in the reimbursement rate, there is no guarantee that such changes won't be necessary down the line as the federal government deals with over \$36 trillion of debt. Once Wisconsin expands Medicaid, rolling it back would be both politically and administratively difficult, meaning the state could be locked into a costly commitment for years to come. This calls into question the wisdom of jeopardizing Wisconsin's financial future to expand a program that primarily benefits a population already eligible for free or heavily subsidized private coverage – especially when doing so would create long-term fiscal risks to the state with no clear exit strategy. Lawmakers should again reject Medicaid expansion.