

Improving the Governor's BadgerCare Proposal with a Tax-Saving Alternative

(February 2013)



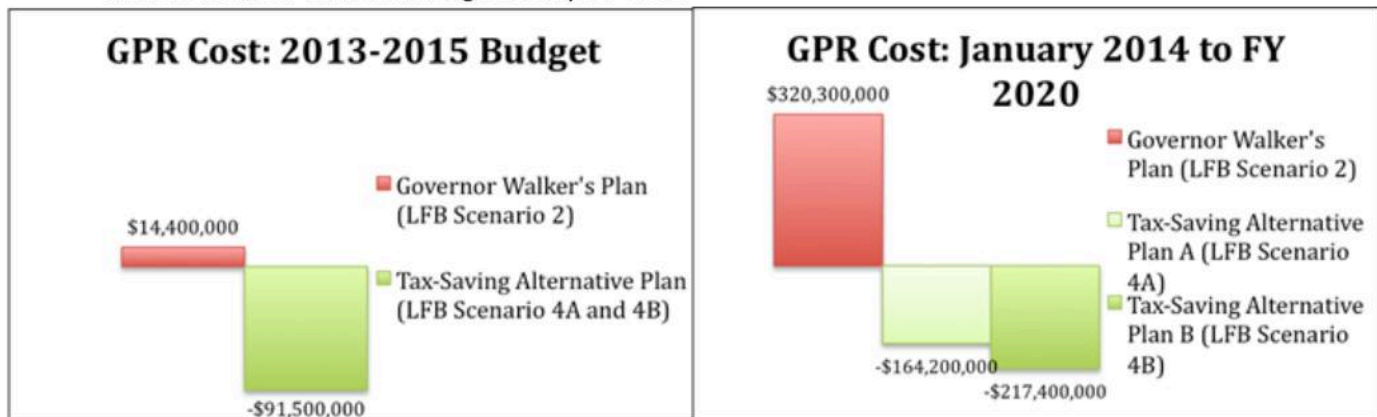
Governor Walker's plan for BadgerCare should be improved to greatly lower state costs and reduce taxes.

The Governor's BadgerCare plan acknowledges that Wisconsin should reduce the number of uninsured residents. We applaud him for that decision. As legislators review that plan, they should consider amendments that will lower state costs, avoid employer taxes, and reduce the "cost shift" of uncompensated care to Wisconsinites and businesses.

A preliminary analysis* by the Legislative Fiscal Bureau (LFB) indicates that the state could cover more people at a significantly lower cost by fully utilizing the Affordable Care Act to close the current gap in BadgerCare coverage. Compared to the Governor's proposal, which sets an income limit of 100% of the poverty level for all parents and childless adults in BadgerCare, one alternative analyzed by the LFB (Scenario 5 in the LFB memo) concluded that using the Affordable Care Act to cover all childless adults up to 133% of the poverty level, while protecting current eligibility for parents, would cost the state \$58 million less in the 2013-15 budget, and between \$254 and \$307 million less from January 2014 through June 2020.

Another option that also provides coverage to childless adults to 133% of the poverty level, but reduces coverage for parents above 133% of the poverty level (Scenario 4 in the LFB memo), would save even more. According to the preliminary LFB analysis, it would:

- Compared to projected state spending under current law, save the state \$91.5 million in the coming budget and between \$164 and \$217 million through June 2020; and
- Reduce state spending, relative to the Governor's proposal, by \$105 million in 2013-15 and by between \$484 million and \$537 million through fiscal year 2020.



The alternatives identified by the LFB also ensure that hundreds of millions of the federal tax dollars that we send to Washington come back to Wisconsin. And since those alternatives prevent low-income workers between 100% and 133% of the poverty level from getting a federal premium subsidy via the health insurance exchange, they also avoid triggering a tax that could be up to \$120 million for our state's larger employers. Finally, the alternatives reduce the amount of uncompensated care that is shifted to other Wisconsinites.

Recommendation: The Legislature should amend the Governor's plan by setting the BadgerCare eligibility limit for adults without dependent children at 133% of FPL—greatly lowering state costs and taxes for Wisconsin's residents and businesses.

* LFB memo dated 2/15/13 to the Wisconsin Legislature, "Analysis of Select MA Eligibility Options under the Affordable Care Act." The LFB analysis provides preliminary estimates and focuses only on insurance costs relating eligibility changes. It does not address administrative costs or the effects of the ACA in increasing enrollment of already eligible groups.

BadgerCare: Today



Governor's Plan: 2014



Tax-Saving Alternative Plan: 125,000 to 175,000 Childless Adults (LFB Scenario 4)

