



## Implications of the Medicaid Deficit for Wisconsin Families

**The Magnitude of the Deficit** – The Legislative Fiscal Bureau has indicated that the deficit in the Medicaid program could be as much as \$401 million. That amount of money would leverage an additional \$561 million in federal Medicaid funds, so the total shortfall could be as much as \$962 million (potentially more if substantial cuts are made in BadgerCare, which has a higher federal matching rate). That represents 25.8% of the Medicaid budget for 2004-05.

**People Served by the Medicaid-related Programs** – More than 777,000 Wisconsin residents - one in seven - are served by Medicaid, BadgerCare or SeniorCare. It serves nearly 500,000 low-income children and parents – largely in families with at least one working parent. In FY 2003, 77 percent of Medicaid spending in Wisconsin was for the elderly and people with disabilities. Thus, even totally ending Medicaid eligibility for everyone but the elderly and people with disabilities would not eliminate the 25% shortfall!

**Economic Impact** – About a year ago, the Wisconsin Council on Children and Families asked Steven Deller, a UW-Madison professor of Agricultural and Applied Economics, to examine the economic impact of potential cuts to the Medicaid and BadgerCare programs. Using the IMPLAN computer model, Professor Deller analyzed the effect of a 10 percent cut in Medicaid and BadgerCare, which in 2003 would have reduced total expenditures by \$367 million (\$148 million GPR). His analysis found that a 10 percent cut would cause the loss of:

- 5,700 health care jobs, and 9,100 total jobs.
- \$394 million in wages, salaries and other types of income.
- \$30 million in state and local government revenues, due to lower income, sales and other taxes.

Barring any action to address the Medicaid funding crisis in the current biennium, the potential cuts could be two and a half times those assumed by Professor Deller for his analysis. Thus, the potential impacts in lost jobs, wages and taxes could also be about two and one half times those that would result from the hypothetical 10% cut that we modeled. Using that assumption, a 25% cut in Medicaid spending would result in the loss of more than 22,000 jobs, nearly \$1 billion in lost wages and income, and nearly \$76 million in lost state and local taxes.

**Implications of Freezing BadgerCare Enrollment** – If the full Legislature does not address the deficit, one of the few available cost-saving options would be to cut off or limit new enrollment in the BadgerCare program (which could be approved by the JFC). Freezing BadgerCare enrollment would mean that parents could not get coverage unless their income is below the AFDC-Medicaid standard, which is \$9,264 for a family of four (49% of the 2004 poverty level).

If BadgerCare were eliminated, a single parent with four children and working full-time for the minimum wage would have too much income to be eligible for coverage (though her children would probably be eligible). If she has two children and makes \$8 per hour, both the mother and the children would be ineligible (unless they are under age six).