WISCONSIN DEPARTMENT of HEALTH SERVICES

Office of the Secretary

Modeling the Impact of Congressional Budget Cuts on Wisconsin Medicaid

DHS Special Analytic Report – April 2025

Executive Summary

Wisconsin's Medicaid programs are an essential part of our state's health care system and economy. The program covers 20% of Wisconsinites overall, 40% of births, 38% of children, and 60% of people in nursing homes. Simply put, we can't have a healthy and strong Wisconsin without a healthy and strong Medicaid program. However, **Congress is considering massive Medicaid cuts, putting our people, our health care system, and our economy at risk.**

While the final details of these proposals are still unknown, we know that to achieve the *$880 billion* in cuts envisioned by the U.S. House of Representatives in their budget blueprint, substantial impacts to Medicaid and other health programs are unavoidable. The attached Special Analytic Report looks at the state budget impact of Congressional proposals to shift costs to Wisconsin, slash the Medicaid budget, and make services harder to access for working adults.

The Wisconsin Department of Health Services analyzed this budget blueprint and how these cuts to Medicaid might impact the people and providers in our state.

- **Per-Person Funding Cap.** The federal government shares the funding responsibility for Medicaid with states, generally covering 60 cents out of every dollar spent on health care services in Wisconsin. This arrangement allows state budgets to cope with unforeseen circumstances, such as economic downturns or faster-than-expected medical cost growth. Congress may cap federal funding for Medicaid members at a set dollar amount for each person, rather the long-standing approach of paying for a percentage of costs. This approach would squeeze state budgets and put Wisconsin taxpayers on the hook if medical costs rise quickly, with cuts to benefits and cuts to provider payments.
    - **TEN-YEAR WISCONSIN LOSS: UP TO $16.8 BILLION**

- **Barriers to Coverage and Increased Cost to Taxpayers.** Many Wisconsinites with Medicaid work in jobs that don't offer health insurance; many others can't work because of a health condition. Congress may impose new red-tape requirements on hard-working Wisconsinites, making it even more difficult for people in Wisconsin to get health coverage and increasing the administrative cost to DHS, increasing cost to taxpayers, to monitor this unnecessary requirement.
    - **WISCONSIN HEALTH CARE MARKET IMPACT: 52,000 people who are highly likely to lose their health coverage**
    - **ANNUAL WISCONSIN LOSS: UP TO $65.6 MILLION**

- **Medicaid Infrastructure Cuts.** The federal government and states also share the administrative costs of running Medicaid programs. This includes functions like eligibility verification and fraud prevention. The federal government provides states more funding for certain high-impact activities, like investment in information technology systems. Congress may cut the amount of federal money provided to states to support these vital functions.
    - **ANNUAL WISCONSIN LOSS: UP TO $93.0 MILLION**

These proposals would hurt Wisconsin taxpayers and our health care system. The following report analyzes fiscal the impact of these cuts to our state; the attachments to this report provide a detailed analysis of the per-capita cap proposal, and a qualitative supplement to provide real-life examples of how these proposals may affect Wisconsin.

1. Per-Person Funding Limits

Funding for the Medicaid program is shared between the federal government and states. Under current law, the federal government reimburses the state at a set percentage of all eligible Medicaid costs. The federal match rate for each state is set by formula based on the state's per-capita income. For Wisconsin, the federal match rate is approximately 60%, or 60 cents of every dollar spent in the program. Congress is considering changing from this traditional approach to a fixed amount per person enrolled in Medicaid.

The impact on Wisconsin of any new proposal depends heavily on the proposal's base-period parameters and annual inflationary adjustment formulas. Per-person limits will result in federal funding cuts to the state if the care needs of Medicaid members rise faster than legislative limits on inflation adjustments. This concern is especially true for costs to care for people who are elderly, blind, or disabled (EBD), whose average Medicaid costs are significantly higher than other individuals with Medicaid. Per-person limits may also limit or cut services and make it difficult to respond to workforce shortages through provider rate increases.

Wisconsin Cost Impact: $6.4 billion to $16.8 billion over the next 10 years

Assumptions held constant across all scenarios:

- 2.0% annual growth in enrollment for EBD members over age 65; 1.0% growth in SeniorCare[1] members; and 0.2% growth for all other eligibility groups
- 2.7% annual growth cap on per-enrollee costs (Consumer Price Index-Medical, or "CPI-M")[2]

Scenario 1 - Cost Growth Scenario 1: $16.8 billion loss to Wisconsin

- *Assumption:* 5.2% actual Medicaid growth rate -- as projected by Centers for Medicare and Medicaid Services Office of the Actuary

[1] SeniorCare provides prescription drug benefits to older adults who are not eligible for full Medicaid benefits.
[2] For additional information on projections of CPI-M, see Attachment 1 to this report.

Scenario 2 - Cost Growth Scenario 2: $13.2 billion loss to Wisconsin

- *Assumption:* 4.7% actual Medicaid growth rate – Projected CPI-M, plus 2.0%

Scenario 3 - Cost Growth Scenario 3: $6.4 billion loss to Wisconsin

- *Assumption:* 3.7% actual Medicaid growth rate – Projected CPI-M, plus 1.0%

Attachment 1 provides additional data and context for these per-person estimates. Note that reductions to spending on EBD members would, by necessity, represent the bulk of reductions needed to meet the federal cuts implied in the U.S. House of Representatives budget blueprint, given the cost of covering that group in state Medicaid programs.

2. Work Requirements for Adults without Dependent Children

Work requirements already exist for able-bodied adults without dependent children in the Supplemental Nutrition Assistance Program (SNAP). This analysis assumes that a Congressional requirement to prove that Medicaid members are working would be similar. Requirements would impact the number of people who can get healthcare coverage and increase costs for eligibility processes, systems, and staff time. The state would also incur costs if it chose to offer employment and training services to help Medicaid members meet work requirements.

In late 2024, Wisconsin Medicaid enrolled approximately 191,000 childless adults per month. This analysis assumes that these new requirements would impact most of these individuals. Nearly half of current enrollees are in a situation that would exempt them from proving they are working, such as older adults and people with disabilities. Approximately 12,000 have incomes equal to or above the minimum wage and may be required to report their work hours or earnings. It is unknown how many people would lose coverage simply because it would be difficult to report their hours or wages. The remaining 52,000 individuals would be at the highest risk for losing eligibility.

Wisconsin Cost Impact: ***Up to $6 million annually for administrative costs; $60 million annually for employment and training services***
Wisconsin Health Coverage Impact: ***52,000 people at high risk of losing coverage, with associated increases in private sector uncompensated care***

Employment and Training Costs: $59.6 million annually when fully implemented

- *Assumptions:*
  - Employment and Training Agencies begin taking on enrollees in April 2026
  - Gradual enrollment increase, reaching 40% of eligible participants in July 2029
  - Per person costs will equal approximately $340 per month (same assumption as under 2025-27 budget for the FoodShare Employment and Training program), and will be covered entirely by state general fund revenues.
  - Assumed exemptions include age, disability status, student status, and concurrent enrollment in FoodShare Employment and Training (FSET) or W-2 programs.

Eligibility Worker Workload Increase: $0.5 million to $2.1 million in Fiscal Year 2027

- *Assumptions:*
  - Additional 31,000 to 104,000 additional workload hours per year for state, county, and Tribal eligibility staff
  - Variation in estimate due to uncertainty on federal matching rate for administrative costs (see Item #3 below), and uncertainty on workload taken on by Employment and Training Agencies

Computer Systems and Member Outreach Cost: $0.9 million to $3.9 million in Fiscal Year 2027

- *Assumptions:*
  - Based on cost experience with work requirement implemented for the FoodShare program
  - Variation due to uncertainty on federal matching rate for administrative costs (see Item #3 below), and total cost of information technology updates.

3. Limiting Federal Match for Program Infrastructure

The federal government and states also share in costs to administer the Medicaid program, including information systems and staffing to review claims and pay providers, determine eligibility for members, set reimbursement rates, and prevent fraud in the program.

Wisconsin currently has the resources to make high-value, long-term investments in key systems that ensure enrollee eligibility and provider claims are processed quicky, correctly, and without fraud. The federal government reimburses most administrative costs at 50%. However, staff time and information system operating costs related to eligibility determinations are reimbursed at 75% (with the federal government paying 75 cents of every dollar spent), and costs to develop new claims or eligibility systems can be reimbursed at 90% (90 cents of every dollar spent). It is assumed that the Congressional proposal would limit federal reimbursement to 50% for all administrative costs, including systems. Combating fraud continues to be a top priority for DHS, and these changes would make it difficult to run Medicaid efficiently and effectively, and to eliminate fraud, waste, and abuse.

Estimated Wisconsin Funding Loss: **$93.0 million per year**

Scenario Cost Assumptions

- This estimate is based on projected state fiscal year 2026 expenditures.
- This number includes $13.8 million in reduced funding to county agencies that perform eligibility functions.
- The funding reduction represents about a 30% reduction to administrative funding for Wisconsin.

ATTACHMENT 1: Detailed Analysis of Per-Capita Cap Proposal

This analysis estimates the projected loss of federal Medicaid funding to Wisconsin if the federal government implements an annual per capita cap on state Medicaid programs. The analytical window is a 10-year period from state fiscal year 2027 (beginning July 1, 2026) through state fiscal year 36 (ending June 30, 2027).

Per Capita Enrollment Groups. For the purposes of this analysis, Wisconsin Medicaid enrollees are categorized into six broad enrollment groups to calculate average per capita costs:

1. *Elderly, blind or disabled (EBD) adults, aged 65 or over*
   - Includes SeniorCare enrollees
2. *EBD Non-Aged Adults*
   - Includes both adults who qualify for only Medicaid, and who dually-qualify for both Medicare and Medicaid
3. *EBD Children*
4. *BadgerCare+ (BC+) Children*
   - Includes children who qualify for BadgerCare+ based on income, and those that qualify based on status as foster children
5. *BC+ Adults*
   - Includes parents/caretakers and pregnant women
6. *BC+ Partial Expansion Adults*
   - Childless Adults

The following enrollment groups and their associated costs are excluded from the analysis:

- Children covered under the Children's Health Insurance Program (CHIP)
- Enrollees receiving Family Planning Only Services
- Enrollees in Medicare Buy-In programs (Qualified Medicare Beneficiaries and Specified Low-Income Medicare Beneficiaries)
- State-Only Funded Medicaid and SeniorCare recipients

Base Period Costs. This estimate assumes that the base period for the per-capita cap would be set at costs in state fiscal year 2025 (FY25). The estimated costs in this period, including variable and fixed costs, are $13.5 billion.

- Certain costs, such as disproportionate share hospital payments, have been excluded to maintain consistency with prior analyses of federal policy proposals.
- Annual inflation factors are applied to variable costs; fixed costs are set at FY25 amounts.

Enrollment and average per capita annual costs in the base period for the six enrollment groups included in this analysis are shown in the table below.

Enrollment Group	Average PMPY Costs (FY25)	Average Monthly Enrollment (FY25)
EBD Non-Aged Adults	$34,922	134,531
EBD Aged (65+)	$26,046	119,727
EBD Children	$24,787	41,909

BC+ Partial Expansion Adults	$8,454	192,351
BC+ Adults	$7,633	223,567
BC+ Children	$3,504	383,203
TOTAL	**$12,353**	**1,095,288**

Cost Growth Scenarios. This analysis estimates the difference in federal Medicaid funding expected over the 10-year period from FY27 through FY36 for three cost growth scenarios under current policy, compared to expected federal funding under a Medicaid per capita growth limit set at CPI-Medical. In each scenario, the growth in enrollment is projected at 2.0% for EBD enrollees over age 65, 1.0% for SeniorCare enrollees, and 0.2% for all other groups. The following table details assumptions and outputs of each scenario.

	Current Law Annual Growth Assumptions	Per-Capita Growth Cap[3]	10-Year FED Funding Loss
Scenario 1 – High Cost Growth	5.2%	2.7%	$16.8 billion
Scenario 2 – Medium Cost Growth	4.7%	2.7%	$13.2 billion
Scenario 3 – Low Cost Growth	3.7%	2.7%	$6.4 billion

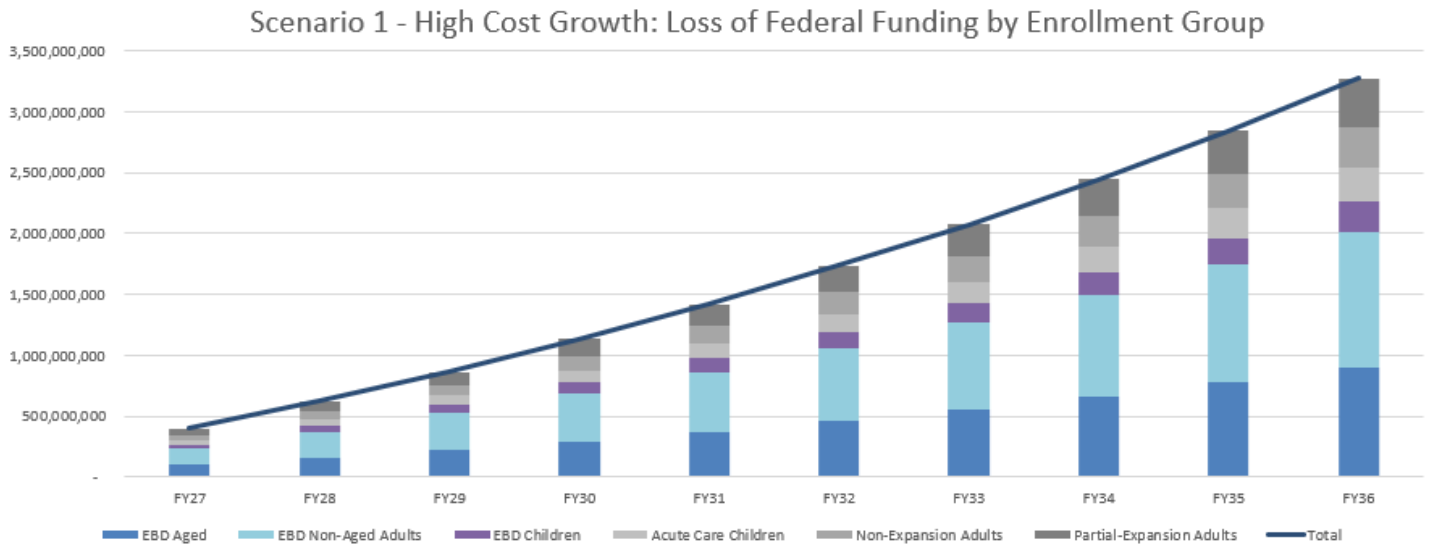
- **High cost growth scenario** annual growth assumption is based on annual CMS Office of the Actuary June 2024 projection of Medicaid per capita cost growth over the next decade. [4]
- **Medium cost growth scenario** annual growth assumption is based on estimated Consumer Price Index-Medical, plus 2.0%.
- **Low cost growth scenario** annual growth assumption is based on estimated Consumer Price Index-Medical, plus 1.0%.

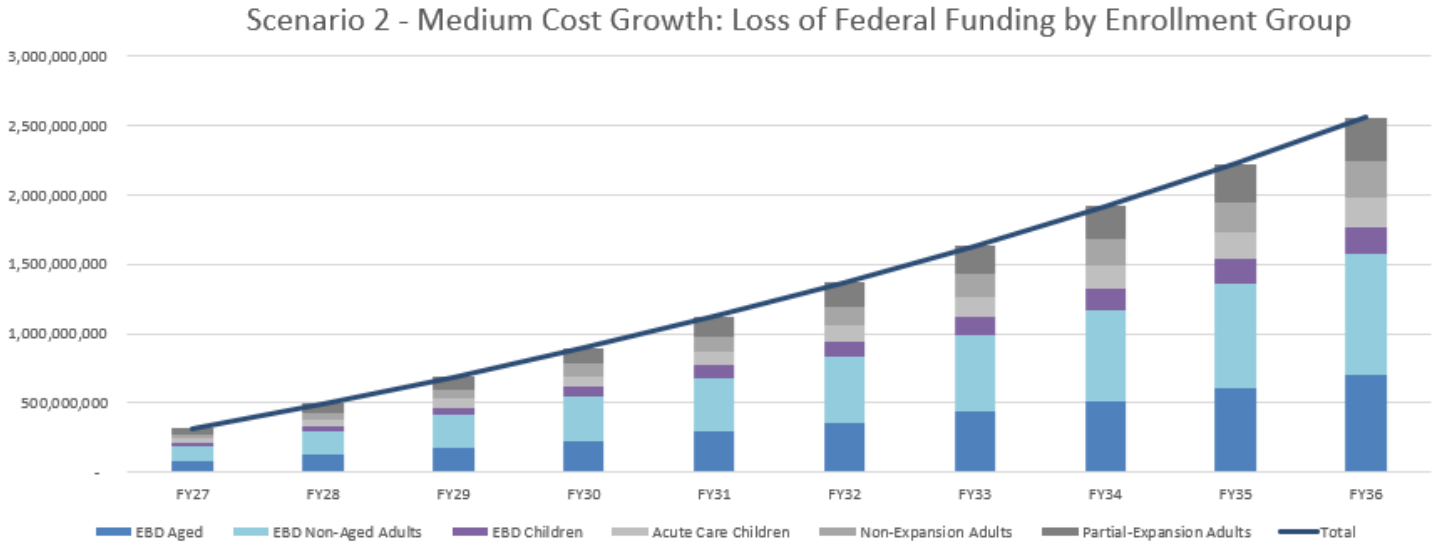
Most of the loss of federal funding under a per capita model is expected to be attributable to EBD enrollment groups. BadgerCare Plus populations account for only around 31% of the federal funding loss. The table below breaks out expected loss of federal funds attributable to EBD and non-EBD populations for the three scenarios shown above.

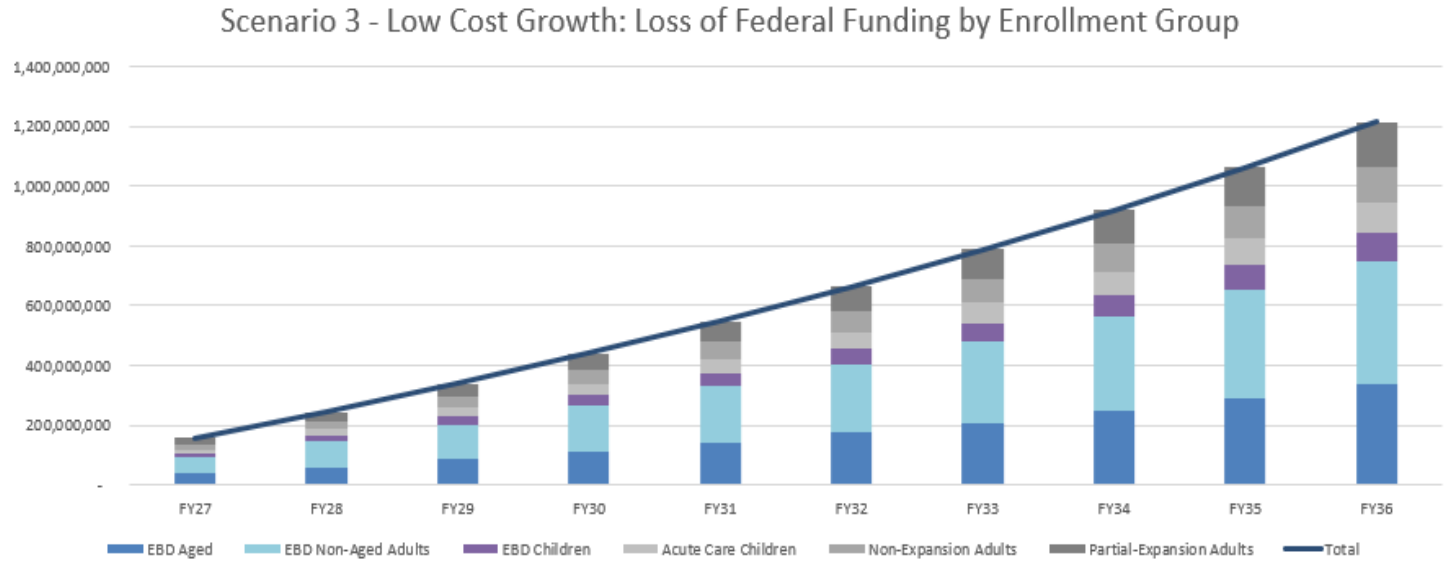
	10-Year Federal Funding Loss **EBD Groups**	10-Year Federal Funding Loss **Non-EBD Groups**
Scenario 1 - High Cost Growth	$11.6 billion	$5.2 billion
Scenario 2 – Medium Cost Growth	$9.1 billion	$4.1 billion
Scenario 3 - Low Cost Growth	$4.4 billion	$2.0 billion

[3] Projected annual CPI-Medical (CPI-M) inflation factor based on Congressional Budget Office's January 2025 Economic Projections estimate of projected Consumer Price Index for All Urban Consumers (CPI-U), plus 0.4% (www.cbo.gov/data/budget-economic-data#4). This based on the difference between CIP-U and CIP-M over the past two decades, the same method as the February 26, 2025 KFF report "A Medicaid Per Capita Cap: State by State Estimates" (www.kff.org/medicaid/issue-brief/a-medicaid-per-capita-cap-state-by-state-estimates/).

[4] https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/projected


Scenario 1 - High Cost Growth: Loss of Federal Funding by Enrollment Group
3,500,000,000
3,000,000,000
2,500,000,000
2,000,000,000
1,500,000,000
1,000,000,000
500,000,000
-
FY27
FY28
FY29
FY30
FY31
FY32
FY33
FY34
FY35
FY36
EBD Aged
EBD Non-Aged Adults
EBD Children
Acute Care Children
Non-Expansion Adults
Partial-Expansion Adults
Total


Scenario 2 - Medium Cost Growth: Loss of Federal Funding by Enrollment Group
3,000,000,000
2,500,000,000
2,000,000,000
1,500,000,000
1,000,000,000
500,000,000
-
FY27
FY28
FY29
FY30
FY31
FY32
FY33
FY34
FY35
FY36
EBD Aged
EBD Non-Aged Adults
EBD Children
Acute Care Children
Non-Expansion Adults
Partial-Expansion Adults
Total


Scenario 3 - Low Cost Growth: Loss of Federal Funding by Enrollment Group
1,400,000,000
1,200,000,000
1,000,000,000
800,000,000
600,000,000
400,000,000
200,000,000
-
FY27
FY28
FY29
FY30
FY31
FY32
FY33
FY34
FY35
FY36
EBD Aged
EBD Non-Aged Adults
EBD Children
Acute Care Children
Non-Expansion Adults
Partial-Expansion Adults
Total

ATTACHMENT 2: Qualitative Supplement

This attachment provides several qualitative reflections on the potential impact of these potential Congressional proposals from Wisconsin and other states.

- *Work requirements have adverse effects on working adults in states that have tried it.*
    - "Recently they have taken me out of enrollment because I was not reporting my hours of work," she says. Flores says losing her Medicaid health coverage was devastating because she needs medicines and physical therapy to control her disease. "I cried. I cried a lot," she says. (Arkansas)
        - *www.npr.org/sections/health-shots/2019/02/18/694504586/in-arkansas-thousands-of-people-have-lost-medicaid-coverage-over-new-work-rule*
    - "It's a lot to deal with. Especially on top of your day-to-day stuff. If you got kids, you work, you know. You got a house to maintain and then it's one more added thing; you got to remember to put this in every month." (Arkansas)
        - *https://files.kff.org/attachment/Issue-Brief-Medicaid-Work-Requirements-in-Arkansas-Experience-and-Perspectives-of-Enrollees*
    - "You know, for me having a little mental illness, if I were to be locked out of there, you know, when I get some of these bills what I would have had to pay? There's no way like seeing some of these doctors that I could ever afford. And if I was locked out for 12 months and you have a little mental illness and you need, you know what I mean? I mean you would find a way I guess, but I think being locked out...That's something you got to be worried about, you know." (Arkansas)
        - *https://files.kff.org/attachment/Issue-Brief-Medicaid-Work-Requirements-in-Arkansas-Experience-and-Perspectives-of-Enrollees*
    - "The 49-year-old works part time for a hauling and trucking company in exchange for housing. He also picks up odd jobs to support his young son and elderly father. He does not receive traditional pay stubs that could be easily pulled by the state to verify his work status. 'It's really, really difficult,' said Mikell, adding that stress over the possibility of losing coverage keeps him awake at night. 'But it's the only health care for someone like me.' (Georgia)
        - *www.propublica.org/article/georgia-medicaid-work-requirement-pathways-to-coverage-hurdles*
    - Mr. Jim is Jim Schierl and he's a one-handed piano player in Neenah who taught himself to play by ear when he was young. At gigs across Winnebago County, from Head Start programs to senior centers to elementary schools, Jim leads sing-alongs while plinking away with his one good hand. Both Medicaid and the Department of Education have played essential roles in giving Jim an opportunity to not only survive but thrive. Medicaid still does. Without it, Jim may not be able to keep his job coach, an essential element in his daily activities. "His day program is funded through Medicaid," Katie says. "So when he does volunteer work he uses a special transport for people with disabilities which is subsidized by Medicaid through Valley Transit. And he needs his job coach to go out with him and help him with his (various needs) and who helps him set

up and is there to support him until his ride shows up. "Okay, so there's a chance he'll lose that."
    - https://www.dairylandpatriot.com/jim-schierl-story/?fbclid=IwY2xjawJQ25hleHRuA2FlbQIxMQABHRZBdbutjYTDBVWLEHj8iZWDQH2BZpzbqaJHoraO48SpjKQ1BfmcqIqoqA_aem_M1v1Q1XhcmqzACKPi2Bykg

- Timothy O'Keefe, 39, has a laundry business, employing two other Wisconsinites with differing abilities. O'Keefe himself is nonverbal—he was diagnosed with autism at two-years-old. The business provides laundry services for 15 other senior citizens or people living with disabilities, most of whom are supported by Medicaid. "We're able to provide jobs for people who otherwise would have a very difficult time finding work," Kleven said. "Nearly everything he does is funded through Medicaid. His caregivers, salaries, job coaches, behavior therapists." The Republican House budget proposal directs the House Energy and Commerce Committee, which oversees Medicare and Medicaid, to cut $880 billion over the next 10 years. Timothy's caretakers say those cuts could close the laundry business.
    - https://www.wmtv15news.com/2025/03/27/wisconsinites-living-with-disabilities-brace-potential-medicaid-cuts/

- *Cuts to provider pay would have major impacts on our state's health care system.*
    - "In a lot of rural communities, it has been difficult to maintain comprehensive health care services, and maternity care in particular has heavy reliance on Medicaid. Its financing, the way it is paid, some people think that that also contributes to (rural hospital closures)."
    - "I was about three-and-a-half months away from giving birth when I figured out that I was going to have to find a whole different plan."
    - "It's fine to drive an hour to Target, but it's not fine to drive (an hour) to the hospital when you're in labor."
    - "You can imagine somebody's bleeding and they are trying to travel a good distance, the chances of there being a bad outcome — a bad thing with the infant or a bad thing with the mom — is pretty significant." (Wisconsin)
        - www.wpr.org/health/thedacare-closing-waupaca-birthing-unit

    - "Medicaid dollars keep clinics and nursing homes open and is a key driver in our rural community," said Kim Hawthorne, CEO, Scenic Bluffs Community Health Centers, based out of Cashton, Wisconsin. "Especially in rural areas, Medicaid funding is the difference between having care options or having closures." (Wisconsin)
        - www.wispolitics.com/2025/wisconsin-medicaid-coalition-businesses-in-every-wisconsin-county-are-at-risk-if-federal-medicaid-spending-is-cut/

    - "Work requirements are expected to increase hospitals' uncompensated care as more of these patients would likely seek care in emergency departments where hospitals are required by EMTALA [the Emergency Medical Treatment and Labor Act] to treat them, or by qualifying for hospitals' charity care policies which often forgive medical bills for patients with incomes under 200% FPL and/or provide sliding scale discounts at incomes above that level." (Wisconsin Hospital Association)
        - https://wha.org/WisconsinHospitalAssociation/media/Documents/Articles/2025/02-27-25-LetterWIdelegation-HouseBudgetResolution.pdf

- Maternal and child health is a major part of the facility's mission, "but older adults, too, are also cared for by moms and they are also particularly vulnerable," he added. "Cuts to Medicaid mean fewer providers, and just speaking very plainly, fewer providers are able to sustain receiving patients that have Medicaid. Fewer poor people will be able to access care at a health system like ours that takes all payers — and those who can't pay — and is currently operating at break even." (Kansas)
    - https://michiganadvance.com/2025/01/22/report-warns-potential-medicaid-cuts-would-harm-rural-patients-communities/

- Medicaid cuts would lead to patients delaying or foregoing care, he said, which could lead to higher costing emergency hospital visits. "This would be a devastating impact on our already lean budget and would require us to contract our services and limit the care we are able to provide to our patients," Jim Garcia [CEO at Tepeyac Community Health Center] said. (Colorado)
    - https://coloradonewsline.com/2025/02/19/colorado-health-care-providers-fear-devastating-impacts-of-potential-medicaid-cuts/

- *These proposals would shift cost to state budgets and Wisconsin taxpayers.*
    - "These federal 'savings' would be achieved not by reducing health care inflation but by cutting federal Medicaid payments to states. This will force states to dramatically raise taxes, cut other parts of their budget like K-12 education to make up the shortfall and, as is most likely, make deep and damaging cuts in eligibility, benefits, and/or payments to providers and plans.
        - https://ccf.georgetown.edu/2025/01/22/cutting-federal-medicaid-payments-to-states-bad-news-for-their-credit-ratings/

    - "If…Congress succeed[s] in cutting Medicaid, the results will be swift and catastrophic. Seniors in nursing homes will be kicked out, rural hospitals will close, parents will have to quit work and struggle to take care of their disabled children, costs will skyrocket, and the list goes on. We will all pay the price."
        - https://www.wisbusiness.com/2025/protect-our-care-new-wisconsin-medicaid-fact-sheet/

    - "If federal contributions were capped, states would face increased financial pressure to make up the difference in order to meet the existing health care needs of their populations. In turn, states would be forced to respond by making cuts to their Medicaid programs, raising taxes, or cutting funding for schools, roads, public safety, or other vital services."
        - https://www.americanprogress.org/article/medicaid-block-grants-and-per-capita-caps-jeopardize-state-budgets-health-care-access-and-public-health/