

2021 Medicaid Expansion Update – Considering Incentives in the American Rescue Plan Act of 2021

March 2021

Summary

If the State of Wyoming expanded Medicaid for two years under the terms of the new federal COVID relief legislation (“the American Rescue Plan Act”), the Department estimates overall **net savings of \$34 million State General Funds** over the first biennium of expansion.

This is simply the difference between the estimated \$54 million of savings from the temporary (8 quarter) increase in federal match less the \$20 million cost of the State share for Medicaid expansion.

Medicaid expansion costs

The Department estimates that Medicaid expansion would cost an estimated **\$20 million** in State General Funds and \$144 million in Federal Funds in the first biennium.

- This estimate comes with significant uncertainty — for State Funds, we are 90% sure costs will be \$14 - \$27 million over the first two-year period;
- It assumes an enrollment growth curve that begins at zero and continues to grow well past two years; subsequent biennial appropriations will necessarily be larger.
- It assumes a “vanilla” expansion of Medicaid, without the kind of bells and whistles that would require a waiver.
- All analyses are based on pre-COVID data, and it’s unclear how long-lasting the economic effects of the pandemic will be. Additionally, the effect of any Medicaid budget cuts is not considered; currently those rate cuts would reduce costs (and revenues) by 2.5% (and 5% if Step Three cuts are approved).

In out-years after the first biennium, we estimate the expected required SGF costs to be \$13 - \$14 million on an annual basis (\$26 - 28 million on the biennium).

American Rescue Plan Act - incentives for Medicaid expansion

Section 9814 of the federal COVID relief legislation that recently passed out of the Senate includes a strong but temporary, incentive for non-Expansion states to expand Medicaid: an 8-quarter five percentage point (5%) increase in the Federal Medicaid Assistance Percentage (FMAP) for the State’s traditional Medicaid clients.¹

Wyoming Medicaid estimates that this increase would reduce State General Fund expenditures by ~ **\$54 million** (somewhere between \$48 and \$58 million) over the 8-quarter biennium.

¹ There are a small number of exceptions, to include DSH payments, Foster Care kids and CHIP kids. These were accounted for by the Department in its estimate.