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Healthcare Expenditure, Medicaid Reform, and Economic Outcomes: National Trends and Wisconsin's Response

Written by Grace Reek

Abstract

This paper examines the economic impact of changes to Medicaid enacted through the *Big Beautiful Bill*. Research indicates a positive relationship between healthcare expenditure and economic growth, with increased spending supporting employment, labor productivity, and human capital development. Reductions in federal funding and the introduction of more bureaucratic enrollment processes are therefore expected to have negative economic consequences. At the state level, Wisconsin—having never fully adopted Medicaid expansion—will be less severely affected than expansion states. Nonetheless, the state is likely to face economic challenges, including increased hospital debt due to a growing number of uninsured patients and heightened strain on rural healthcare providers.

Introduction

The recent signing of the *Big Beautiful Bill* in July 2025 has introduced significant changes to the allocation of federal funds for public healthcare, particularly Medicaid. Liz Fowler, a PhD scholar in Health Policy and Management, describes it as “the biggest cut to our social safety net in history” (Rosen, 2025). Her concerns are echoed by professionals across multiple industries as the broader implications of this legislation are considered. These reactions raise an important question: how do healthcare expenditure and access affect the broader economy? More specifically, what are the implications of the new bill for Medicaid, and will these budget cutbacks and eligibility changes achieve the intended goals for U.S. and state spending?

Research has consistently found that improvements in health contribute positively to Gross Domestic Product (GDP). Higher healthcare expenditure—including physician services, hospital care, pharmacy services, and long-term care—has been shown to correlate with higher state-level GDP (Raghupathi, 2020). Currently in the United States, one out of every five dollars spent on healthcare is funded through Medicaid (Williams, 2025). This paper synthesizes prior research with current policy developments to assess how reductions in Medicaid funding may impact the national economy, while also providing a focused analysis of potential effects on Wisconsin. To better understand the potential consequences of the new tax bill, it is necessary to first review the existing literature on healthcare expenditure, its relationship to economic performance, and the role of Medicaid in both national and state economies.

National-Level Analysis

A study by Viju and Wullianallur Raghupathi, *Healthcare Expenditure and Economic Performance: Insights from United States Data*, examined the relationship between healthcare spending and economic outcomes. Their analysis summarized the expected, stating that as states allocate more funds to healthcare spending, GDP increases. However, this relationship is partly reciprocal, as states with higher per-capita income can allocate more funds to healthcare. Buettgens (2025), after examining Medicaid's impact on healthcare and the economy specifically, found that states that adopted Medicaid expansion policies experienced measurable economic improvements, including decreased mortality, enhanced financial security for households, reduced barriers to employment, and strengthened hospital finances. These findings highlight Medicaid's dual function: protecting the health of vulnerable populations while also contributing to economic stability at both the state and national levels. With research supporting Medicaid's economic and societal value, the alterations introduced in the recent policy shift raise pressing questions about the overall cost-benefit outcomes of the program's funding cuts.

The *Big Beautiful Bill* introduces two major changes to Medicaid: a reduction in federal funding allocated to the program and stricter eligibility requirements. This decline in federal assistance has led some states to abandon their Medicaid expansion plans altogether, while others have responded by reducing enrollments, cutting provider payment rates, eliminating certain benefits, raising taxes, or implementing a combination of these strategies (Haught, 2025). The Urban Institute estimated a state spending increase of 25.6 percent on average to maintain their current Medicaid eligibility (Buettgens, 2025). In tandem to these predictions, an immediate impact of the bill is the change in work requirements for those applying or maintaining their Medicaid eligibility.

The intended result of such eligibility requirements, including the proposed work-hour reporting system, is to encourage greater workforce participation. However, a behavioral science paper titled *Work Requirements Don't Work* argues that the assumption that reducing benefits will promote employment overlooks psychological and logistical realities faced by individual's dependent on government assistance (Neuert, 2019). The bureaucratic implementation of Medicaid eligibility requirements imposed by the new bill creates greater barriers for individuals who need the system most, increasing the likelihood that they will fall into the uninsured category (Neuert, 2019).

The studies discussed above raise doubts about whether flat cuts to funding and bureaucratic restrictions will have a net positive effect on the economy from a cost-benefit perspective. Expecting long-run cost reductions alongside economic growth, while still

adequately serving the population that relies on Medicaid, would require a far more comprehensive reform of the healthcare system. Projections of these findings can be applied to scale the potential impact on Wisconsin specifically.

Growth.

Wisconsin-Level Analysis

Wisconsin presents a particularly interesting case for analyzing Medicaid policy because the state never fully adopted a Medicaid expansion plan. Nevertheless, approximately one in five Wisconsin residents participate in Medicaid programs, including BadgerCare and ForwardHealth services (Wilson, 2025). While cuts in federal Medicaid funding have adversely affected states that implemented expansion, Wisconsin provides an example of how states with limited expansion could still face economic challenges.

The Federal Medicaid Assistance Percentage (FMAP) for Wisconsin is currently 60 percent, meaning the federal government matches 60 percent of state Medicaid expenditures (Williams, 2025). Because Wisconsin did not accept the expansion incentive, it will not experience a reduction in its FMAP rate. However, the state must still adjust bureaucratic requirements for individuals applying for coverage (Shreiner, 2025). These procedural changes contribute to estimates by the U.S. Congress Joint Economic Committee that approximately 276,175 Wisconsin residents could lose healthcare coverage within the next decade (2025). This aligns with earlier findings suggesting that barriers created by the bill will increase the number of uninsured individuals.

From a more direct cost-analysis perspective, Wisconsin faces a pronounced rural-urban divide, with rural hospitals expected to bear a disproportionate burden from funding cuts and increases in uninsured patients. To mitigate this pressure, Governor Tony Evers passed a last-minute budget bill securing \$1.1 billion in federal funds to support rural hospitals and alleviate financial stress from uncompensated care (Wilson, 2025).

Medicaid represents the largest source of federal funding to states and is therefore a central consideration in evaluating the economic impact of policy changes (Williams, 2025). Although Wisconsin will not face the same massive losses in federal funds as states participating in Medicaid expansion, the state may still experience economic stress through higher numbers of uninsured patients. Increased hospital debt from uncompensated care raises concerns about real cost savings expected as a result of this bill. These findings further the concern that the federal goals of increasing labor force participation and reducing budget deficits are unlikely to be achieved through the methods proposed in the *Big Beautiful Bill*.

Concluding Remarks

Healthcare expenditure and accessibility have consistently been shown to generate positive economic effects at both the national and state levels. The recent reduction in federal Medicaid funding, coupled with increased bureaucratic barriers to enrollment, is expected to produce negative consequences for the economy, particularly in states that adopted Medicaid expansion plans in recent years. Wisconsin, while not part of this group, is still likely to face economic stress due to an anticipated rise in uninsured residents and increasing hospital costs.

It is important to note that this analysis does not account for the potential reallocation of government funds to other sectors of the economy or the broader economic effects of such shifts. Exploring these dynamics could offer valuable insights into how policy decisions shape both healthcare access and economic performance. The design and funding of Medicaid not only determine healthcare access for vulnerable populations but also act as critical drivers of economic stability. Policy decisions in healthcare therefore reverberate beyond the clinic and into the broader economy. Ultimately, achieving the goals of improved labor productivity and reduced healthcare costs will require comprehensive reform of the entire healthcare system and strategic resource allocation—rather than flat-rate cuts and additional bureaucratic barriers for those who rely on the system most.

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Win the War, Lose the Republic

Written by Joshua Schulze-Reimpell

In 409 BCE, the century-old Greek tradition of warring with Carthage continued (Caven, 1990). The democratic Sicilian city-state of Syracuse had to consolidate its power in preparation for war. As slow democratic deliberations can hinder success, the state declared Dionysius, who had proven his strategic skill in preceding battles, to be supreme military commander in 406 BCE. Dionysius, however, craved more power. He staged an assassination attempt against himself, which enabled him to get permission to create a personal bodyguard that, at its height, consisted of about one thousand men. Using this force, Dionysius purged political rivals and took control of the state. Democracy in Syracuse had ended. While this consolidation of power resulted in lasting independence from Carthage and a massive military expansion of Syracuse, it came at the cost of its citizens' dignity, freedom, and safety. Dionysius was not a good ruler. He acted with arbitrary cruelty and vindictiveness. Indeed, in later centuries, he became a symbol of tyranny.

This ancient incident remains relevant today. It highlights that political consolidation may result in tyranny. While our political worries will invariably be diverse, tyranny should always remain a society's greatest political fear. Tyranny restricts our freedoms, fosters injustice, and lacks accountability. As Plato put it, tyranny is the "worst disorder of a state" (Plato, ca. 370 BCE, book VIII, 544c). Nonetheless, we will often find ourselves in political troubles requiring consolidations of power. Each consolidation of power, however, makes authoritarian takeovers a little easier. It gifts future despots with more tools to maintain their control. Thus, we as citizens must be vigilant and watchful. Consolidating power is easier than partitioning it well. We must ensure that every political power consolidated in the face of adversity is repartitioned thereafter. Failing to do so is to watch our democracies break.

Democratic Success

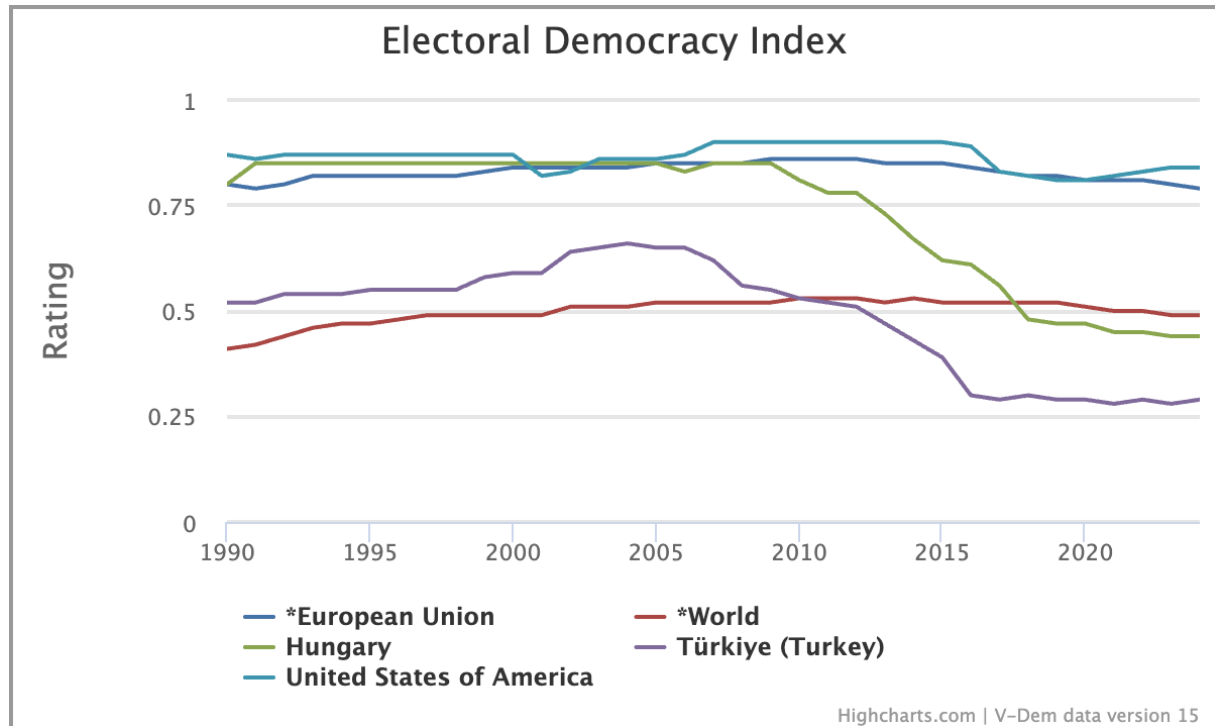
Democracies are extremely complex and difficult to set up. They may very well be the least parsimonious of the commonly used forms of government. Considering how easily they can degrade into tyranny, as Plato points out (Plato, ca. 370 BCE, book VIII), why should we subscribe to this form of governance at all? Fortunately, democracy does not appear to be a misguided dogma. Instead, empirical inquiry has uncovered numerous benefits associated with democratic systems. Democracies are strongly correlated with regulatory quality, rule of law, government effectiveness, control of corruption, and political stability (Hazama, 2008). All these factors, collectively referred to as institutions, are associated with economic growth. Indeed, there is even evidence that democratization causes increases in GDP of about 20% over a 25-year period (Acemoglu et al., 2019). Democracy is also positively associated with entrepreneurship (Farè et al., 2023), public health (Wang et al., 2019), and education (Edenbrandt, 2010). Finally, democracies implement more effective climate policies and regulations than autocracies (Lindvall & Karlsson, 2023).

Additionally, contrary to Plato's beliefs, democracies only rarely collapse (Przeworski et al., 1996). In spite of their complexity, full democracies are highly stable systems, particularly when institutional quality is high (Knutson & Nygård, 2015; Przeworski et al., 1996). The destructive potential of tyranny, however, is so great that we would be

negligent if we didn't actively work to prevent it. While democracies rarely collapse, backsliding is widespread and growing (Figure 1; Lührmann & Lindberg, 2019).

Figure 1

Electoral Democracy Index, 1990–2024 (V-Dem v15)



Note. Ratings range from 0 to 1 (higher = more democratic). Lines show annual scores for the European Union average (blue), the United States (teal), Hungary (green), Turkey (purple), and the world average (red). Democracy has been slowly declining worldwide since 2015. Data source: Varieties of Democracy (V-Dem), version 15.

Political Adversity

States frequently face crises such as wars, pandemics, environmental hazards, and terrorist attacks, to name only a few. Unlike other political issues that can be resolved through slow systemic changes, crises require fast and decisive action (’t Hart et al., 1993). They thus rely far more heavily on the executive than on the legislative branch. If all decisions must first go through parliament, pandemics will spread, battles will be lost, and lives will be in peril. In such dire times, states, therefore, choose to capacitate the powers of the executive – often in ways the public would not have tolerated under other conditions (Lazar, 2009; Davis & Silver, 2004).

The Ratchet Risk

Executive powers acquired during crises are, however, not always repartitioned afterwards. Instead, they may be used by heads of state to expand their influence and control. In July of 2016, President Recep Tayyip Erdoğan of Turkey, for instance, declared a state of emergency in response to an attempted coup (Lührmann & Rooney, 2021). This enabled him to issue decrees relating to the emergency with the force of law. Erdoğan used this tool to imprison over 40,000 individuals, restrict the freedom of the press, and transform Turkey into a de facto presidential dictatorship. While the state of

emergency was originally only scheduled to last three months, it continued for over two years, only ending after Erdoğan had won the 2018 election. Unfortunately, this is hardly the only recent case of emergency power consolidation resulting in democratic backsliding. For example, during the Covid-19 pandemic, Hungary's prime minister Viktor Orbán received an open-ended right to rule by decree that could not be revoked by the parliament (Stenberg et al., 2022). This power was, inter alia, used to reduce public oversight, imprison people, and defund opposition-led municipalities.

These two brief examples only hint at the global scale of this phenomenon. The contemporary decline in democracy (Figure 1) may in fact be heavily dependent on the abuse of state of emergency mechanisms. Indeed, democracies are 75% more likely to erode when under a state of emergency (Lührmann & Rooney, 2021). Consolidations of power thus contain a "ratchet risk". Each time power is consolidated in response to a crisis, the executive emerges a little more potent than before. Over time this can result in substantial autocratizations. This also coincides with economic downturns. During states of emergency, government investment receives less oversight and becomes less competitive. As a result, firms with political ties benefit (Faccio, 2006). In the long run this hampers economic growth and innovation by dulling creative destruction. Entrepreneurship becomes more difficult because the government defaults to working with incumbent firms.

Partitioning of Power

It would be a mistake to act like the proverbial frog in a pot of water. Just because the temperature is increasing slowly does not mean that it is not getting hotter. According to an old Roman saying, while everyone in Syracuse was praying for the death of Dionysius due to his cruelty and oppression, there was a very old woman who prayed to the gods for his life and safety (Maximus, 1st c. CE, book VI, 2e.2). When the tyrant learnt of this and asked her why she was so invested in his well-being, the old woman answered that when she had been a young girl – before Syracuse had become a democracy – a tyrant had ruled, and she had prayed for his death every day. However, after the tyrant had been killed, another, worse tyrant followed and again she had prayed for his demise. Now confronted with a third tyrant, worse than the two before, she did not want to make the same mistake again. So, in fear that the next tyrant would be even worse, the old woman prayed daily for Dionysius to live.

Amid today's global developments, it is easy to become like the old woman, merely hoping that things don't continue to get worse. That, however, is insufficient. We must act. It is easier to protect our democracies now than to rebuild them later. Tyranny is knocking on the door. Democracies are eroding. I think it must be conceded that circumstance sometimes requires consolidations of power. These must, however, be limited both by duration and clear objectives, be handled transparently, and kept in check by the judicial branch. When feasible, emergency competencies should be given to regional or municipal governments rather than central executives. Only by putting firm guardrails in place can we protect our democracies. States must be able to consolidate power quickly in crises, but it must always be repartitioned faster afterward.

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A New Dawn of Crypto Investment: Spot ETFs

Written by Khang Duong

Introduction

In recent years, U.S. regulation of cryptocurrency has reached a pivotal turning point. In January 2024, for the first time, the SEC announced its approval of direct-ownership - also known as spot - bitcoin Exchange Traded Products (ETPs). Soon after, the SEC gave the greenlight to spot Ethereum ETFs in May 2024, which began trading in July. In September 2025, the SEC approved a new generic listing standard allowing certain commodity-based ETPs, including those holding crypto assets, to trade on three national exchanges: the Nasdaq Stock Market, NYSE Arca, and the Cboe BZX Exchange. This new generic standard is expected to cut administrative costs and make more cryptocurrencies available to investors without a lengthy case-by-case approval process, reducing the approval time for new crypto products to 75 days or less, from up to 270 days previously (McGee & Lang, 2025; Torpey & Kim, 2025).

These actions together signified the most significant regulatory breakthrough in U.S. crypto history, opening the door for institutional adoption and billions in inflows. This is well illustrated through Wisconsin's state pension fund becoming one of the first state governance in the nation to allocate capital to crypto Exchange Traded Funds (ETFs). This op-ed compares traditional crypto investment methods, namely direct purchases, closed-end trusts, and futures-based ETFs. It then highlights the emergence of spot cryptocurrency ETFs, and concludes with an analysis of Wisconsin's Pension Fund decision to include Bitcoin ETFs in its portfolio.

Cryptocurrency Investment Preceding Spot Crypto ETFs

Prior to the SEC's approval, there were three common ways for U.S. investors to get exposure to cryptocurrencies: direct purchase, closed-end trusts, and futures-based ETFs.

I. Direct Purchase

Investors could open accounts on major cryptocurrency exchanges such as Coinbase and Binance to buy crypto. This method is the most accessible and straightforward for retail investors, as it allows for immediate crypto ownership. However, it comes with several drawbacks. Custody and security risks are among the biggest concerns (Jockims, 2025) with investors' vulnerability to hacks, loss of private keys and wallets, or exchange insolvencies.

II. Closed-end Trusts

Another widely used method is via closed-end trust, the largest example being the Grayscale Bitcoin Trust (GBTC). As defined by the SEC (n.d.), “closed-end fund invests the money it raises from investors, often in an initial public offering, in stocks, bonds, money market instruments and/or other securities”. Since these trusts issue a fixed number of shares that cannot be redeemed, their prices often trade at significant premiums or discounts to the actual value of the underlying crypto (Reiff, 2025). Consequently, while closed-end trusts provide a regulated structure and allow investors to gain exposure through traditional brokerage accounts, their pricing inefficiencies and high management fees make them a less effective option for long-term investors.

III. Derivatives (Futures-Based ETFs)

The SEC had approved futures-based Bitcoin ETFs even before it allowed spot products, beginning with ProShares’ BITO in October 2021 (Hornback & Whaley, 2025). Futures contracts are “standardized, time-limited contracts that convey the right to buy or sell the underlying asset at some point in the future” (CFTC, n.d.). These ETFs gain exposure to Bitcoin through regulated futures contracts traded on the Chicago Mercantile Exchange. This method is highly subject to “larger tracking errors and the occurrence of the futures rolling cost”, known as contango, when the selling prices of expiring contracts are below the purchase prices of contracts expiring further in the future (Chen et al., 2025; CFTC, n.d.). Therefore, futures-based ETFs often lag the performance of Bitcoin itself, making them less efficient for long-term investors.

A New Era of Crypto Investment

Like stock ETFs, spot crypto ETFs are a type of ETP that bundles an asset into a tradable security (Hayes, 2025). Particularly, the fund holds cryptocurrency in a secure digital vault managed by a registered custodian such as Blackrock, Grayscale, and Fidelity. Each share of the ETF offers “exposure to cryptocurrency at a fraction of the cost of purchasing crypto directly” (Singh, 2022). These shares are then traded on traditional stock exchanges, giving investors the ability to buy and sell crypto exposure as easily as they would a stock (Hayes, 2025).

When comparing the market share of spot Bitcoin ETFs and futures-based Bitcoin ETFs, Krause (2024) shows that within one week of their introduction, spot ETFs captured “85% of the market share”. Mazur and Polyzos (2024) also report that inflows to the newly established Bitcoin ETFs “surpassed \$20 billion in the first several weeks of trading and are considered historic high by ETF standards” with daily flows exceeding \$500 million”, outpacing new Bitcoin production by a factor of five. Spot Bitcoin ETFs attract more investors due to several key advantages: direct ownership of Bitcoin, convenience and

transparency, and suitability for institutional investors facing restrictions on derivatives, Krause explained.

The Case of Wisconsin's Pension Fund

A 13F filing in March 2024 indicates that between January and March, the SWIB invested \$160 million in spot crypto ETFs, including more than \$99 million worth of shares from BlackRock and \$64 million worth of shares from Grayscale (Kremer, 2024). In May 2025, the SWIB sold off its entire holdings of crypto ETFs in BlackRock and indirectly gained exposure to Bitcoin by adding MicroStrategy (MSTR) shares worth \$10.5 million (Rodrigues, 2025). MicroStrategy, a business intelligence firm, is widely regarded as a proxy for Bitcoin exposure, as it holds one of the largest corporate Bitcoin reserves globally (Hayes, 2025). By investing in MicroStrategy's stock, SWIB effectively retained Bitcoin exposure through the company's balance sheet, allowing it to benefit from Bitcoin's price movements without directly holding the asset or an ETF.

Even though diversification in alternative investment has been widely studied and shown to improve portfolio performance, it remains a difficult decision to include Bitcoin let alone other types of cryptocurrency in one's portfolio due to its extreme volatility and unpredictability, especially among institutional investors. Using multiple correlation modeling, Klein et al. (2018) argue that from a perspective of market linkage, "Bitcoin behaves completely different from Gold" and is "no hedge against equity investments". Additionally, Nguyen (2022) finds a volatility spillover effect from the stock market to Bitcoin during periods of high uncertainty, especially during the COVID-19 period. Those findings challenge the idea of using Bitcoin as a hedge against inflation, as Bitcoin is more likely to be treated as a risk asset during highly uncertain periods.

On the contrary, other researchers attempt to find an ideal allocation to include Bitcoin in institutional investor's portfolio. Drawing data from numerous simulated Swiss pension funds, Solan and Schueffel (2021) demonstrate that cryptocurrency components increase the yield of the fund's portfolio, albeit with a slightly higher risk level. Kim et al. (2024) show that a small crypto allocation between 1-5% could improve portfolio returns and diversification while keeping risk manageable. Analysis from the CFA Institute Research Foundation (2021) reinforces similar consensus with the range between 1-4%: "Above 4%, however, the maximum drawdown rises rapidly, with each 1% additional allocation to bitcoin increasing the maximum drawdown by roughly 1%".

Conclusion and Future Research

The SEC's approval of spot cryptocurrency ETFs represents a defining moment in the integration of crypto assets into the U.S. financial system. Its rapid market share capture

and adoption show that investors find spot crypto ETFs to be a more efficient and safe method to gain exposure to the crypto market. More importantly, Wisconsin's Pension Fund's move to include Bitcoin in its portfolio signifies and exemplifies an interest from state government and institutional investors to allocate a proportion of their capital to crypto as part of a broader diversification strategy.

Yet speculations remain. How sustainable is institutional interest in crypto during prolonged market downturns? Some states, like Michigan, are pushing their legislators to accelerate crypto adoption, while others are cautiously and slowly gaining indirect exposure to the crypto market by investing in crypto-related companies such as MicroStrategy. One thing is clear, however, is that Wisconsin's move signals that crypto is no longer a speculative outlier, but a legitimate asset worth considering in one's portfolio with caution.

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