

## **MEDICAID EXPANSION MAKES GOOD FINANCIAL SENSE (CENTS) FOR MISSOURI**

The Affordable Care Act (ACA) expands the Medicaid program to provide health care for millions of uninsured individuals, mainly low-income adults. In June, the Supreme Court ruled that States can choose whether to expand their Medicaid programs. If Missouri chooses to expand its Medicaid program (MO HealthNet) in 2014, the federal government will pay 100 percent of the cost for the first three years, with federal payments gradually reduced to 90 percent by 2020. This is a great deal for Missouri.

- The Medicaid expansion will provide basic health coverage for nearly 260,000 very low-income Missourians in 2014 with the number increasing to over 300,000 over time.<sup>1</sup>
- The Medicaid expansion will create thousands of new jobs in Missouri. States will receive 100% federal funding for the expansion population for the first three years, to be gradually reduced to 90% thereafter. **This will bring an estimated \$15.7 billion dollars in federal matching funds to Missouri between 2014 and 2021.**<sup>2</sup> These federal dollars will go directly into our state economy resulting in jobs that cannot be outsourced. A new study by the University of Missouri found that the Medicaid expansion would create more than 24,000 jobs in the Missouri economy in 2014 alone.<sup>3</sup>
- Just like a new factory or federal project, Medicaid expansion will bring a lot of money into Missouri's economy. That money will be spread among all 114 counties and the City of St. Louis. It will increase incomes for all types of health care service providers, including hospitals and their employees, doctors and nurses, and medical suppliers. Health care providers and businesses will spend large portions of their revenues and salaries in the local economies. As a result, the Medicaid expansion will create jobs throughout the Missouri economy.
- Because of the high federal matching rate, Missouri would only pay 5% of the expansion costs over an eight year period with the federal government contributing 95%.<sup>4</sup> **This small percentage of state funds would reduce Missouri's uninsured by 32%.**<sup>5</sup>
- This state cost does not measure the net impact of Medicaid expansion on the state budget. Missouri will experience significant savings that will pay for some or all of the expansion. These savings include (1) an estimated \$203 million in lower state costs from "state only" programs such as "blind pension" and state-funded mental health to the new Medicaid expansion group with its enhanced matching rate;<sup>6</sup> (2) an estimated \$704 million in savings from replacing spending on Medicaid coverage funded at the traditional Medicaid match with coverage funded at a higher match rate for some groups (e.g., Medicaid spenddown participants, pregnant women, some people with disabilities, etc);<sup>7</sup> and (3) an estimated \$453 million in additional tax revenues

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<sup>1</sup> Medicaid Expansion Draft: Impact on New Eligibles, provided by Linda Luebbering, Budget Director, December 18, 2012.

<sup>2</sup> *Id.*

<sup>3</sup> University of Missouri School of Medicine Department of Health Management and Informatics and Dobson DaVanzo & Associates, *The Economic Impacts of Medicaid Expansion on Missouri*, Missouri Hospital Association and Missouri Foundation for Health, at 11 Table 3, November 2012.

<sup>4</sup> See Note 1.

<sup>5</sup> According to recent census data, Missouri's uninsured is estimated to be 807,000. United States Census Bureau, American Fact Finder, *Health Insurance Coverage Status: 2011 American Community Survey 1-Year Estimates*, Table S2701 (available at:

[http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_11\\_1YR\\_S2701&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_11_1YR_S2701&prodType=table)). The state has estimated that nearly 260,000 of these uninsured would have health coverage under the Medicaid expansion. See also Note 1.

<sup>6</sup> See Note 1. From 2014-2021, the State estimates savings from the "Blind Pension" program (\$10 Million), Corrections (\$23 million), and Department of Mental Health (\$169 million).

<sup>7</sup> See Note 1. From 2014-2021, the State of Missouri estimates savings from moving recipients from the following programs to the new Medicaid expansion eligibility group: Pregnant Women (\$383 million), Ticket to Work Program (\$11 million), Breast/Cervical Cancer (\$57 million), Spenddown (\$245 million), and Women's Health Services (\$9 million).

resulting from economic activity generated by additional federal funds.<sup>8</sup> The State estimates that the combination of new general revenue generated by the new federal funds and general revenue savings discussed above exceed the cost of covering newly eligible individuals in every year from 2014 to 2021.<sup>9</sup>

- Expanding Medicaid will also greatly reduce the number of people without health insurance and thus the costs of uncompensated care. A new Kaiser Report estimates, based on national data, that the Medicaid expansion would save Missouri approximately \$385 million in uncompensated care costs from 2013 to 2022.<sup>10</sup> Hospitals, doctors, and other health providers will also be paid for much of the care that they now provide without being paid.
- Without the expansion, working Missourians in low wage jobs will be left without insurance. As the Supreme Court noted, Congress estimated that the cost of uncompensated care raises family health insurance premiums on average by \$1,000 a year.<sup>11</sup> Without the expansion, Missourians will have to continue to bear that cost entirely on their own, without the benefit of federal Medicaid funds.
- The new law will reduce Disproportionate Share Hospital (DSH) payments to the state for uninsured patients based on the assumption that the reduction in DSH payments would be more than made up for by an increase in the insured population. DSH cuts will still go in effect even if Missouri does not provide the Medicaid expansion. Missouri Hospital Association projected these cuts to be nearly \$704 million in Missouri.<sup>12</sup> **With no corresponding Medicaid expansion to make up for these cuts in hospital payments, this could force some rural hospitals to close.**<sup>13</sup>
- States that decline Medicaid Expansion will be subsidizing tremendous grants to the States that do accept the expansion. Do we really want to turn down our allotment under the new law so that Illinois, New York, California, and other states will get the benefit of Missourians' federal tax dollars?

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<sup>8</sup> See Note 1. From 2014-2021, the State of Missouri estimates new tax revenue from Individual Income Tax (\$242 million), Sales Tax (\$34 million), Miscellaneous Sales Tax (\$16 Million), and "Avoided Tax Credits" (\$160 million) from the elimination of Missouri's Health Insurance Pool (HIP) for high risk individuals, which will no longer be needed as people receive coverage under the ACA.

<sup>9</sup> See Note 1. From 2014-2021, the State of Missouri estimates that the combination of *new* general revenue generated by the new federal funds and savings to general revenue exceeds the cost of expanding Medicaid by \$587 Million.

<sup>10</sup> John Holohan, Matthew Buettgens, Caitlin Carroll & Stan Dorn, The Urban Institute, *The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis*, Kaiser Commission on Medicaid and the Uninsured at 53, November 2012.

<sup>11</sup> National Federation of Independent Business, 2012 U.S. LEXIS 4876 AT \*37; 42 U.S.C. Section 18091(2)(F).

<sup>12</sup> Missouri Hospital Association data, provided by Mary Becker, December 6, 2012.

<sup>13</sup> Corey Davis, *Q & A: Disproportionate Share Hospital Payments and the Medicaid Expansion*, National Health Law Program, July 2012.