

NEW ECONOMIC RECOVERY LEGISLATION CAN HELP MISSOURI MAKE STEADY PROGRESS ON HEALTH COVERAGE IN TIGHT BUDGETARY TIMES.

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Like most states, Missouri is facing the fiscal crisis that is gripping the nation. As the Center on Budget and Policy Priorities has pointed out, at least 46 states are now dealing with budget shortfalls.¹ The Governor and legislative leaders project a state budget shortfall of \$261 million for the remainder of the 2009 fiscal year,² with greater deficits projected for FY 2010.³ Because this fiscal crisis is forcing states across the nation to deal with potential cuts in state services as part of their response to their budget shortfalls, fiscal relief for the states is an important component of the new economic recovery package enacted by the United States Congress.⁴ On February 17, 2009, President Obama signed the economic stimulus legislation, called the American Recovery and Reinvestment Act of 2009.⁵

One of the key features of the economic stimulus bill is fiscal relief *directly tied* to expenditures on State Medicaid programs, including Missouri's "MO HealthNet" program. The legislation provides for a temporary increase in the federal percentage of State Medicaid payments for the 27-month period from October 1, 2008 through December 31, 2010. This federal share of Medicaid spending is known as the "Federal Medical Assistance Percentage" or "FMAP." The increase in federal financial participation will make it easier for states to meet the increased demand for Medicaid and CHIP coverage which results from increasing unemployment at a time when state revenues are declining.⁶ The economic stimulus bill will provide states an estimated \$87 billion for a temporary FMAP increase.⁷ In order to receive any increase in FMAP funds, a state may not impose Medicaid eligibility levels that are more restrictive than those in effect on July 1, 2008.⁸

Missouri's share of the FMAP increase is estimated to be \$1.6 billion over the above-mentioned time period.⁹ The legislation also provides for \$53.6 billion in *additional* fiscal relief in a "State Fiscal Stabilization Fund" for state spending on education and other key services, which are not the focus of this paper.¹⁰ Furthermore, the bill includes a number of other tax and spending measures that are designed to stimulate the economy by boosting demand and that will also bring substantial additional funds into Missouri.¹¹

This temporary increase in federal Medicaid spending is designed to prevent state Medicaid cuts in a time of increased need for publicly-funded health insurance in light of job losses and the concomitant losses of access to private health insurance.¹² Similar legislation was enacted in 2003, which helped Missouri and other states stave off significant cuts in tight budgetary times.¹³ Unfortunately, no such legislation was in place in 2005 when another fiscal crisis led to substantial cuts in the Missouri Medicaid program. Missouri should take advantage of the increased FMAP in the economic

recovery legislation to provide coverage to families who lost coverage during the 2005 budgetary shortfall or act on other initiatives to address Missouri’s uninsured population. The broad fiscal relief provided by the federal economic stimulus legislation increases the State’s ability to meet its budgetary needs *and* continue efforts to improve access to health care for low-income uninsured Missourians.

I. How will the FMAP increase work?

The federal government already funds a significant part of State Medicaid programs even without the temporary FMAP increase. Under Missouri’s regular Medicaid matching rate for FY 2010, the federal government would generally pay 64.51 cents out of every dollar spent on the State Medicaid program.¹⁴ The economic recovery bill will temporarily increase the FMAP by a base of 6.2 percentage points for all states through the end of 2010.¹⁵ States with large increases in unemployment will receive additional increases in their FMAP directly related to the increase in their unemployment rates. Thus, Missouri could receive additional increases in FMAP if unemployment grows beyond current levels. However, at minimum, the base federal share of Medicaid spending in Missouri would increase from 64.51 cents to 70.71 cents out of each dollar of Medicaid spending in FY 2010. Missouri’s share of Medicaid spending will fall from 35.49 cents to 29.29 cents of each dollar of Medicaid spending. Thus, during this period, the State **will spend less state money** to fund the *same level* of services and coverage.

The proposed FMAP legislation is projected to provide approximately \$1.6 billion in additional funding for the Missouri Medicaid (MO HealthNet) program for the period from October 1, 2008 through December 31, 2010.¹⁶ The Center on Budget and Policy Priorities projects that Missouri will receive the following amounts of additional federal Medicaid money in each of the following fiscal years, totaling \$1.6 billion:¹⁷

FISCAL YEAR	FMAP Increase (in thousands)
FY 2009	\$440,000
FY 2010	\$750,000
FY 2011	\$380,000
TOTAL:	\$1,600,000

The FMAP increase means that the State would have to spend substantially less money in “state match” to fund the **same** program during this time period. So assuming, for example, that the State intends to spend \$7.0 billion on the Medicaid program in FY 2010,¹⁸ and that approximately \$2.5 billion of that funding would normally be state funds, the state could now spend \$7.0 billion on Medicaid using approximately \$1.8 billion in state match (because the state would receive more than \$700 million in additional federal dollars for FY 2010).¹⁹ This increased federal funding will free up state general revenue dollars for spending on other services, restoring some of the 2005 Medicaid cuts, or otherwise expanding coverage of the uninsured (including those newly uninsured due to rising unemployment).²⁰

II. FMAP and Expanding Coverage in Missouri

Prior to the fiscal crisis and the economic stimulus bill, Missouri policymakers of *both* parties proposed to expand coverage to address our state's uninsured population. Governor Nixon has pledged to expand access to health insurance by restoring the Medicaid coverage and services that were eliminated during the 2005 budget cuts.²¹ In 2007-2008, Governor Blunt and the Missouri General Assembly considered legislation to expand health coverage to significant numbers of uninsured Missourians using state and federal Medicaid funds, although no such legislation was enacted in 2008.²² The Senate passed legislation to expand coverage, but the bill was not passed by the House of Representatives.²³ This year, the President Pro Tem of the Missouri Senate has similarly recognized the need to "make serious strides towards moving our state's 700,000 uninsured into coverage,"²⁴ and he previously supported legislation to implement Governor Blunt's *Insure Missouri* proposal.

All of these proposals to expand health coverage required some expenditure of "state matching funds" to draw down substantial federal matching Medicaid payments. It is important, however, to recognize that state general revenue dollars are *not* the only source of "state match" in the Missouri Medicaid program. In fact, only about half of the *state* matching funds that Missouri spends is general revenue; the other half comes from provider taxes and other funding streams.²⁵ Missouri uses "provider taxes" paid by hospitals and other health care providers (such as nursing homes) as a significant part of Missouri's Medicaid state match. The hospital tax is called the "federal reimbursement allowance" or "FRA." For example, last year, Governor Blunt's proposed *Insure Missouri* program would have dramatically expanded Medicaid coverage with only a small fraction of the program funded by general revenue dollars.²⁶ A significant portion of the "state match" for that program was projected growth in hospital provider tax revenues.²⁷ In fact, the general revenue cost of that proposal was projected at \$46.8 million per year.²⁸ Last year, the Missouri Senate passed legislation that similarly relied upon FRA funds as a major source of state funding for the proposed *Insure Missouri* program.²⁹ This year, Governor Nixon has proposed to expand coverage to low-income coverage to parents using less than \$16 million in general revenue.³⁰

Undoubtedly, there will be some pressure to use state funds "freed up" by the federal Medicaid percentage increase to fund other government programs, services, and tax credits that could otherwise be cut. Another possibility, however, would be for the Governor and General Assembly to take advantage of the new fiscal relief to *expand* health care coverage --- an important public policy priority of Governor Nixon and a policy supported by Governor Blunt and many legislators in both parties in 2008.³¹ Moreover, low-income health coverage and services in Missouri *already* took a substantial hit in 2005 when there was no FMAP increase to help maintain Medicaid eligibility and service levels.

However, the new economic recovery package would ensure that there is significant additional funding available for Medicaid spending in tight budgetary circumstances for the next two years. As noted above, there is a strong argument for spending a significant portion of this additional federal health care funding *on health care*, rather than using it

merely to plug other holes in the State budget. While there are many important programs and services that will need financial support during the current fiscal crisis, there are compelling reasons to use these new federal Medicaid dollars for health care purposes to the greatest extent possible. Moreover, as indicated above, the economic recovery legislation includes separate fiscal relief that is *not* targeted to spending on health care and instead can be used to help fund other components of the state budget.³²

III. Why Expand Health Coverage during an Economic Crisis?

There are several important reasons to expand coverage under the current financial environment. First, the FMAP increase as well as other provisions in the stimulus package will provide significant financial assistance to address Missouri's budget problems for the next two years, which will free up state funds for expanding health coverage. While it is true that the FMAP increase is only temporary, the presumption in enacting such legislation is that the economy will eventually turn around, thereby improving state budgetary environments by the time the FMAP expansion has expired. Indeed, Missouri's budget has turned around after the prior economic downturns, including the last time a temporary FMAP increase was provided. The whole reason for making FMAP increases temporary is that the increased demand for health coverage and the decline in state revenues are themselves temporary.

Secondly, Missouri's ability to use the "federal reimbursement allowance" to fund Medicaid/MO HealthNet coverage makes it possible for the State to sustain health coverage initiatives after the FMAP increase has expired. Indeed, the major expansions proposed in 2007-2008 did **not** rely on large amounts of general revenue funding. The large federal contribution to the program, along with other sources of state match, make it possible for the State to continue to invest in health care even during budget shortfalls. Moreover, the State's ability to get some control over health care costs and reduce the number of uninsured may well be part of the solution to Missouri's budget problems. As the President Pro Tem of the Missouri Senate noted in his opening address, "**Missouri businesses cannot continue to bear the cost of providing insurance to their employees and also pay for the costs of the uninsured through their premium payments. Our state government will move from one budget crisis to another if we do not get a handle on the growth of healthcare costs.**"³³

It is also important to note that the temporary FMAP increase is specifically designed to prevent deep and wide-ranging cuts to the states' Medicaid programs. As noted in the House Appropriations Committee summary of an earlier version of the American Recovery and Reinvestment Act, the purpose of the FMAP increase is "to prevent cuts to health benefits for their increased low-income patient loads at a time when state revenues are declining."³⁴ Such cuts **have already occurred in Missouri in 2005 when no FMAP expansion was available** to help out during a state fiscal crisis. It is important to take advantage of these funds *now* to address the increasing number of uninsured in our state.

The need to address Missouri's health insurance crisis is even greater during times of economic downturn. According to the most recent census data, Missouri has 729,000 uninsured individuals, including 150,000 uninsured children. These numbers have grown

substantially higher in the last few years.³⁵ This problem is not going away with the economic crisis. In fact, it is only *getting worse*, as more people lose their jobs and their employer-sponsored health insurance. Many of the uninsured are people with low incomes who simply cannot afford employer-sponsored health insurance and who would benefit from coverage under the Medicaid/MO HealthNet program.

ADDRESSING THE UNINSURED THROUGH THE MEDICAID PROGRAM

Health Insurance Matters: Addressing the problem of the uninsured will improve the likelihood that people will receive necessary medical treatment. It is well established that *having health insurance* improves access to health care and health outcomes.³⁶ The uninsured receive less preventative care, are diagnosed at more advanced disease states, and, once diagnosed, tend to receive less therapeutic care (such as drugs and surgical interventions) than people who have health insurance. The Institute of Medicine has found that 18,000 people die prematurely each year as a result of being uninsured.³⁷ For example, uninsured cancer patients are diagnosed later and die earlier than those with insurance.³⁸ Based on a thorough review of health outcome studies, the Institute of Medicine also concluded that **uninsured adults were 25 percent more likely to die prematurely than adults with health insurance coverage.**³⁹ Moreover, uninsured patients are three times more likely to die in the hospital than insured patients.⁴⁰

In addition to its role in improving access to health care and health outcomes, health insurance helps to combat a range of other related problems, including **cost-shifting** and problems associated with medical debt.⁴¹ It is widely acknowledged that the uninsured population generates costs sometimes referred to as “uncompensated care” – care that is not paid for by private or publicly funded coverage.⁴² These uncompensated care costs are transferred to other parts of the health system, driving up costs and straining health resources for people who have private insurance.⁴³ These problems cannot be ignored simply because there is a budget crisis. In 2008, there was some consensus around the need to address the problem of the uninsured in our state, in light of proposals from both political parties to expand coverage and address the uninsured. The temporary FMAP increase will help the State make steady progress in addressing this problem during tight budgetary times.

Medicaid’s Role in Addressing the Health Insurance Crisis: While Medicaid is only *one piece* of the puzzle, it is virtually impossible to address the problem of the uninsured without relying on the federal Medicaid program as *part* of the solution. First of all, a high percentage of the uninsured have low incomes and are in the population that the Medicaid program was designed to serve. According to the Kaiser Family Foundation, 35% of Missouri’s uninsured are under the poverty line, while 67% are considered to be low-income (i.e., have incomes under 200% of the federal poverty level).⁴⁴ Moreover, many low-income Missourians simply do not have access to employer-sponsored coverage and cannot afford private coverage. Therefore, publicly-funded coverage is a logical place to start in trying to ensure that all Missourians have health insurance coverage. It is not surprising, for example, that the state of Massachusetts, which implemented a wide variety of changes to achieve near-universal coverage, built its reform initiative on a strong Medicaid program, rather than trying to replace Medicaid with private market approaches and employer or individual mandates. Most importantly, the substantial *federal matching funds* that Medicaid offers make it a necessary component to address the low-income uninsured in any state. Thus, several major Missouri health reform proposals in 2008 relied heavily on federal Medicaid matching funds for financing those initiatives.⁴⁵ The temporary FMAP increase provides an additional funding stream for addressing these problems.

Economic Benefit of Medicaid Spending: FMAP funding is part of an “economic recovery” package *not only* because it will help state budgets, but also because it is *itself* a source of economic stimulus. Every dollar spent on Medicaid generates not only additional federal funds but more economic activity for the State. Medicaid spending has a substantial and positive economic impact on our state and local economies. The more

that Missouri is able to put state dollars into the health care system through Medicaid, the more federal funds will be brought into the State and the more economic activity will be generated in Missouri.⁴⁶

As indicated above, Medicaid brings significant federal matching dollars into the state even without an FMAP increase. Under normal circumstances, state Medicaid spending in Missouri generates more than \$1.7 in federal matching funds for every state dollar spent. With an FMAP increase of 6.2 percentage points, each state dollar spent will bring in more than \$2.4 in federal dollars.⁴⁷ These federal matching funds are an important source of funding for hospitals, doctors, pharmacists, and nursing homes in every part of the state -- funding which, in turn, leads to economic ripple effects as these health care providers pay rent, purchase food, pay taxes and so on. For example, an earlier analysis by economists at the St. Louis University's John Cook School of Business found that every \$1 million that the state spends on Medicaid spending generates over \$3 million in business activity and 42 jobs.⁴⁸ This economic impact is *even greater* with the increase in federal dollars under the economic recovery legislation.⁴⁹

Because of the "multiplier" impact of federal Medicaid spending, the State can create more jobs and economic activity by spending money in the Medicaid/MO HealthNet program. This beneficial economic impact is another reason why it is important to expand Medicaid in light of the new FMAP increase. Simply displacing *state* Medicaid dollars and shifting those dollars to other programs will not have the same economic multiplier effect as spending on Medicaid.

CHIP Reauthorization Legislation Will Provide Additional Funds for Enrolling Uninsured Missouri Children

It should be also be noted that separate legislation to reauthorize the Children's Health Insurance Program (CHIP) will increase federal funding for children's health insurance coverage and provide special "bonus payments" for enrollment of uninsured children in Medicaid.⁵⁰ By adopting a range of additional outreach and enrollment strategies specified in the legislation and increasing enrollment of uninsured children, Missouri could receive substantial additional federal funds for these efforts. Thus, the State can make progress in covering *eligible* but uninsured children, in addition to taking advantage of the FMAP increase to restore or expand coverage for adults.

Conclusion

The state budget crisis has no easy solutions and creates competing needs for limited state dollars. However, the economic recovery legislation provides substantial fiscal relief to states, including relief that is specifically tied to health care spending in State Medicaid programs. While there will likely be some interest in using FMAP expansion funds to supplant *state* Medicaid spending and use those state funds to shore up other programs, there are strong reasons for capitalizing on this opportunity to restore or expand health care coverage. The new FMAP legislation can help Missouri's new Governor and the Legislature make steady progress in addressing a critical public policy priority while stimulating Missouri's economy with a new infusion of federal funds.

NOTES

¹ Elizabeth McNichol and Iris J. Lav, *State Budget Troubles Worsen*, Center on Budget and Policy Priorities, February 10, 2009.

² See “Gov. Nixon, Sen. Nodler, Rep. Icet announce FY 2010 Consensus Revenue Estimate,” Missouri Governor Jay Nixon News Release, January 2, 2009 (hereinafter “Nixon News Release”).

³ Nixon News Release *supra*. See also James Moody, Update on Missouri’s Fiscal Year 2009 Budget Situation, November 17, 2008; James Moody, The 2009 and 2010 Missouri Budget Outlook, September 3, 2008, Amy Blouin, presentation to Citizens for Missouri’s Children, *The “State of the State Budget”: Economic Conditions and the Missouri Budget*, undated (available at: <http://www.mokids.org/Portals/0/report/The%20Missouri%20Budget%20-%20Amy%20Blouin.ppt#256,1>, The “State of the State Budget” Economic Conditions & the Missouri Budget December 2008).

⁴ Center on Budget and Policy Priorities, *American Recovery and Reinvestment Act of 2009: State-by-State Estimates of Key Provisions Affecting Low- and Moderate-Income Individuals*, Updated February 13, 2009 (available at: <http://www.cbpp.org/2-13-09bud.pdf>) (hereinafter “State-by- State CBPP Paper”).

⁵ Elisa Crouch, *Bridge Project Gets Under Way*, St. Louis Post-Dispatch, at A1, A4, February 18, 2009.

⁶ A one percentage point increase in the national unemployment rate, translates to a one million person increase in Medicaid and SCHIP enrollment due to job losses and the accompanying losses in job-based health insurance. Kaiser Commission on Medicaid and the Uninsured, *Short Term Options for Medicaid in a Recession*, December 2008 (hereinafter “Kaiser Paper”). In addition, the same one percentage point increase in the national unemployment rate results in a 3 to 4 percent *decline* in state revenues, making it more difficult to pay for increased demand for Medicaid and SCHIP coverage. *Id.*

⁷ Iris J. Lav, Edwin Park, Jason Levitis, and Mathew Broaddus, *Recovery Act Provides Much-Needed, Targeted Medicaid Assistance to States Economic Recovery Package*, Center on Budget and Policy Priorities, January 22, 2009 (hereinafter, “CBPP Medicaid Assistance Paper”) at 1.

⁸ CBPP Medicaid Assistance Paper, *supra*, at 2. State enrollment and renewal procedures also must be no more restrictive than those in place on July 1, 2008. States must also meet the “prompt payment” provisions of the Medicaid statute as a condition of receiving enhanced FMAP payments. *Id.* at 6.

⁹ CBPP Medicaid Assistance Paper at 4.

¹⁰ House Committee on Appropriations, United States Congress, *Summary: American Recovery and Reinvestment, Conference Agreement*, Friday February 13, 2009 (available at: <http://appropriations.house.gov/pdf/PressSummary02-13-09.pdf>) (hereinafter “House Economic Stimulus Summary”) The bill provides for “\$39.5 billion to local school districts and public colleges and universities distributed through existing state and federal formulas, \$5 billion to states as bonus grants as a reward for meeting key performance measures and \$8.8 billion to states for other high priority needs such as public safety and other critical services, which may include K-12 and higher education modernization.” House Economic Stimulus Summary, *supra*. The Center on Budget predicts that Missouri will receive more than \$900 million of the State Fiscal Stabilization Fund allocated over FY 2009 and FY 2010. State By State CBPP Paper, *supra*.

¹¹ State-by-State CBPP Paper, *supra*.

¹² See, e.g., Stephen Zuckerman, Dawn M. Miller, and Emily Shelton Pape, *Missouri's 2005 Medicaid Cuts: How Did They Affect Enrollees and Providers*, Health Affairs, February 18, 2009 (regarding the purpose of increasing the FMAP percentage as a component of state fiscal relief).

¹³ Iris J. Lav, Jason Levitis, and Edwin Park, *House Stimulus Plan Effectively Targets Fiscal Relief to States*, Center on Budget and Policy Priorities, September 26, 2008 (hereinafter "CBPP Paper"). See also Kaiser Paper at 2.

¹⁴ 73 Fed. Reg. 72051, 72052 (November 26, 2008). There are different matching rates for administrative costs (reimbursed at a fifty percent rate) and other special programs such as family planning and SCHIP (which have a higher matching rate of approximately 73%) but 63 percent is the matching rate for the vast majority of Medicaid services in Missouri in the current fiscal year. For FY 2009, Missouri's normal FMAP is 63.19. 72 Fed. Reg. 67304, 67306 (November 28, 2007). That means that until October 1, 2009, the federal government would pay 63.19 cents out of every dollar spent on MO HealthNet without the temporary FMAP expansion. The proposed FMAP legislation generally applies to all Medicaid costs but would not apply to CHIP. See Lav et al, *supra*; CBPP Medicaid Assistance Paper, *supra*, at 1-2 for a more detailed technical explanation of the FMAP provision.

¹⁵ House Committee on Energy and Commerce, United States Congress, *American Recovery and Reinvestment Bill of 2009 (ARRA): Energy and Commerce Provisions on Health Care, Broadband and Energy*, undated (hereinafter "House Energy and Commerce Summary Paper") (available at: http://energycommerce.house.gov/Press_111/20090212/economicecoverysummary.pdf).

¹⁶ Lav, et al., *supra*; CBPP Medicaid Assistance Paper, *supra*.

¹⁷ *CBPP Medicaid Assistance Paper, supra*. The funding amounts provided for the three separate fiscal years do not add to the total due to rounding of the underlying figures. *Id*.

¹⁸ This assumption uses the amount of Missouri Medicaid spending in FY 2006 reported to CMS and published by the National Association of State Budget Officers. National Association of State Budget Officers, *Fiscal Year 2006: State Expenditure Report*, Fall 2007, at Table 28 (available at: <http://www.nasbo.org/Publications/PDFs/fy2006er.pdf>) A recent report to the Missouri General Assembly projected approximately \$6.9 million in Medicaid spending in FY 2010. Legislative Budget Office, Joint Committee on Legislative Research, Missouri General Assembly, *MO HealthNet Expenditure Projections: Fiscal Years 2009 – 2013*, January 2008, at 15 (available at (available at: [http://www.moga.mo.gov/general/MO%20HealthNet%20Projections%20\(1-11-08\).pdf](http://www.moga.mo.gov/general/MO%20HealthNet%20Projections%20(1-11-08).pdf)).

¹⁹ This calculation is based on the regular Medicaid matching rate for FY 2010. See note 14, *supra*.

²⁰ Expansions of Medicaid eligibility based on *higher* income standards than were in effect on July 1, 2008 are not eligible for the increased FMAP. American Recovery and Reinvestment Act, § 5001(e)(5). However, the enhanced FMAP for virtually all other Medicaid spending will free up state dollars to expand coverage and draw down federal dollars at the regular Medicaid matching rate (i.e., more than 64 cents on the dollar) for that expansion. It should be noted that under the bill's language, the State could receive enhanced matching rates for expanding Medicaid services or covering new groups of individuals (as opposed to raising income standards for existing groups).

²¹ Jay Nixon, *Fixing Missouri's Broken Health Care System*, undated (available at: <http://www.jaynixon.com/hcpolicypaper.pdf>) (hereinafter "Nixon Policy Paper").

²² S.B. 1283, 94th Gen. Assembly, 2nd. Reg. Sess. (Mo. 2008).

²³ S.B. 1283, *supra*.

²⁴ Senator Charlie Shields, Speech, *Opening Address*, January 7, 2009 (hereinafter “Shields Opening Address”).

²⁵ According to the National Association of State Budget Officers, Missouri spent just under \$6.5 billion on its Medicaid program in FY 06, including \$1.3 billion in general revenue funds, about \$1.1 million in other state funds and about \$4 billion in federal funds. The FY 07 estimates show that the amount of “other state funds” (\$1.4 million) exceeds the general revenue funds (\$1.1 million). National Association of State Budget Officers, *Fiscal Year 2006: State Expenditure Report*, Fall 2007, at Table 28 (available at: <http://www.nasbo.org/Publications/PDFs/fy2006er.pdf>).

²⁶ Joel Ferber, *Insure Missouri: Early Observations*, Legal Services of Eastern Missouri, October 11, 2007 (available at: <http://www.masw.org/programs/attachments/Insure%20MO.pdf>).

²⁷ *Id.*

²⁸ MO HealthNet Division, Missouri Department of Social Services, *Fiscal Year 2009 Budget Request: Printed With Governor’s Recommendations*, at 479-85, undated (available at: <http://oa.mo.gov/bp/budreqs2009/DSSHealthNet.pdf>).

²⁹ Fiscal Note to S.B. 1283, Senate Version, Perfected, at 2 (available at: <http://www.moga.mo.gov/oversight/OVER08/fispdf/5271-09P.ORG.PDF>).

³⁰ MO HealthNet Division, Missouri Department of Social Services, *Fiscal Year 2010 Budget Request: Printed with Governor’s Recommendations*, at 141-42, undated (available at: <http://oa.mo.gov/bp/budreqs2010/Healthnet.pdf>). Governor Nixon’s budget also relies on more than \$37 million in FRA funds for the proposed expansion of parent coverage. This proposal would draw down over \$94 million in federal funds. *Id.*

³¹ Missouri’s additional FMAP funds for the affected fiscal years greatly *exceed* the entire annual “state cost” of restoring the entire set of Medicaid eligibility and service cuts enacted in 2005 (previously estimated at \$265 million), and *far exceed* the “general revenue” costs of Governor Blunt’s prior *Insure Missouri* plan --- \$46.8 million per year. Nixon Policy Paper at 1; MO HealthNet Division, Department of Social Services, *Fiscal Year 2009 Budget Request: printed with governor’s recommendations*, undated (available at: <http://oa.mo.gov/bp/budreqs2009/DSSHealthNet.pdf>).

³² Tony Messenger, *Bi-State Windfall: Stimulus Funds Will Erase – Or Cut – Deficits*, St. Louis Post-Dispatch, at A1, A3, February 18, 2009.

³³ Shields Opening Address, *supra* (emphasis added).

³⁴ House Committee on Appropriations, United States Congress, *Summary: American Recovery and Reinvestment*, Thursday January 15, 2009 (available at: <http://appropriations.house.gov/pdf/PressSummary01-15-09.pdf>)

³⁵ Bureau of Labor Statistics and the Census Bureau, *Table HI05: Health Insurance Coverage Status and Type of Coverage By State and Age for All People: 2007*, undated (available at: http://pubdb3.census.gov/macro/032008/health/h05_000.htm). See also Ruth Ehresman, *What the 2008 Census Indicates About the Uninsured in Missouri*, Missouri Budget Project, October 3, 2008 (available at: http://www.mobudget.org/uninsured_census_data_20081.pdf).

³⁶ Kaiser Commission on Medicaid and the Uninsured, *The Uninsured and their Access to Health*, January 2003.

³⁷ Committee on the Consequences of Uninsurance, *Hidden Costs, Value Lost*, Institute of Medicine, June, 2003.

³⁸ Kaiser Commission on Medicaid and the Uninsured, *Fact Sheet: The Uninsured and Their Access to Health Care*, November 2004.

³⁹ Institute of Medicine, *Insuring America's Health*, National Academy Press, 2002.

⁴⁰ *Id.*

⁴¹ Providing health insurance coverage to the uninsured promotes financial stability among Missouri families by paying for the costs of their health care. The uninsured are at greater risk than the insured for high out-of-pocket medical spending due to injury or illness and its consequences (e.g., risk of impoverishment, bankruptcy, inability to afford other necessities such as rent, food, clothing and transportation)., Ellen O'Brien and Cindy Mann, *Maintaining the Gains: The Importance of Preserving Coverage in Medicaid and SCHIP*, Covering Kids and Families, June 2003, at 19 (and the citations therein). According to a Commonwealth Fund report, 41% of adults had problems paying their medical bills in the previous year or were paying off medical debt accrued over the last 3 years. Sara R. Collins et al., *Health Care Costs and Instability of Insurance: Impact on Patients' Experiences with Care and Medical Bills*, The Commonwealth Fund, Invited Testimony, Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, U.S. House of Representatives, Hearing on "A Review of Hospital Billing and Collection Practices," June 24, 2004, at 3, 13. See also Mark Rukavina, the Access Project, Testimony before the House Energy and Commerce Subcommittee on Oversight and Investigations, U.S. House of Representatives, Hearing on "A Review of Hospital Billing and Collection Practices," June 24, 2004. Other studies show that about half of all personal bankruptcies result from health problems or large medical bills. David Himmelstein, et al., *Market Watch: Illness and Injury As Contributors to Bankruptcy*, Health Affairs, Health Affairs (February 2004) (available at <http://content.healthaffairs.org/cgi/content/abstract/hlthaff.w5.63>); M.B. Jacoby, et al., "Rethinking the Debates Over Health Care Financing: Evidence from the Bankruptcy Courts," 76 *NYU Law Review*, 375, 2000.

⁴² A 2006 report conducted by the Urban Institute for the Missouri Foundation for Health estimated that Missouri's uncompensated care costs range from \$666 million to \$753 million. Missouri Foundation for Health, *Cover Missouri Project: Data Book 2, The Cost of Care for Missouri's Uninsured, September 2006*.

⁴³ This cost-shifting impact was documented in a study by Dr. Kenneth Thorpe of the Department of Health Policy and Management, Rollins School of Public Health, at Emory University., The findings were published by Families USA in a report entitled *Paying a Premium: The Added Cost for the Uninsured*, June 2005 (available at: http://familiesusa.org/assets/pdfs/Paying_a_Premium_rev_July_13731e.pdf). This study examined the cost-shifting impact of the uninsured on health insurance premiums for individuals with private or employer-based coverage. This study found that by 2010, health insurance premiums for families in Missouri with private, employer-sponsored coverage will be \$609 higher due to the unpaid cost of health care for the uninsured. The study also found that premiums for individual health insurance coverage in Missouri will be \$225 higher in 2010. Indeed, the reduction of cost-shifting is one of the stated reasons for the *Insure Missouri* proposal that was proposed by Governor Blunt and considered by the Missouri General Assembly in 2008. The study found that as a nation, the premium costs for family health insurance coverage provided by private employers will include an extra \$922 in 2005 due to the costs of care for the uninsured while the premiums for individual coverage cost an extra \$341.

⁴⁴ Kaiser Family Foundation, *Missouri: Distribution of the Nonelderly Uninsured by Federal Poverty Level (FPL), states (2006-2007), U.S. (2007), undated* (available at: <http://www.statehealthfacts.org/profileind.jsp?ind=136&cat=3&rgn=27>).

⁴⁵ Joel Ferber, *Update: Key Points about Insure Missouri Under SB 1283*, Legal Services of Eastern Missouri, April 13, 2008; Fiscal note to SB 1283, *supra*.

⁴⁶ There is *no cap* on the amount of additional federal dollars available to the State of Missouri under the new FMAP legislation. However, as noted above, expansions of Medicaid eligibility based on higher income standards than were in effect on July 1, 2008 are not eligible for the increased FMAP. American Recovery and Reinvestment Act, § 5001(e)(5). Thus, Missouri will “only” receive the regular FMAP (i.e., 64 cents on the dollar) for increasing the income eligibility standard for low-income parents as proposed by Governor Nixon. That expansion would still have the economic multiplier effect that Medicaid spending normally generates (i.e., without the FMAP increase).

⁴⁷ This calculation relies on Missouri’s regular federal matching rate for FY 2010, under which \$36.81 in state expenditures bring in \$64.51 in federal dollars. 72 Fed. Reg. at 67306. Under this formula, \$1 in state spending brings in over 1.81 federal dollars. Under the FMAP increase in the economic recovery legislation, the state/federal ratio for FY 2010 would be 29.29/.70.71 so that each state dollar will bring in more than \$2.4 federal dollars.

⁴⁸ Joel Ferber, Muhammad Islam, and Heather Bednarek, Show Me Series Report 5: *Economic and Health Benefits of Missouri Medicaid*, Missouri Foundation for Health, Spring 2004 (available at: <http://www.mffh.org/ShowMe5Final.pdf>) (hereinafter, “MFH Report”). The same economists found that in fiscal year 2004, federal matching funds generated over \$5.8 billion in economic activity, supported 79,892 jobs in the state, and increased wages and other income earned by Missourians by \$2.8 billion, which generated \$211 million in tax revenues (based on those wages). See Joel D. Ferber, J.D., Heather Bednarek, Ph.D., and Muhammad Islam, Ph.D., *The County Level Impact of Medicaid and SCHIP in Missouri*, St. Louis University, January 15, 2005. These figures were computed by economists at St. Louis University’s John Cook School of Business, updating the figures they computed for the aforementioned MFH report that was released in April 2004. See MFH Report, Appendices A, B, and C for the discussion of the economic impact of Medicaid spending in FY 2003 and the methodology for determining the economic impact of Medicaid spending. The St. Louis University Study is consistent with a new report by the Kaiser Commission that reviewed 29 different studies on the economic impact of Medicaid. That report found that: (1) Medicaid spending generates economic activity, including jobs, income and state tax revenue, at the state level, (2) regardless of the economic impact model used, all studies have similar findings, Medicaid spending has a positive impact on state economies, and (3) reduction in state and federal Medicaid will lead to declines in economic activity at the state level. *The Role of Medicaid in State Economies: A Look at the Research*, Kaiser Commission on Medicaid and the Uninsured, January 2009.

⁴⁹ A Families USA report estimates that the FMAP expansion included in the previously proposed Reid-Byrd legislation would generate more than \$1.4 billion new business activity, 13,200 jobs and more than \$461 million in wages into Missouri. Families USA, *A Painful Recession: States Cut Health Care Safety Net Programs*, December 2008 (available at: <http://www.familiesusa.org/assets/pdfs/a-painful-recession.pdf>). As noted above, the State will not receive enhanced FMAP for the cost of expanding coverage by increasing the Medicaid income eligibility limits. See note 45 *supra*. However, the great majority of Missouri’s Medicaid spending will be subject to the enhanced FMAP under the economic recovery legislation.

⁵⁰ Missouri’s FY 2009 CHIP allotment will increase from \$117.6 million to \$129.3 million under the CHIP reauthorization legislation. Georgetown University Health Policy Institute, Center for Children and Families, *The Children’s Health Insurance Program Reauthorization Act of 2009: Overview and Summary*, February, 2009 (available at: <http://ccf.georgetown.edu/index/cms-filesystem-action?file=ccf%20publications/federal%20schip%20policy/ccf%20chip%20summary%202-13.pdf>). The State also would receive bonus payments for adopting specified numbers of simplification measures identified in the bill such as: 12-months of continuous eligibility for Medicaid and CHIP children; elimination of the assets test in Medicaid and CHIP (or the administrative verification of assets), elimination of the in-person interview, the use of joint applications for Medicaid and CHIP, easing the renewal process, presumptive eligibility for children, express eligibility, and premium assistance. *Id.*