

Medicaid Makes (Dollars &) Sense

Savings Improve Missouri's Fiscal Picture



Shaping Policy...
Creating Opportunities

Opponents of Medicaid expansion in Missouri claim that Missouri cannot afford to extend Medicaid benefits to healthy adults up to 138 percent of the federal poverty level. But because the federal government would pick up many costs the state is currently paying, expanding Medicaid would actually *save* the state money – more than \$140 million initially, and more than \$30 million annually in later years.¹ The truth is, Missouri can't afford *not* to expand and reform our Medicaid program.

Medicaid - The History

Medicaid and Medicare were passed by Congress in 1965. Medicare, a program funded and managed by the federal government, would serve seniors and people with disabilities. Medicaid, however, would be a voluntary state-federal partnership to serve lower-income people.

In 1967, Missouri joined that state-federal partnership by creating its own Medicaid program, now known as MO HealthNet.

MO HealthNet - Missouri's Medicaid Program

MO HealthNet is a social services program, but it is so much more than that:

It is a private health insurance program and a public fee-for-service program. It provides health care, but mostly it is a long-term care program - the largest payer for long term care in Missouri.

MO HealthNet covers the cost of nearly half the births every year in Missouri. Nearly forty percent of Missouri's children and one out of every ten senior citizens are insured through MO HealthNet.² It is the most expansive and diverse health care program in the state.

While 28 percent of MO HealthNet participants are aged, blind or disabled, they account for 64 percent of the program's cost. Likewise, the 72 percent of participants that are parents and children account for only 36 percent of the cost.³

Missouri's MO HealthNet:

- covers 1 out of every 7 Missourians
- covers 34% of Missouri's children⁴
- pays for 42% of all births in the state⁵
- covers 1 out of every 10 seniors over age 65
- pays for 61% of all nursing home care in the state⁶
- covers Medicare premiums, deductibles, and coinsurance for eligible seniors and people with disabilities

The Federal Reimbursement Allowance (FRA)

Often called the Provider Tax, the FRA is a tax paid by hospitals to help cover the state cost for MO HealthNet. There are now reimbursement allowances in Missouri that also cover nursing facilities, as well as pharmacy and ambulance services.

This funding mechanism, passed in Missouri in 1992, allows the entity paying the tax to immediately turn around and receive an even greater payback from the federal match. Essentially, before the tax has even been paid, the taxpayer has already received a benefit outweighing the cost of the tax.

¹ Missouri Office of Administration, Division of Budget and Planning

² StateHealthFacts.org, "Distribution of Certified Nursing Facility Residents by Primary Payer Source, 2011," Kaiser Family Foundation, 2014, <http://statehealthfacts.org/comparebar.jsp?ind=410&cat=8>.

³ "Where do the MO HealthNet dollars go?," Missouri Department of Social Services, Division of MO HealthNet

⁴ StateHealthFacts.org, "Health Coverage and the Uninsured, 2011," Kaiser Family Foundation, 2014, <http://kff.org/state-category/health-coverage-uninsured/>

⁵ Missouri Information for Community Assessment (MICA), "Prenatal Service Utilization," Missouri Department of Health and Senior Services, 2011, <http://health.mo.gov/data/mica/mica/birth.php>.

⁶ Ibid #4.

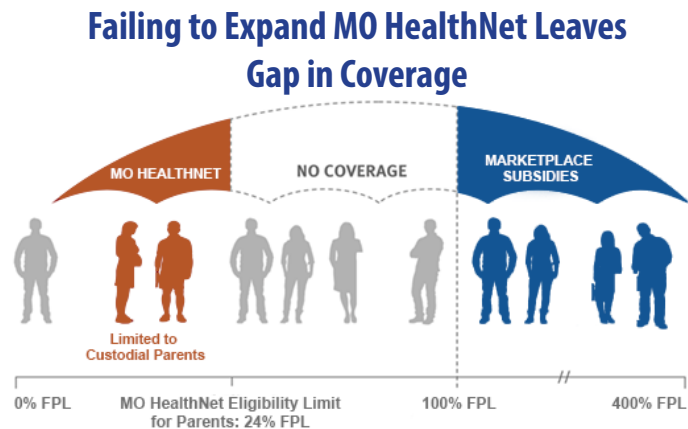
Here's how it works: A hospital pays the state a tax of one dollar - that tax can be through non-reimbursed services provided or direct cash payment. MO HealthNet then takes that dollar and uses it for a match to the federal government for another two dollars. Those two dollars are then paid back to that same hospital to provide services to people who are covered under MO HealthNet.

The ACA and 138% FPL

As a part of the Affordable Care Act, passed by Congress in 2009, states were to extend the benefits of their Medicaid programs to parents and to adults without children at home with incomes up to 138 percent of the federal poverty level (FPL).⁶ The federal government would cover 100 percent of the cost for three years, and then slowly ratchet down to 90 percent over several years. **The 90 percent match rate is a permanent rate. Over the 48 year life of Medicaid, the federal government has never reduced a permanent match rate.**⁸

Currently, MO HealthNet has the third lowest eligibility level in the nation for parents, covering custodial parents with incomes up to just 24 percent of the federal poverty level (\$292/month for a family of three). It does not cover adults without children at all.

Since the ACA assumed states would extend Medicaid benefits, parents between 24 and 100 percent FPL, and all childless adults below the poverty level are ineligible for premium assistance to purchase insurance through the healthcare marketplace.⁷



⁷ Modified Adjusted Gross Income (MAGI) after 5% income disregard

⁸ National Health Law Program, "Why the Medicaid Expansion is a Safe Choice for Your State," February 2013

⁹ Medicaid coverage for prisoners only allowable for inpatient hospital care

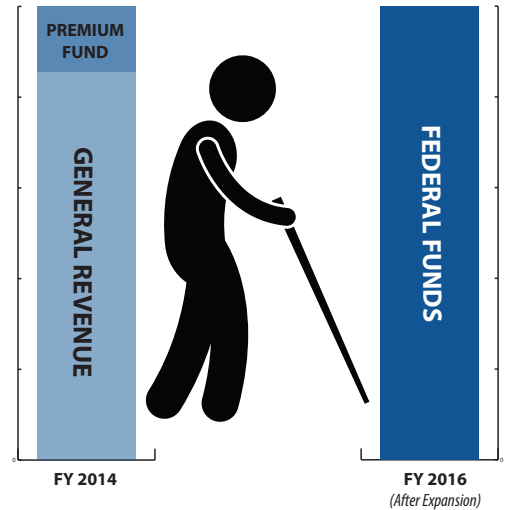
Saving State Dollars through Expansion

It seems counterintuitive, but the State of Missouri can actually save money by expanding MO HealthNet to healthy adults living below 138 percent of the federal poverty level.

How is that possible? Missouri currently covers some populations that don't receive any match from the federal government. Prisoners in the custody of the Department of Corrections (childless adults) must receive medical care, but because MO HealthNet does not cover them, the state pays 100 percent of the cost.⁹

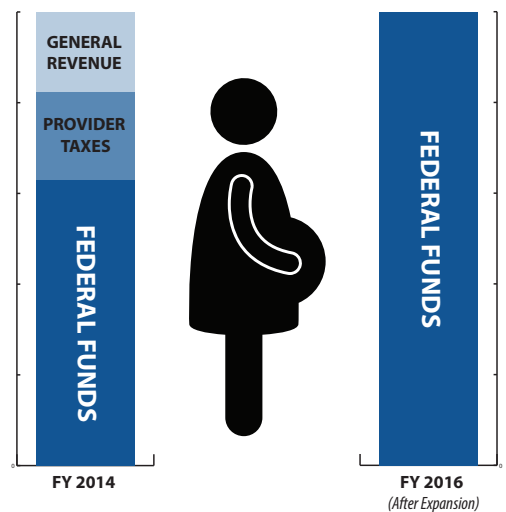
Likewise, MO HealthNet covers blind participants at higher levels than the aged or disabled, which is not allowable for match under federal law.

Blind Missourian, 85-138% FPL



Also, MO HealthNet currently covers some populations that the federal government will cover 63 percent of the cost for, but if MO HealthNet is expanded, they will pay 100 percent of the cost, slowly lowering to 90 percent. These consumers will receive the same care under the same program – only the entity paying the bill changes.

Pregnant Missourian, 24-138% FPL



In all, Missouri stands to gain more in savings from the current program than it will spend on covering new populations. This comes from a combination of the 90-100 percent match rate, the Federal Reimbursement Allowance, and populations Missouri currently covers at lower (or nonexistent) match rates.

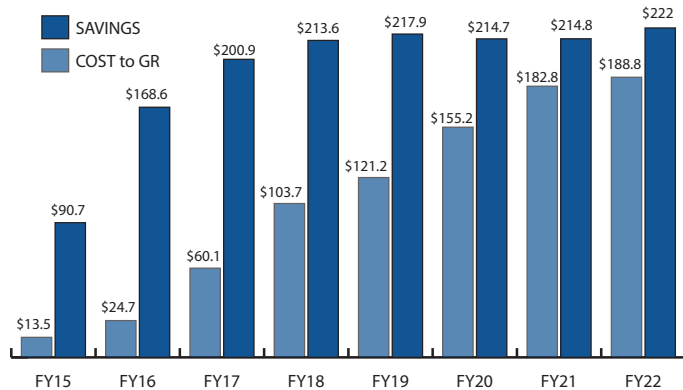
Conclusion

Failing to expand Medicaid will cost the state \$77 million in the next fiscal year, rising to more than \$140 million in fiscal years 2016 and 2017. Every year that expansion is delayed has an immediate and direct cost to the state that is above and beyond the lost economic growth that would result from expansion.

The math is simple and clear. Missouri must act quickly to expand Medicaid and be responsible stewards of taxpayer dollars.

Even at Full State Match, Savings Outpace Costs

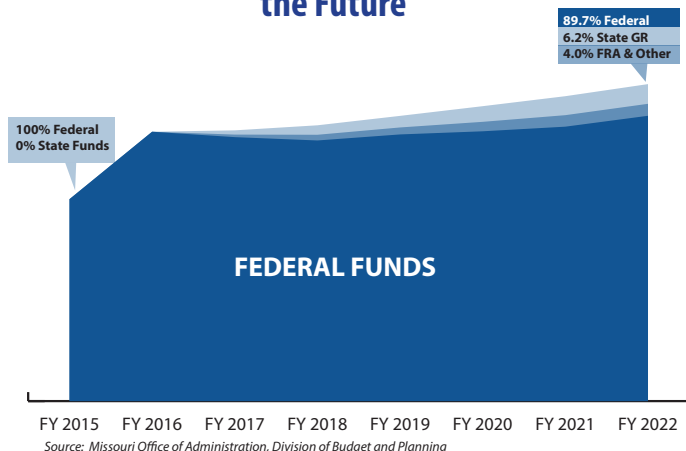
in millions



Source: Missouri Office of Administration, Division of Budget and Planning

These assumptions do not account for the economic activity that will no doubt come from an influx of \$2 billion into the state economy; it is just the simple math of moving one population from one funding source to another.

Federal Funds and FRA Pay for Expansion Into the Future



Source: Missouri Office of Administration, Division of Budget and Planning

Appendix

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Number of Newly Eligible Medicaid Participants								
	297,024	301,602	305,484	309,368	313,250	313,250	313,250	313,250
Cost-For Newly Eligible Participants								
Total	\$(1,680,696,028.09)	\$(2,241,962,270.43)	\$(2,253,508,833.03)	\$(2,295,553,515.59)	\$(2,373,959,876.52)	\$(2,454,694,399.62)	\$(2,537,808,984.71)	\$(2,638,385,793.57)
State Share-GR	\$-	\$-	\$(35,336,652.18)	\$(78,908,758.08)	\$(96,413,340.26)	\$(130,360,343.22)	\$(157,993,461.72)	\$(164,028,069.72)
State Share-Other	\$-	\$-	\$(21,263,877.26)	\$(47,504,347.01)	\$(58,128,421.26)	\$(78,796,588.40)	\$(95,787,436.99)	\$(99,810,509.85)
Federal Share	\$(1,680,696,027.75)	\$(2,241,962,270.50)	\$(2,196,908,303.50)	\$(2,169,140,410.50)	\$(2,219,418,115.00)	\$(2,245,537,468.00)	\$(2,284,028,086.00)	\$(2,374,547,214.00)
Savings-State Share Change in Existing Programs								
Pregnant Women	\$41,722,349.46	\$83,631,923.14	\$81,241,167.35	\$77,519,752.80	\$78,263,418.04	\$76,261,290.49	\$74,895,972.65	\$78,041,603.50
Breast/Cervical Cancer	\$2,814,236.95	\$7,550,051.76	\$9,720,676.19	\$9,831,135.44	\$9,933,726.00	\$9,380,891.13	\$9,774,888.55	\$10,185,433.87
Blind Pension	\$559,770.26	\$777,707.48	\$771,485.82	\$795,784.51	\$820,763.39	\$828,839.30	\$863,650.55	\$899,923.87
Corrections	\$2,339,334.00	\$3,119,112.00	\$3,119,112.00	\$3,119,112.00	\$3,119,112.00	\$3,119,112.00	\$3,119,112.00	\$3,119,112.00
Mental Health	\$17,054,704.50	\$22,739,606.00	\$22,739,606.00	\$22,739,606.00	\$22,739,606.00	\$22,739,606.00	\$22,739,606.00	\$22,739,606.00
Other	\$58,093,941.04	\$117,468,119.45	\$166,710,286.08	\$187,391,474.21	\$191,130,998.01	\$185,062,990.18	\$183,800,338.07	\$190,794,295.69
Total	\$122,584,336.21	\$235,286,519.82	\$284,302,333.44	\$301,396,864.97	\$306,007,623.44	\$297,392,729.09	\$295,193,567.82	\$305,779,974.93
GR Share	\$86,074,840.82	\$159,442,266.06	\$188,977,856.22	\$199,367,230.21	\$202,268,402.83	\$197,188,068.37	\$195,928,606.34	\$202,343,109.17
Medicaid Reform Savings-Current Population								
Total	\$23,794,229.79	\$31,468,765.59	\$32,782,699.42	\$34,151,508.31	\$35,577,484.59	\$37,063,016.39	\$38,610,591.63	\$40,222,802.16
GR Share	\$4,709,655.88	\$6,383,577.86	\$6,649,971.64	\$6,927,483.24	\$7,216,581.14	\$7,517,746.15	\$7,831,482.75	\$8,158,316.94
Medicaid Reform Savings-Expansion Population								
Total	\$39,597,951.00	\$55,982,051.96	\$58,479,554.59	\$61,075,043.39	\$64,212,560.80	\$67,518,747.56	\$70,444,748.97	\$73,834,554.47
GR Share	\$-	\$2,774,650.00	\$5,287,505.93	\$7,346,125.48	\$8,441,154.95	\$10,003,985.17	\$11,012,262.40	\$11,549,361.58
GR Summary								
GR Cost New Eligibles	\$-	\$-	\$(35,336,652.18)	\$(78,908,758.08)	\$(96,413,340.26)	\$(130,360,343.22)	\$(157,993,461.72)	\$(164,028,069.72)
GR Cost Administration	\$(1,527,500.00)	\$(842,500.00)	\$(842,500.00)	\$(842,500.00)	\$(842,500.00)	\$(842,500.00)	\$(842,500.00)	\$(842,500.00)
GR Cost Physician Access	\$(1,975,672.00)	\$(2,395,134.00)	\$(23,951,344.00)	\$(23,951,344.00)	\$(23,951,344.00)	\$(23,951,344.00)	\$(23,951,344.00)	\$(23,951,344.00)
GR Savings	\$86,074,840.82	\$159,442,266.06	\$188,977,856.22	\$199,367,230.21	\$202,268,402.83	\$197,188,068.37	\$195,928,606.34	\$202,343,109.17
GR Savings Reforms	\$4,709,655.88	\$9,158,227.86	\$11,937,477.57	\$14,273,608.71	\$15,657,736.09	\$17,521,731.33	\$18,843,745.15	\$19,707,678.52
TOTAL	\$77,281,324.70	\$143,806,649.92	\$140,784,837.61	\$109,938,236.84	\$96,718,954.66	\$59,555,612.48	\$31,985,045.77	\$33,228,873.97

Source: Office of Administration, Division of Budget and Planning