



Missouri's 2005 Medicaid Cuts Provide Lessons for Today

State Medicaid cuts made in 2005 – which are only a fraction of the size of the cuts being discussed today – caused nearly 150,000 Missourians to lose Medicaid coverage, increased the number of uninsured Missourians, and led to increased costs for providers and patients. The severe effects and long-lasting aftermath of Missouri's 2005 cuts are an important warning for lawmakers shaping state and federal health policy today.

In the early 2000s, a series of state tax cuts, combined with an economic downturn and cuts to federal funding flowing through the state budget, resulted in a fiscal crisis in Missouri. By 2005, this crisis led to nearly \$1.8 billion in state budget cuts,ⁱ the bulk of which were massive cuts to eligibility and services provided through Missouri's Medicaid program (now referred to as MO HealthNet).

The impact and aftermath of these cuts, many of which remain in place today, can be insightful as Congress considers severe reductions in federal Medicaid funding in 2025ⁱⁱ that coincide with an uncertain economic outlook and an anticipated budget cliff caused by decades of state tax cuts.ⁱⁱⁱ

Missouri's 2005 Medicaid cuts resulted in a loss of health coverage for a wide range of Missourians including children, parents, older adults, and people living with disabilities. Although the size of the 2005 cuts are only a fraction of the cuts being discussed today, nearly 150,000 Missourians lost Medicaid coverage altogether and the number of uninsured Missourians rose by over 100,000 – leading to increased costs for both providers and patients.^{iv}

Number of Missourians Without Health Insurance Rose Steeply, Leading to Increased Costs for Hospitals and Patients

Between 2004 and 2006, nearly 150,000 Missourians or over 15% of all enrollees lost Medicaid coverage.^v While the bulk of these were parents who saw the steepest cuts to eligibility, over 10,000 older adults and people with disabilities lost coverage and over 51,000 children lost access to Medicaid.^{vi}

During the same time period, the number of uninsured Missourians rose by over 100,000 leading to an increase in uncompensated care for providers, and diminished services and increased fees charged to patients.^{vii}

- The number of emergency department (ED) visits by uninsured patients increased by 85,000 and community health centers (CHCs) reported a nearly 30% increase in the number of

uninsured visits. These increases were associated with decreases in the number of visits covered by Medicaid and the Children’s Health Insurance Program (CHIP).^{viii}

- The increase in the number of uninsured patients meant CHCs had to rely more on the state government to cover the increased cost of uncompensated care to help CHCs stay afloat.^{ix} Hospitals also reported an increase in the cost of uncompensated care of \$162 million or an increase of nearly 40%.^x
- The impact of these uncompensated costs was passed on to all patients through increased fees to cover health care costs, cuts to staffing, and long waiting lists for mental health services. Per patient costs at the CHCs rose by nearly 10% following the cuts to Medicaid.

How Medicaid Was Cut in 2005

Severe Cuts to Program Eligibility

- Income eligibility for parents dropped from 100 percent of the federal poverty level (FPL) to the lowest level allowed by federal law or \$292/month for a family of 3 (the equivalent of 22% FPL at the time).
- Eligibility for older adults and people with disabilities was also cut from 100 percent of the federal poverty level to 85 percent of the federal poverty level.
- Several other categories of eligibility were eliminated entirely including those serving people with disabilities who are employed.

Elimination Of and Reduced Access to Services

- The “level of care” eligibility limit for Medicaid Home and Community Based Services (HCBS) was raised, meaning clients must show a higher level of physical limitations to receive home based services. These restrictions shift clients to more expensive institutional care settings because they are not able to obtain coverage for the services needed to remain in their home.
- Several services, such as dental care, podiatry, orthopedic devices, hearing aids, eyeglasses, hospice, durable medical equipment (DME), and rehabilitative therapy were made “subject to appropriation,” meaning coverage for these items and services would no longer be guaranteed.

Increased Costs & Administrative Barriers

- Premiums for CHIP^{xi} were expanded to families with lower income levels. Prior to 2005, only families with incomes above 225 percent of the federal poverty level were required to pay premiums. The change applied premiums to families with incomes beginning at just 150 percent of the federal poverty level. Missouri’s premiums remain among the highest in the nation and begin at a much lower income level than most other states.^{xii}

- Copayments for Medicaid-covered services and prescription drugs were increased, and Missouri’s “Spend Down” program (which reduces monthly income by the amount spent on medical expenses to determine eligibility for older adults and people with disabilities) was restructured in a way that significantly increased out-of-pocket costs.
- Annual investigations to verify Medicaid participants’ incomes were instituted, despite a lack of staffing to carry out the reverifications.^{xiii}

Conclusion

The consequences of Missouri’s 2005 Medicaid cuts reverberated for decades after the initial fiscal crisis passed. Missouri is now facing a similar fiscal crisis that combines a \$2 billion budget shortfall with the potential for drastic federal funding cuts. Cuts to Medicaid that echo those of 2005 would reach Missourians in every age group and make it harder for Missouri families and communities to stay afloat and remain competitive during this time of financial and economic uncertainty.

Endnotes

- i Missouri Budget Project, "The High Price of Budget Cuts: Thousands More Missourians Lose Health Care," January 2006. Available <https://mobudget.org/files/Health%20Care%20-%20the%20MO%20Budget%20Crisis%20%26%20Impact%20on%20Health%20updated%20december%202005.pdf>
- ii Missouri Budget Project, "Federal Cuts to Medicaid & SNAP Would Force Missouri Legislators to Make Significant Cuts to Services," April 16, 2025. Available <https://mobudget.org/federal-force-cuts-state-services/>
- iii Missouri Budget Project, "With Repeated Tax Cuts, Missouri's Investments in Its Residents Have Eroded," March 10, 2025. Available <https://mobudget.org/with-repeated-tax-cuts-missouris-investments-in-its-residents-have-eroded/>
- iv S. Zuckerman, D. Miller, and E. Shelton Pape, "Missouri's 2005 Medicaid Cuts: How Did They Affect Enrollees And Providers?" February 2009, Health Affairs, retrieved from <https://www.healthaffairs.org/doi/10.1377/hlthaff.28.2.w335>
- v Ibid
- vi DSS Caseload Counter Historical Data
- vii Zuckerman et al.
- viii Zuckerman et al.
- ix Zuckerman et al.
- x Zuckerman et al.
- xi Families with incomes too high to qualify for traditional Medicaid can pay a premium to get health insurance for their children through State Children's Health Insurance Program (SCHIP).
- xii Missouri Budget Project, "Medicaid 101: An Overview of MO HealthNet & the Children's Health Insurance Program," January 2025, available <https://mobudget.org/medicaid-101-2025/>
- xiii Ferber, J., "Summary of Medicaid Cuts Adopted in the 2005 Legislative Session, May 2005