



*Updated
September, 2005*

Medicaid: A Healthy Investment for Missouri

Missouri Budget Project
4130 Lindell Blvd. St. Louis, MO 63108
314.652.1400 www.mobudget.org; mcbpp@sbcglobal.net

Missouri's Fiscal Health Is Poor

- Missouri just ended its 5th consecutive year of fiscal crisis
- Revenue growth is at an historically low rate. Between 1986 and 2001 State General Revenue grew at more than 5% annually. In the past four years, general revenue has averaged a net loss.
- The result has been that the state has been faced with significant shortfalls and has responded by cutting programs and services by nearly \$1.4 billion dollars through core reductions in FYs 2002 through 2005, and \$441 million in general revenue in FY 2006. The Departments of Social Services, Health and Mental Health have been disproportionately burdened with these cuts.

Medicaid cuts are unhealthy for the economy.

These are Job- Killing Cuts. Medicaid cuts do not support the Governor's desire to build a stronger economic environment. Medicaid cuts do the opposite. Medicaid funding goes directly to hospitals, doctors, and others in the community who provide access to health care. Reducing Medicaid will hurt doctors, hospitals and clinics in Missouri's small towns and cities. The analysis done by the John Cook School of Business at St. Louis University indicated that every \$1 million that the state spends on Medicaid generates over \$3 million in business activity and creates 42 jobs.¹ **Cutting more than \$600 million from the health care industry does not create a stronger business environment.**

Workers who lack health insurance are more likely to miss days of work due to illness. This destabilizes the work force of the employer, and the economic life of the family. Lost wages are bad for the economy, since families are less able to purchase needed items, pay rent, buy cars, etc.

Further, in cutting Medicaid, Missouri forfeits significant federal dollars. The federal government matches the funds that States invest in Medicaid. The state will lose about two dollars for every dollar cut in Medicaid. Total Medicaid cuts in FY 2006 were \$453.6 million. Of this only \$180 million was state general revenue.

¹ Ferber, J., Economic and Health Benefits of Medicaid and SCHIP, Missouri Foundation for Health, April 2004.

Medicaid cuts are unhealthy for low income parents and individuals who are elderly or have a disability.

The proposed cuts will have a resounding human impact. For many people, Medicaid is literally a life line. The core cuts in Fiscal Years 2002 through 2005 resulted in significant reductions in Medicaid eligibility as well as cuts to other health care programs, impacting approximately 113,927 persons.

- Medicaid eligibility for parents was reduced from 100% of 75% of the poverty level, \$12,065 for a family of three
- Spend down was changed, making it more costly for the elderly and disabled to access Medicaid
- Benefits for non-custodial parents were eliminated
- Women's Comprehensive Health Services, used by 30,000 Missouri women, was eliminated.

In Fiscal Year 2006 additional cuts were made that will make it more difficult for parents to work, and for elderly persons and individuals with a disability to get their health needs met.

- 90,604 individuals lost Medicaid eligibility. Eligibility for low income parents was lowered to 17-22% of federal poverty level.
- 15,723 persons were affected by spend down changes
- An estimated 13,609 people, including 8,988 children will be affected by annual re-investigations
- Children in families with incomes from 151 to 300% of FPL will pay premiums to participate in SCHIP. A substantial body of research shows that when premiums increase, participation decreases.²

These Medicaid cuts mean that fewer people with chronic diseases will be able to work to support their families, people with disabilities will be less able to live independently, use of the emergency room will increase, and the amount of uncompensated care delivered will increase. Cost sharing mechanisms result in individuals foregoing necessary care, as well as preventive care and care that is less critical.³

Medicaid Cuts Are Unhealthy for Missourians Who Are Insured.

The costs of care for the uninsured are passed on to all of us. Our taxes pay for the State's contribution to uncompensated health care. Individuals with private insurance pay again through increased premiums. In 2005 it is estimated that Missourians' private health insurance premiums increased by 2.9%, or between \$110 and \$291 for individuals or families due to the cost of health care for the uninsured. By 2010 this is estimated to rise to a 4.9% increase.⁴

How Much Do We Really Spend on Medicaid?

Missouri ranks **39th** when one considers the amount of STATE GENERAL REVENUE funds spent on Medicaid. Missouri's general revenue spending rank is low because 17% of total Medicaid expenditures in Missouri have been funded by provider taxes. In other words, the state is able to generate 83 cents for every 17 cents it spends on Medicaid to contribute to the health care needs of its citizens.⁵ When state general revenue funds and provider taxes are considered jointly, Missouri ranks 20th nationwide in per capita spending on Medicaid (FY 2004). When spending per Medicaid enrollee is ranked, Missouri drops to 36th nationally (FY 2002).⁶ By all measures Missouri is not a "big spender" on Medicaid.

² Ku, L & Coughlin, T. "Sliding Scale Premium Health Insurance Programs: Four States' Experiences", Inquiry, Vol 36: 471-480, 2000

³ Newhouse, J., *Free for All? Lessons from the Rand Health Insurance Experiment*, Cambridge, Harvard University Press, 1996.

⁴ *Paying a Premium: The Added Cost of Care for the Uninsured*. Families USA, June 2005

⁵ Figures are for 2003, the most recent available. Source is the National Association of State Budget Officers as reported by the Missouri Hospital Association.

⁶ Source: Center on Budget & Policy Priorities, based on CMS data

Medicaid Is a Sound Investment for Missouri.

Medicaid's spending growth per enrollee was 6.9% during 2000 and 2003. Private insurance costs grew by 12.6%.⁷ The annual cost of coverage per adult is just \$1,056. For children, it is only \$336 per year. Medicaid is good for the economy and good for Missourians.

For more information contact Ruth R. Ehresman, Missouri Budget Project

⁷ Kaiser Family Foundation, www.kff.org