

Supreme Court Rules on the Affordable Care Act: Significant Fiscal Impact for Missouri

[In an historic ruling today](#), the United States Supreme Court upheld the entirety of the *Affordable Care Act* (ACA, or health reform) as constitutional. The Court ruled that while the Congress does not have the authority under the Commerce Clause to require purchase of insurance (commonly referred to as the individual mandate), this provision of the law can be implemented under Congress' taxing authority.

However, the Court did rule that states may not be compelled to participate in the Medicaid expansion included in the health care reform law. Under the ACA, Medicaid eligibility is expanded from current levels (approximately 19 percent) to 133 percent of the federal poverty level and extended beyond parents, seniors and people with disabilities to include all income eligible adults. The ruling has significant fiscal implications for Missouri.

According to the Kaiser Foundation, **the Medicaid expansion in Missouri will extend coverage to as many as 307,872 Missourians and will generate \$8.395 billion in federal funds for the health care industry** in Missouri over the first five years of implementation of the Medicaid expansion, beginning in 2014. Because the ACA provides 100 percent federal financing for the Medicaid expansion from 2014 through 2017, reducing to 90 percent federal financing by 2020 and beyond, the amount of funding required from the state is significantly reduced. To generate the estimated \$8.395 billion as projected by Kaiser, Missouri will only need to invest \$431 million in the first five years of implementation. In addition, Missouri's net cost is likely to decrease as a result of the expanded coverage because the state should realize savings in uncompensated care over time.

The injection of federal financing will have significant impacts on the health care industry in the state as well as the economy in general. In addition to the Medicaid financing, new tax credits for individuals and small businesses intended to make access to health insurance more affordable will not only will bring new funding to Missouri, but will also allow those small businesses and individuals to utilize more of their incomes for other needs, including business expansion and individual purchasing, thereby generating further economic activity.

Although states have the option not to expand Medicaid coverage, it would make little economic sense for Missouri to forego this critical opportunity to boost the state's economy. Now that the court has ruled, the Missouri Budget Project will begin fully assessing the economic impact and budgetary implications of its various components on Missouri. Stay tuned.