Medicaid Makes (Dollars &) Sense

Savings Improve Missouri's Fiscal Picture

MBP
MISSOURI BUDGET PROJECT

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 $81 million initially, and more than $100 million annually in later years.[1] ***The truth is, Missouri can't afford not to expand and transform 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 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 is the most expansive and diverse health care program in the state. It covers the cost of nearly half the births every year in Missouri.

Missouri's MO HealthNet:

- covers 1 out of every 7 Missourians[2]
- covers 34% of Missouri's children[2]
- pays for 42% of all births in the state[3]
- covers 1 out of every 10 seniors over age 65
- pays for 61% of all nursing home care in the state[4]
- covers Medicare premiums, deductibles, and coinsurance for eligible seniors and people with disabilities

Nearly 34 percent of Missouri's children and one out of every ten senior citizens are insured through MO HealthNet, which is the largest payer of long-term care in the state.[5]

Currently, MO HealthNet has the lowest eligibility allowed under federal law, covering custodial parents with incomes up to just 19 percent of the federal poverty level. It does not cover adults without children at all.

While 28 percent of MO HealthNet participants are aged, blind or disabled, they account for 64 percent of the program's cost; the 72 percent of participants that are parents and children account for only 36 percent of the cost.[6]

While the general proportion of federal to state dollars can vary slightly, in Missouri the federal government currently pays 63 percent of the costs of the program, and the state pays 37 percent.[7]

The ACA and 138% FPL

The Affordable Care Act (ACA) passed by Congress in 2009 took a two-prong approach to expanding health insurance coverage: subsidies to purchase health insurance through an "exchange" or "marketplace" would be available to individuals between 100 and 400 percent of the federal poverty level, and states would expand the benefits of their Medicaid programs to parents and to adults without children at home to those with incomes up to 138 percent of the federal poverty level (FPL).[8]

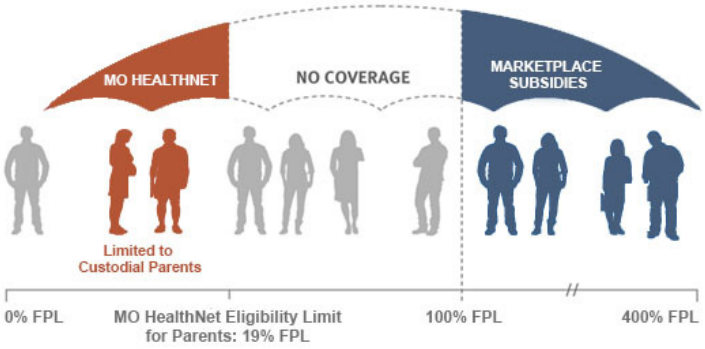
[1] Missouri Office of Administration, Division of Budget and Planning
[2] StateHealthFacts.org "Health Coverage and the Uninsured, 2011," Kaiser Family Foundation, 2014, http://kff.org/state-category/health-coverage-uninsured/
[3] Missouri Information for Community Assessment (MICA), "Prenatal Service Utilization" Missouri Department of Health and Senior Services, 2011, http://health.mo.gov/data/mica/mica/birth.php.
[4] IBID 2
[5] 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.
[6] "Where do the MO HealthNet dollars go?", Missouri Department of Social Services, Division of MO HealthNet
[7] StateHealthFacts.org "Federal Medicaid Assistance Percentage (FMAP) for Medicaid and Multiplier," Kaiser Family Foundation, http://kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier/
[8] Modified Adjusted Gross Income (MAGI) after 5% income disregard

UPDATED January 2015

Under this Medicaid expansion, the federal government would cover 100 percent of the cost for three years (2013-2016) 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.**[9]

Because the ACA assumed states would extend Medicaid benefits, and Missouri's eligibility thresholds are so low, parents between 19 and 100 percent FPL and all childless adults below the poverty level are ineligible for premium assistance to purchase insurance through the healthcare marketplace – creating a "coverage gap" for more than 260,000 Missourians.

Failing to Expand MO HealthNet Leaves Gap in Coverage



The Federal Reimbursement Allowance (FRA)

When calculating the general revenue contribution to Medicaid expansion, it is critical to remember the valuable role of 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.

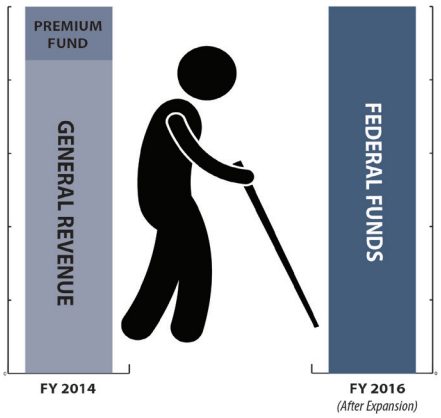
Here's how it works: A hospital pays the state a tax of one dollar - that tax can be through non-reimbursed services provided or direct cash payment. MO HealthNet then takes that dollar and uses it to leverage the matching funds that the federal government provides for Medicaid. In Missouri, the state receives two federal dollars paid for every one state dollar. Those two dollars are then paid back to that same hospital to provide services to people who are covered under MO HealthNet. As a result, the FRA reduces the general revenue portion of the state's Medicaid costs, which will further reduce the cost of Medicaid expansion, as explained later.

Saving State Dollars through Expansion

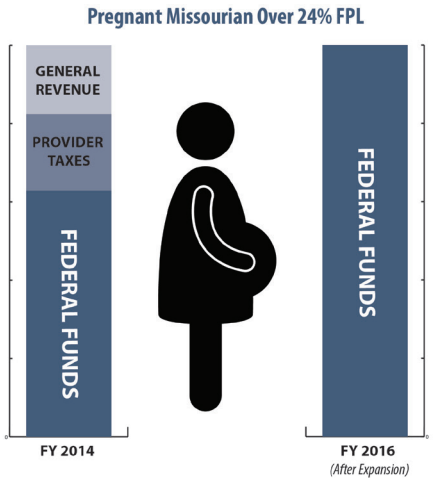
Although it seems counterintuitive, the State of Missouri can actually save money by expanding MO HealthNet to healthy adults living below 138 percent of the federal poverty level and by taking advantage of the ACA's higher match rate for populations already covered for health services in Missouri.

Missouri currently covers some populations that do not receive any federal matching dollars at all. For instance, MOHealthNet covers some blind Missourians using state-only dollars. Likewise, prisoners in the custody of the Department of Corrections[10] (childless adults) must receive medical care, but because MO HealthNet doesn't cover them, the state pays 100 percent of the cost.

Blind Missourian Over 100% FPL

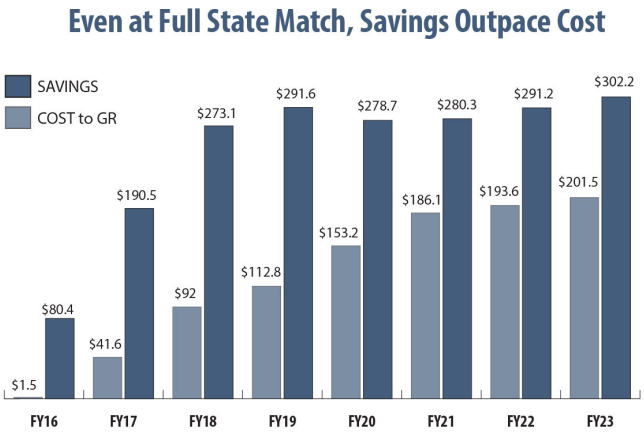


[9] National Health Law Program, "Why the Medicaid Expansion is a Safe Choice for Your State", February 2013
[10] Medicaid coverage for prisoners only allowable for inpatient hospital care

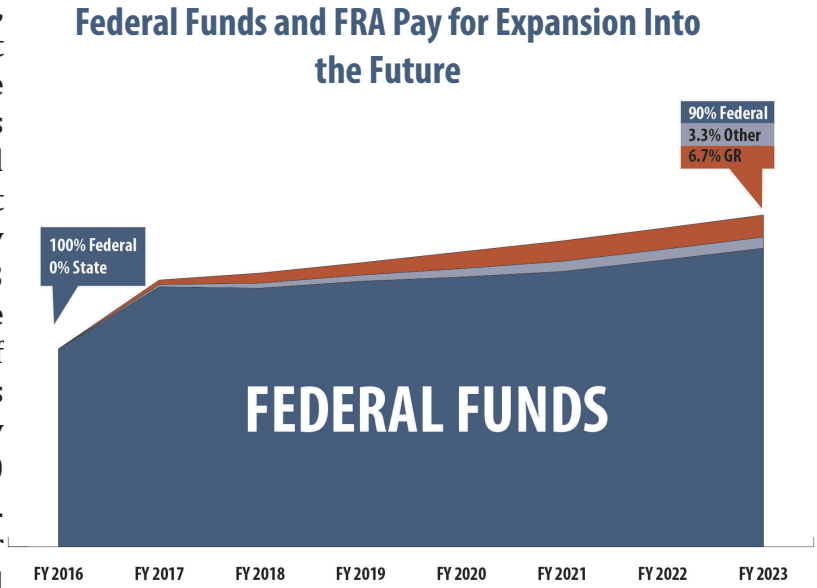


In addition, MO HealthNet covers some populations that the federal government currently provides 63 percent of the cost for, but if MO HealthNet is expanded, they will pay 100 percent of the cost, slowly lowering to 90 percent. These consumers will receive the same care under the same program – only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

In all, Missouri stands to gain more in savings from the current program than the state will spend on covering new populations. These savings result from the enhanced permanent 90 percent match rate for populations the state currently covers at lower (or nonexistent) match rates.



In addition, because Missouri's FRA will cover a portion of the state match for the expanded coverage, even when Missouri's full commitment of state dollars is phased in, the state general revenue portion of the cost will be just 6.7 percent of the total cost. As a result, the savings far outpace the state's general revenue cost.



These savings DO NOT account for the economic activity that will no doubt come from an influx of $2 billion into the state economy; it's just the simple math of moving one population from one funding source to another.

Conclusion

The math is simple and clear. Missouri must act quickly if we are to take full advantage of the resources being offered to make our system more efficient and effective for consumers. The eventual $100+ million annual savings could be used to fund the K-12 education formula or restore some services cut during the Great Recession. As the 2015 legislative session begins, Medicaid expansion should be a top budgeting and policy priority.

Appendix

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Number of Newly Eligible Medicaid Participants								
	301,473	308,082	314,690	321,298	321,298	321,298	321,298	321,298
Cost-For Newly Eligible Participants								
Total	($1,792,218,527)	($2,415,736,782)	($2,479,314,405)	($2,572,590,561)	($2,671,583,231)	($2,770,774,102)	($2,885,501,805)	($3,005,553,177)
State Share-GR	$0	($40,723,088)	($91,193,804)	($112,010,439)	($152,329,800)	($185,269,455)	($192,794,801)	($200,639,355)
State Share-Other	$0	($20,323,134)	($45,355,815)	($55,487,000)	($75,402,506)	($91,807,955)	($95,755,379)	($99,915,962)
Federal Share	($1,792,218,527)	($2,354,690,561)	($2,342,764,785)	($2,405,093,123)	($2,443,850,926)	($2,493,696,692)	($2,596,951,625)	($2,704,997,860)
Savings-State Share Change in Existing Programs								
Pregnant Women	$12,507,538	$33,004,979	$43,175,611	$43,547,481	$42,341,483	$41,820,410	$43,576,868	$45,407,096
Breast/Cervical Cancer	$1,344,043	$3,813,675	$6,122,376	$6,928,467	$6,742,641	$6,664,576	$6,944,488	$7,236,157
Blind Pension	$715,970	$949,806	$959,647	$989,370	$1,008,642	$1,034,124	$1,077,558	$1,122,815
Corrections	$1,174,053	$1,526,268	$1,479,306	$1,463,652	$1,432,344	$1,408,863	$1,408,863	$1,408,863
Mental Health	$22,690,557	$30,181,154	$30,035,310	$29,889,467	$29,816,545	$29,816,545	$29,816,545	$29,816,545
Other	$41,983,886	$121,065,936	$191,357,908	$208,845,016	$197,343,151	$199,601,627	$208,396,741	$217,197,932
Total	**$80,416,047**	**$190,541,818**	**$273,130,159**	**$291,663,454**	**$278,684,807**	**$280,346,146**	**$291,221,063**	**$302,189,408**
Medicaid Reform Savings-Expansion Population								
Cost Sharing	$0	$499,715	$1,113,343	$1,362,017	$1,859,662	$2,266,689	$2,368,583	$2,487,023
Reduced Recidivism	$2,119,961	$3,741,703	$5,191,921	$6,084,363	$6,825,445	$7,378,544	$7,736,289	$8,118,020
Subtotal	$2,119,961	$4,241,417	$6,305,264	$7,446,380	$8,685,107	$9,645,233	$10,104,872	$10,605,042
GR Summary								
GR Cost - New Eligibles	$0	($40,723,088)	($91,193,804)	($112,010,439)	($152,329,800)	($185,269,455)	($192,794,801)	($200,639,355)
GR Cost - Administration	($1,527,500)	($842,500)	($842,500)	($842,500)	($842,500)	($842,500)	($842,500)	($842,500)
GR Savings - Existing Programs	$80,416,047	$190,541,818	$273,130,159	$291,663,454	$278,684,807	$280,346,146	$291,221,063	$302,189,408
GR Savings - Expansion	$2,119,961	$4,241,417	$6,305,264	$7,446,380	$8,685,107	$9,645,233	$10,104,872	$10,605,042
TOTAL SAVINGS	**$81,008,508**	**$153,217,648**	**$187,399,119**	**$186,256,894**	**$134,197,614**	**$103,879,424**	**$107,688,634**	**$111,312,596**

Source: Office of Administration, Division of Budget and Planning