

MO HealthNet:

Overview of Governor's FY2018 Executive Budget Proposal

MO HealthNet is one of the most complex budgets in the state. Funding in this budget is described by categories of service, such as pharmacy or physician services, rather than described by program or eligibility category. As a result, it can be very difficult to decipher the MO HealthNet budget proposal and track its impact on services. To help make the budget more transparent, the following summarizes the major components of the MO HealthNet budget, and the most significant changes proposed in the Governor's recommended State Budget for Fiscal Year 2018, which begins on July 1st.

More than 990,000 Missourians access healthcare coverage through the state's Medicaid program, known as MO HealthNet. The program provides quality health care coverage to low-income seniors, people with disabilities, children, pregnant women and very low-income parents. Because Medicaid is a state and federal partnership, the federal government provides significant funding to support the services. In the current year, for every dollar Missouri spends on coverage, the federal government provides \$1.72, maximizing the funds available to care for Missourians. In fact, 82% of the costs of MO Medicaid and CHIP programs in the current year are paid for by federal funds and state provider taxes. State general revenue funds only 17% of total cost, making it a good deal for Missouri taxpayers.

MO HealthNet : Current Funding & Governor's FY

Revenue Category	FY 2017 Budget	FY 2018 Governor's Recommended Budget
General Revenue	\$1,400,146,073	\$1,546,056,244
Federal Funds	\$4,216,195,018	\$4,472,135,684
Other Funds (Includes FRA)	\$2,591,317,049	\$2,678,223,986
TOTAL	\$8,207,658,140	\$8,696,415,914

2018 Budget Proposal

The Governor's budget proposal would increase funding for MO HealthNet by \$489 million in FY 2018. Only \$146 million of the increase is supported by state general revenue dollars because the current financing structure is able to leverage significant federal and other funding.

Even though the amount of the net increase is significant, it does not meet the cost increases associated with medical inflation that would be needed to fully fund the current MO HealthNet program. As a result, the Governor's budget does include cuts to services, described below.

Overarching Increases and Reductions

Core Increases: Most areas of the MO HealthNet budget require increased funding in order to provide the same level of service for the same groups that were eligible the prior year, as a result of inflation and the number of Missourians eligible.

Like everything, health care costs are subject to inflationary cost increases. However, health care costs generally have a higher rate of inflation than other products and services because health care inflation has to account for the development of new medications, therapies and medical technology. For example, when new pharmaceutical medications are introduced, they generally have much higher costs in the early years because a generic alternative isn't yet available.

Moreover, even when eligibility levels don't change, more people can become eligible for MO HealthNet. As people age, they may become eligible for services; if a parent loses their job, they

or their children may become eligible for services. But, because of the existing financing structure, the burden of these changes does not rest solely on the state. Funding from the federal government and the “Federal Reimbursement Allowance (FRA),” or provider tax, absorb most of the cost increases. The core increase proposed in the Governor’s Budget totals \$282million, including \$63 million in general revenue. An additional increase of \$79 million, including \$28 million in general revenue, is dedicated to the pharmacy program due to new specialty drugs.

Asset Limits: Lawmakers approved House Bill 1565 in the 2016 legislative session. The bill raised the asset limit allowed for people with disabilities to access MO HealthNet from \$1,000 to \$2,000 for individuals and \$2,000 to \$4,000 for married couples. The Department of Social Services estimates that 4,904 Missourians will become eligible for MO HealthNet as a result. An additional 2,006 MO HealthNet patients who currently receive limited services will receive full benefits. The Governor’s budget proposal requests \$72.8 million, including \$15.6 million in general revenue, to meet increased costs for the change in the asset limits.

Provider Rates Reduced: The Governor’s budget includes cuts in provider rates ranging from 3-3.5% for a number of medical providers including dentists, nursing home care, physician services, rehab and specialty services, and federally qualified health centers (FQHCs).

Restrictions in Nursing Home and In-Home Care: The Governor’s budget includes a proposed change that will make it more difficult for patients to access nursing home and in-home care services by requiring patients to meet a larger number of barriers before accessing care, impacting 20,000 Missourians. This change would reduce funding for nursing home care in the MO HealthNet budget by \$45.8 million, including \$7.5 million general revenue. Funding for in-home care services is housed within the Department of Health & Senior Services (DHSS) budget. That budget indicates an additional cut of \$126 million, including \$45 million in general revenue due to the proposed change in assessment standards.

Significant Changes to Categories of Service

Pharmacy Benefits: This category covers pharmaceutical benefits for all MO HealthNet eligibility categories – both those in fee for service and managed care. The FY 2018 Governor’s Proposed Budget includes several increases, some of which are needed to replace one-time federal funds that were used in the FY 2017 budget:

- \$17 million increase in the core budget from other funds to account for inflationary cost increases;
- \$66.8 million increase in general revenue funds, needed to replace one-time federal funds;
- \$77.6 million in combined general revenue and federal funds to cover increased costs due to new specialty drugs;
- \$6.8 million increase in federal funds due to a higher federal matching rate;
- \$14.6 million combined state and federal funds to meet the increase in patients connected with the implementation of an increased asset limit for people with disabilities.

Medicare Part D “Clawback”: All states are required to pay Medicare for a portion of the costs of prescription medications that are accessed by patients who qualify for the Medicare Part D prescription drug coverage. Missouri reimburses a portion of the costs for approximately 132,318 Missourians. The Governor included a \$17 million general revenue increase in this budget line.

Physician Services: Due to the expansion of managed care, a portion of the physician services budget was moved to the managed care budget line in the proposed FY 2018 budget.

Dental: This section covers dental services under the fee for service program. Due to the expansion of the use of managed care, the Governor moved a portion of this funding to the managed care budget line; however

dental reimbursement rates were also subject to the 3% cut in provider rates.

Nursing Home Care: The Governor recommended a cut of \$113 million. Of that total, \$44 million correlates with a 3.5% cut in the reimbursement rate for nursing home providers. An additional \$45 million of the total amount cut is due to proposed changes in the assessment formula (LOC- Levels of Care) which will make it more difficult for patients to access nursing home care.

Hospital Care: The bulk of the reduction in funding for hospital care is due to the expansion of managed care.

Safety Net Hospitals Physician Payments: Funding in this line is used to increase physician payments within safety net hospitals that serve a large portion of Medicaid and uninsured patients, specifically at Truman Medical Center and the University of Missouri-Kansas City. The Governor's budget proposal increases the funding for this line by \$5.7 million.

FQHC- Federally Qualified Health Clinics: The Federally Qualified Health Clinics are community health centers that provide primary care, mental health and dental services for low-income individuals throughout the state.

Regional Care Coordination: The Governor proposed discontinuing this funding in his budget. Care coordination, which was first funded in the Fiscal Year 2017 budget, was intended to coordinate care for MO HealthNet patients in St. Louis County who were high utilizers of emergency room services or have had multiple hospital admissions.

Replacing One-Time Funding: Slightly more than \$113 million in state general revenue will be needed in the new budget in order to replace one-time federal funds that were available in the current year, but which are not available for the FY 2018 budget. A portion of the one-time funding resulted from retroactive reimbursement from the federal government for services that had been provided by Missouri through the Children's Division. Another portion of the

funding is needed to replace CHIP funds that had been part of a heightened federal match rate as a part of the Affordable Care Act. It's not yet known if the Congress will continue this enhanced match rate for CHIP, so state funding is requested in the FY 2018 budget in order to replace those funds if needed.

MO HealthNet: Summary of Funding for Major Programs

Program	FY 2017 Appropriations				FY 2018 Governor's Budget Proposal			
	General Revenue	Federal	Other Funds	TOTAL	General Revenue	Federal	Other Funds	TOTAL
Women & Minority Health Care Outreach	\$529,796	\$568,625	\$0	\$1,098,421	\$529,796	\$568,625	\$0	\$1,098,421
Electronic Health Records	\$0	\$40,000,000	\$0	\$40,000,000	\$0	\$35,000,000	\$0	\$35,000,000
Pharmacy	\$120,721,992	\$1,004,528,298	\$317,988,648	\$1,443,238,938	\$161,494,119	\$903,101,285	\$340,790,613	\$1,405,386,017
Medicare Claw-back	\$198,071,188	\$12,947,791	0	\$211,018,979	\$232,141,760	0	0	\$232,141,760
Physician Services	\$128,236,386	\$274,847,956	\$13,220,146	\$416,104,488	\$113,499,523	\$291,277,352	\$13,504,004	\$418,280,879
Dental	\$4,346,912	\$9,505,328	\$919,935	\$14,772,175	\$1,652,692	\$4,196,416	\$919,935	\$6,769,043
Nursing Home Care	\$159,835,552	\$403,109,770	\$74,662,188	\$637,607,510	\$130,587,727	\$337,246,579	\$56,684,561	\$524,518,867
Home Health*	\$2,552,515	\$4,634,502	\$159,305	\$7,346,322	\$2,437,345	\$4,668,739	\$159,305	\$7,265,389
Rehab & Specialty Services	\$79,680,604	\$154,077,917	\$25,249,629	\$259,008,150	\$86,914,255	\$158,569,123	\$25,555,421	\$271,038,799
Managed Care	\$467,559,953	\$1,235,543,176	\$185,123,296	\$1,888,226,426	\$555,007,615	\$1,538,805,157	\$286,217,281	\$2,380,030,053
Hospital Care	\$35,973,431	\$351,251,343	\$218,181,908	\$605,406,682	\$42,969,382	\$344,285,567	\$128,702,369	\$515,957,318
Safety Net Hospitals – Physician Payments	0	\$8,000,000	0	\$8,000,000	0	\$13,722,792	0	\$13,722,792
FQHC	\$6,183,830	\$8,759,115	0	\$14,942,945	\$6,185,083	\$6,140,316	0	\$12,325,399
Regional Care Coordination	\$200,000	\$1,800,000	0	\$2,000,000	0	0	0	\$0
Women's Health Services	\$10,790,923	0	0	\$10,790,923	\$6,871,999	0	0	\$6,871,999
Show Me Healthy Babies	\$3,481,466	\$10,116,324	0	\$13,597,790	\$6,393,509	\$18,706,886	0	\$25,100,395

*The majority of Home Health Care services and funding is provided through the Department of Health & Senior Services and is not included in the MO HealthNet budget