

MEDICAID EXPANSION AND REFORM STATE BUDGET SAVINGS

Overview:

Expanding and reforming Medicaid results in savings to the state general revenue budget of an estimated \$94.2 million in FY2015 and \$185.9 million in FY2016. Cumulative savings to general revenue over the first eight years (FY2015 through FY2022) will be an estimated \$983 million.

These savings are achieved in three ways:

- Populations currently being served will transition to coverage through Medicaid expansion, switching the state's costs for those services to 90% - 100% federal funds. We are currently receiving 0% - 63% federal funds for those costs.
- Health care savings will be achieved through reforms such as better care coordination, cost sharing and heightened fraud prevention efforts.
- Increased employment in health care jobs will boost state revenue due to over \$2 billion in federal funds being pumped into the state's health care system.

Higher Federal Match Rate:

Missouri currently provides health care services to people with 100% state funds because those individuals are not currently eligible for Medicaid. Also, the state provides services to other individuals at a lower federal match rate than is available under expansion. With expansion, eligibility for Medicaid will increase to 138% of the federal poverty level (FPL) and costs that are currently covered with state funds will be switched to federal funding. Examples include:

- The Department of Mental Health provides services to over 40,000 individuals with behavioral health issues with 100% state funds. These individuals are not currently Medicaid-eligible because their income is too high (custodial parents are only covered up to 19% of the FPL and childless adults are not covered at all).
- The Department of Social Services currently provides services to over 100,000 individuals who will be covered through expanded Medicaid in the future at a lower cost to the state. For example, pregnant women with incomes up to 185% of the federal poverty level are currently covered during their pregnancies using 37% state funds and 63% federal funds. In

the future, women with incomes up to 138% of the federal poverty level will be covered through the expansion and their health care costs will be paid with 90% - 100% federal funds, regardless of whether or not they are pregnant.

Health care Reform Savings:

Missouri will achieve savings in both the current Medicaid Program as well as in expanded Medicaid through increasing its reform efforts. For example:

- The state will expand its efforts to better coordinate care for Medicaid recipients. This coordination will be through a combination of initiatives including expansion of the Health Home project, using private market solutions to deliver care, and providing coverage through the insurance plans of private employers.
- The state will also require Medicaid recipients to share in the cost of services. This cost sharing will be designed to incentivize appropriate use of services and provide a glide path as a recipient's income increases. For example:
 - There will be a higher copayment for an individual who uses the emergency room for non-emergency services.
 - The plan will provide a glide path for individuals so they do not suddenly lose their health care benefits because of a small increase in income. Expansion will help ensure that Missourians still have access to care as their incomes increase. The plan will also require them to pay more toward their health care costs as their income rises and they can afford to do so.
 - Premiums may be reduced if a recipient participates in activities aimed at improving their health and reducing the state's costs, such as smoking cessation or weight loss activities.
- The state already has multiple strategies to detect and prevent fraud in the Medicaid Program. However, the current system relies on antiquated computer and data systems, which are not coordinated. By investing in upgraded technology and improved data analysis, the state will be able to quickly ensure that recipients are eligible for benefits and providers are only being reimbursed for eligible services.

Economic Benefits:

By expanding Medicaid, an additional \$2 billion in federal funds will be pumped into Missouri's health care system. An estimated 300,000 Missourians will have insurance coverage for services provided by doctors, nurses, psychiatrists, therapists, hospitals and pharmacies. Increased health care services will drive the need to hire more health care professionals as well as ancillary staff. Higher employment will increase payroll and sales taxes to the state.

A very conservative estimate is that the state will gain about \$40 million per year in increased revenue due to this economic activity. A study by the Missouri Department of Economic Development estimates an increase of about 24,000 jobs as a result of Medicaid expansion.