

HEALTH CARE FOR WORKING FAMILIES

REFORMING MEDICAID THE MISSOURI WAY

“It is up to us to make the right choice - the human choice - and live in a place where working Missourians get a fair shake. A place where someone who works two jobs can afford to see a doctor when they are sick. A place where everyone lives longer, healthier, fuller lives,”

– Governor Jay Nixon

What is Medicaid?

Medicaid provides health care services to low-income Missourians, their children and people with disabilities. About 829,000 Missourians receive Medicaid services, including 503,000 children; 158,000 people with disabilities; 75,000 seniors; 72,000 low income adults; and 21,000 pregnant women.

Currently, Medicaid is funded through a combination of 63% federal funds and 37% state funds.

Expanding Medicaid would close the Coverage Gap

Medicaid Expansion would raise Missouri’s income limit to 138% of the federal poverty level. Under the new limit, Medicaid would provide health care to an estimated 300,000 low-income adults, closing the Coverage Gap.

Family Size	Annual Household Income	
	19% FPL (current)*	138% FPL (expansion)
One Person	\$2,217	\$16,105
Two People	\$2,989	\$21,707
Three People	\$3,760	\$27,310
Four People	\$4,532	\$32,913

**This is the current poverty limit for custodial parents (with children). Single adults do not qualify for Medicaid at all, unless they are disabled or elderly.*

What is the Coverage Gap?

People who make too much to qualify for Medicaid under the current law, but not enough to qualify for other health subsidies are in the ‘Coverage Gap.’ According to the Kaiser Health Foundation: “Most people without health coverage are in working families and have low incomes.”¹

To qualify for Medicaid under Missouri’s current law, a person must make less than 19% of the federal poverty level, which is \$3,760 a year for a family of three. Under the Affordable Care Act, individuals start qualifying for subsidies to buy health insurance if they make 100% of the federal poverty level, which is \$19,790 a year for a family of three.

¹ <http://kaiserfamilyfoundation.files.wordpress.com/2013/01/7451-08.pdf>

What would expanding Medicaid cost the state?

The services provided under expansion would be paid mainly through federal revenue. For 2014, 2015 and 2016, federal funds would pay 100% of the cost. Even after 2021, federal funds would pay 90% of the cost.

By expanding and reforming Medicaid, any new costs to the state would be offset by savings in other areas. As a result, expanding and reforming Medicaid will actually save the state money.

EXPANDING AND REFORMING MEDICAID					
GENERAL REVENUE BUDGET SUMMARY					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2022
People Served	297,024	301,602	305,484	309,368	313,250
	<u>\$s in Mils</u>	<u>\$s in Mils</u>	<u>\$s in Mils</u>	<u>\$s in Mils</u>	<u>\$s in Mils</u>
New Cost	\$0.0	\$0.0	(\$35.3)	(\$78.9)	(\$164.0)
Savings	\$90.8	\$168.6	\$200.9	\$213.7	\$222.0
Access to Physicians	(\$12.0)	(\$24.0)	(\$24.0)	(\$24.0)	(\$24.0)
Admin Cost	(\$1.5)	(\$0.8)	(\$0.8)	(\$0.8)	(\$0.8)
Net Savings	\$77.3	\$143.8	\$140.8	\$110.0	\$33.2
<u>New Revenue</u>	<u>\$16.9</u>	<u>\$42.1</u>	<u>\$40.0</u>	<u>\$36.4</u>	<u>\$40.3</u>
Net Positive Impact	\$94.2	\$185.9	\$180.8	\$146.4	\$73.5

How would expanding Medicaid save the state money?

Expanding and reforming Medicaid results in savings to the state in three ways:

1. Higher federal match rate
2. Improved patient outcomes
3. Increased economic activity

Saving the state money - Higher federal match rate

Currently, Medicaid is funded by 63% federal funds. Under Medicaid expansion, federal funds will pay:

- 100% through calendar year 2016
- 95% for 2017
- 94% for 2018
- 93% for 2019
- 90% for 2020 and all future calendar years.

Saving the state money - Higher federal match rate (cont.)

Missouri currently pays as much as 100% of the cost of health care for some people who are not currently eligible for Medicaid. With expansion, some costs that are currently covered with state funds will be switched to federal funding. This will save the state money. For example:

- The Department of Mental Health provides services to over 40,000 individuals with behavioral health issues with 100% state funds. With Medicaid expansion, many of these costs would be paid for by the federal government.
- The Department of Social Services provides services to over 100,000 individuals including pregnant women with income up to 185% of the federal poverty level. Currently, federal funds only pay 63% of these costs. With Medicaid expansion, many of these women would have their health care costs paid with 90% - 100% federal funds, regardless of whether or not they are pregnant.

Saving the state money – Improved patient outcomes

Missouri will achieve savings through several reforms that will improve patient outcomes.

Right now, many Missourians – especially those in rural areas – have trouble getting access to primary and mental health care services. To address this challenge, Gov. Nixon is proposing expanding incentives that encourage health professionals to practice in underserved areas and increasing reimbursement rates for Medicaid providers to levels comparable to private insurance.

Saving the state money – Increased economic activity:

By expanding Medicaid, an additional \$2 billion in federal funds will be pumped into Missouri's health care system each year. The 300,000 Missourians who will have access to health care will seek the services of 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. This will increase employment, 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.

The Missouri Hospital Association has estimated that passing up this opportunity to strengthen Medicaid will cost the state 9,000 jobs, increase uncompensated care costs by \$11.1 billion, and hike health insurance premiums for families and businesses by more than \$1 billion.

What are other states doing?

A majority of states are actively moving forward with Medicaid expansion for their citizens, including Missouri's neighbors - Arkansas, Kentucky, Iowa and Illinois. Many of these states are using Medicaid expansion as an opportunity to get additional flexibility to make reforms.