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# HMA

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HEALTH MANAGEMENT ASSOCIATES

*Executive Summary: Medicaid Expansion in  
Missouri - Economic Implications for Missouri  
and Interviews Reflecting Arkansas, Indiana, and  
Ohio Experiences*

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## Executive Summary

Health Management Associates (HMA) conducted a targeted analysis of the economic impact of an ACA Medicaid Expansion in Missouri, with an emphasis on the effects on the state budget. As Missouri considers the costs and benefits of adopting the ACA Medicaid Expansion, state officials and private sector leaders should consider the experience of other similarly situated states that have implemented Expansion in the past few years. HMA examined the literature on states' experience with Medicaid Expansions, and took a deeper look at three largely Republican states that had robust discussions about the potential impact of an Expansion prior to its implementation — Ohio, Indiana, and Arkansas. We interviewed leaders with first-hand experience in those states and asked them to reflect upon what did and did not work in their state.

Both our review of carefully conducted research studies and our interviews with state leaders from nearby states lead to a conclusion that the full cost of a well-designed and well-synchronized program in Missouri can be covered by the offsets from replacing state-only funding with a 90 percent federal match, current Medicaid programs that would be matched at higher rate, and other policy and operational adjustments. When considering the multiple policy and budgetary implications of Medicaid Expansion, states are wise to proceed both strategically and cautiously. Synchronizing an Expansion with the appropriate policy and operational adjustments is imperative to designing a cost-effective program that ultimately reflects the goals, vision and priorities of the state. An Expansion program in Missouri can be designed to budget for savings and revenue opportunities that significantly exceed the state's cost of implementation. An Expansion can be designed to free general revenue funds for other priorities, such as K-12 education, transportation, and law enforcement. Our report's key findings are:

## General Findings

**No State has Reversed its Expansion Decision.** Despite significant initial concerns in the states interviewed for this report, as well as other Expansion states, no state has reversed its decision to adopt the Medicaid Expansion in the more than six years since this program was first authorized on a national scale. In fact, additional states continue to choose the Expansion option. More importantly, no state has reversed its decision because of "out of control" costs. It is far more likely that states regard the Expansion as having a positive impact on the state's general revenue budget.

**Arkansas, Indiana, and Ohio Expansion Costs Have Been Controlled.** Each state meticulously worked to customize its program to keep costs under control and to capture state dollars that were then used to fund the state's share of the Expansion.

## Costs and Offsets

### Costs

**Confirming Reasonable Cost and Enrollment Estimates.** Although there are costs to the state for the required ten percent match, these costs can be offset through a variety of mechanisms, as demonstrated by the experience of other states that synchronized program changes and revenue matching initiatives as part of the Expansion design. After a thorough review of data, our research and estimates are in line with the enrollment and cost assumptions from the May 2019 Missouri State Auditor's Office Fiscal Note. The

estimated costs of Expansion would include the State's 10 percent share of the new program costs, new administrative costs, and the "woodwork effect," which results when the Expansion enrollment process draws in people previously eligible for Medicaid but not participating.

### Offsets

**Expansion Benefits the Mental Health, Substance Use Disorders, and Incarcerated Populations.** Large state-only outlays could be used to draw down a 90% federal match. Not only are matching funds available for populations currently served with state-only outlays, funding opportunities expand for opioid and addiction prevention programs. Federal money also becomes available to help combat recidivism for incarcerated populations.

**Subsets of the Medicaid Population Will be Positively Affected.** Pregnant women, women eligible for the Breast and Cervical Cancer program, the Medically Needy, and individuals with disabilities will potentially move from a lower matching Medicaid eligibility category to the higher matching rate available through Expansion. This creates direct financial benefits for the state.

### Revenue opportunities

**Provider Taxes Offer Additional Offset Opportunities.** A potential Managed Care Organization (MCO) tax and the option to re-visit other provider taxes present opportunities to offset the costs of Expansion.

**State Sales Tax Will Grow.** Missouri could expect an increase in sales taxes as a result of the Medicaid Expansion, as other states have experienced.

### Other State Economic Benefits

**Gains in Employment Are Expected.** Experience from other Expansion states demonstrates that Expansion has had a positive impact on people's ability to seek work, obtain jobs, and engage in volunteer work.

**The Health Care Infrastructure Will be Enhanced.** Improvements in the health care delivery system and quality of care are likely to occur. A reduction in uncompensated care can be expected as well.

### Lessons from HMA Interviews with Arkansas, Indiana and Ohio

HMA conducted in-depth interviews with leaders directly involved in the Medicaid Expansions in Ohio, Arkansas, and Indiana. Lessons learned included:

- Leverage the flow of new federal money to implement reforms to Missouri's health care delivery and payment systems, potentially as part of a more systemic transformation initiative
- Keep financing straightforward, building on existing mechanisms when possible
- Recognize that some costs will be incurred up front while the full effect of the offsets and other benefits may take some time to emerge
- A number of policy accomplishments were achieved as these states rolled out their Medicaid Expansions. For example, Arkansas simultaneously enacted a state income tax cut during the Medicaid Expansion implementation.

- Compelling messages from the interviews include: newly eligible people include veterans and “people we know”; Expansion reduces cost-shifting and loss of federal tax dollars to other states; Expansion data shows better outcomes for enrollees with substance use disorders and mental illness; consumer education is important; and if you run a responsible program that helps people, the majority of state residents will support it.