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September 29, 2021

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Dear Todd and Kirk:

Over the years, there have been important inflection points in Missouri's Medicaid program. Missouri's executive and legislative leaders have come together with health care providers to enable innovative improvements to the state's Medicaid program. Beginning in the 1990s, Missouri broke new ground with its use of provider taxes. Later, it established a two-tier Children's Health Insurance Program to integrate Medicaid and private coverage. More recently, MO HealthNet Division initiated its award-winning health home program focused on behavioral health and chronic conditions.

On Friday this week, Missouri will have two new inflection points whose convergence creates comparable opportunities to improve Medicaid. October 1 is the day the state of Missouri will begin processing applications for the 250,000 Missourians expected to become eligible under Medicaid expansion. This event alone is enough to bring stakeholders to the table for discussions. But October 1 also is the start of the federal incentive for states like Missouri to implement Medicaid expansion. Congress' American Rescue Plan Act of 2021 adds 5% to Missouri's Federal Medicaid Assistance Percentage for 24 months. This will bring more than \$1 billion in Medicaid funds to the state's treasury. As illustrated in the attached infographic, this new funding coupled with the \$1 billion in funding already set aside for the MO HealthNet Division is projected to cover the state's cost of Medicaid expansion through May 2030.

With extended financial stability for the expansion population, the time and talent that would have been consumed with funding debates can be directed to designing and implementing program refinements and innovations. As you know, over the past several years the Missouri Hospital Association has shared with the department several value-based payment options to help move reform forward. They include expansion of the Primary Care Health Home program, transforming the out of state payment to a VBP platform, readmission reduction initiatives and efforts to engage Medicaid super-utilizers, including the expansion of the community paramedic program. All these initiatives focus on improving the quality of care and patient outcomes, enhancing financial sustainability, and setting standards of accountability for providers and patients.

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The MHA Board of Trustees recently met and reaffirmed its deep desire to further the quadruple aim goals — better care, better health, lower cost, engaged providers — within the Missouri Medicaid program. This aligns with MO HealthNet Division's focus on creating a fair, rationale and transparent health care delivery and financing system. The opportunity to achieve better care for not only the expansion population, but all others served by Medicaid through a stronger and more robust VBP system, is better now than ever before given the present funding situation.

As we come to this important inflection point for Missouri Medicaid, we urge MO HealthNet Division to convene stakeholders in a collaborative effort aimed at driving effective and lasting Medicaid improvements. MHA and its members stand ready to participate in and contribute to this effort.

Sincerely,

A handwritten signature in black ink, appearing to read "Herb B. Kuhn". The signature is fluid and cursive, with a large initial "H" and "K".

Herb B. Kuhn
President and CEO

hbk/ds

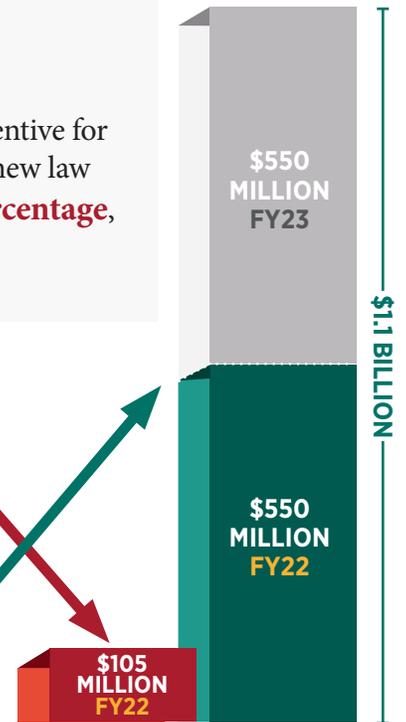
attachment

EXPANSION INCENTIVE

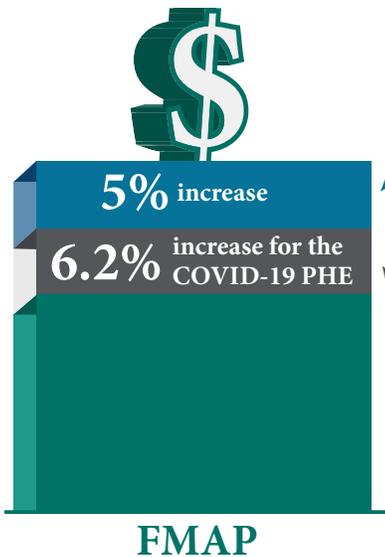
The **American Rescue Plan Act of 2021** provides a significant financial incentive for states to implement Medicaid expansion if they have not already done so. The new law authorizes a targeted **5% increase in the Federal Medicaid Assistance Percentage**, which is the share of Medicaid costs paid by the federal government.

Gov. Parson's budget proposal for implementing Medicaid expansion had a **general revenue cost of \$105 million** for FY 2022.

The new law would **bring \$1.1 billion in unanticipated revenue to Missouri** throughout the two years the incentive is available.



Estimate of 5% FMAP increase based on 24 months of monthly Q3 and Q4 2021 reimbursable Medicaid spending eligible for the 6.2% pandemic FMAP increase, reduced by 10% to account for the effect of delayed Medicaid eligibility redeterminations during the pandemic.



THE 5% FMAP INCREASE:

Is authorized for eight calendar quarters (two years) after Missouri's Medicaid expansion spending begins.

Applies to Medicaid costs of the traditional eligibility groups covered by Medicaid — the elderly, disabled, blind, pregnant women, and low-income parents and children. *It does not apply to the expansion population, the CHIP program or Medicaid disproportionate share hospital payments.*

Is added to the **6.2% FMAP increase** being paid to states during the federally declared COVID-19 public health emergency.

Is available only to states that have not implemented Medicaid expansion before the March 11, 2021, effective date of the federal law.

FY 2022 UNSPECIFIED FUNDING SET ASIDE FOR MO HealthNet DIVISION (\$11.702)



\$500 million

in MO HealthNet Medicaid Stabilization Fund of FY22

\$500 million

in MO HealthNet Budget Stabilization Fund of FY22

\$1.1 billion

from 24-month 5% FMAP increase

Assumed

3%

annual rate of return on invested cash balance

Expansion Spending Assumptions

\$709 PMPM

of Governor's FY 2022 budget proposal

4% annual medical inflation

12 months

Caseload phased in over
in year one, per Governor's FY 2022 budget proposal

Future caseload growth of **1%** per year

**Current set aside funds and 5% FMAP increase
are sufficient to pay all state Medicaid expansion
costs through May of 2030**