

Health Care in Missouri: Navigating Implementation of the Federal Affordable Care Act and Medicaid Expansion in a Pushback Environment

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With a looming deadline of January 1, 2014, for implementation of the largest number of health care reform policies under the federal Patient Protection and Affordable Care Act (PPACA), uncertainty and apprehension remain almost palpable as Missouri policymakers, health care providers, health insurers, government agencies, and consumers alike enter previously uncharted and often still unsettled waters. While some policy changes have been received with relative indifference or at least absence of noteworthy opposition, others have drawn more concentrated scrutiny and pushback by diametrically opposed lawmakers and special interest groups. This paper will address two of the most contentious federal health care reform policies for Missouri legislators and the potential economic and population health impacts of their adoption or rejection for the state of Missouri.

Medicaid Expansion

Perhaps the most contentious healthcare policy change in the Missouri Legislature since passage of the PPACA in 2010 has revolved around the issue of Medicaid Expansion. Although this issue was intricately interwoven into the fabric of the law to assure that all individuals living below 138 percent of the federal poverty level (FPL) were provided health insurance, the U.S. Supreme Court in June 2012 ruled this portion of the PPACA to be at the discretion of the individual states. The Missouri Legislature quickly aligned with legislatures of approximately half of its sister states to reject its passage, although the debate

has continued and proponents on both sides of the political aisle have indicated increasing support for its approval.

It is important to note that Missouri has historically funded Medicaid for its citizens among the lowest levels as compared with other states. Despite the federal government paying 62.03 percent of Missouri's Medicaid budget,¹ leaving the state to pay less than 38 percent, the Medicaid eligibility level in Missouri is currently only 19 percent of the federal poverty level (FPL),² or an annual income of approximately \$4,475 for a family of four. Increasing Medicaid coverage to 138 percent of the FPL would increase eligibility to those with an annual income of \$31,322 for a family of four and \$15,282 for one person.³

Those who favor Medicaid expansion for Missouri, including Governor Jay Nixon and more recently state Rep. Jay Barnes, R-Jefferson City, point not only to increased access to health insurance and related health services for an estimated 267,000 currently uninsured Missouri citizens but also to the significant economic gains the state would realize.⁴ Representative Barnes, for example, "estimates that even after the state is picking up its 10 percent share of the cost [starting in

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¹ Virginia Young, "Formula May Boost Federal Share of Missouri's Medicaid Budget," *St. Louis Post-Dispatch*, October 28, 2013.

² Timothy McBride, Sidney Watson, and Amy Blouin, "The Missouri Medicaid Expansion: Good for All Missourians," *The Missouri Budget Project*, January 2013, last accessed November 24, 2013,

<http://www.mobudget.org/files/MBP%20Missouri%20Medicaid%20Expansion%20Good%20for%20All%20Missourians%20Jan%202013.pdf>.

³ *Ibid.*

⁴ *Ibid.*

2017], the state’s budget will still be \$42 million better off than if it did nothing at all.”⁵ Joel Ferber, in a paper funded by a grant from the Missouri Foundation for Health, reported that the State “estimates that the Medicaid expansion would bring in approximately \$15.7 billion in federal matching funds to Missouri from 2014 through 2021 and [only] cost the State \$806 million in state match.”⁶ He and others consider this a small price to pay for a “32% reduction in Missouri’s rate of uninsured,” especially when 95 percent of it would be paid for by federal funds during that time period.⁷

A report issued by the Missouri Hospital Association in March 2013 highlighted the unintended consequences of *not* expanding Medicaid in Missouri, including:⁸

- Costing Missouri more than 9,000 jobs, including over 5,000 hospital jobs over the next six years
- Reduction of \$1.9 billion in reduced capital investment (these potential tax dollars would instead be sent to other states to help with their Medicaid expansions)
- A cost of \$1.1 billion in cost shifting for uninsured care to [businesses and] the insured population (also deemed “the hidden health care tax”)
- Reduction of hospital reimbursements (including Disproportionate Share payments) by \$4 billion between 2013 and 2019, with

⁵ Editorial Board, “GOP Proponent of Medicaid Expansion Issues Strong Challenge,” *St. Louis Post-Dispatch*, November 13, 2013.

⁶ Joel Ferber, “The Medicaid Expansion Is Good Medicine for Missouri,” Missouri Health Advocacy Alliance, January 2013, last accessed November 25, 2013, http://www.mohealthalliance.org/resources/Implementing_the_Medicaid_Expansion-Revised-January-3.pdf.

⁷ *Ibid.*

⁸ Missouri Hospital Association, “Medicaid Expansion Creates Jobs, Grows Missouri’s Economy,” March 2013, last accessed November 25, 2013, <http://web.mhanet.com/media-room/news-releases/medicaid-expansion-creates-jobs-grows-missouris-economy>.

some rural hospitals predicting closure if Medicaid expansion does not happen

- Leaving uninsured Missourians earning more than 19 percent FPL but less than 100 percent FPL with NO access to health insurance options

Still other reasons touted by proponents for Medicaid expansion in Missouri include the creation of over 24,000 jobs in 2014 in the healthcare industry in the state, “with 22,175 of them sustained through 2020,”⁹ and “a labor income (employee compensation) impact of approximately \$977 million in 2014 and continu[ing] to produce approximately \$992 million in 2020.”¹⁰ A study published by the Missouri Medicaid Coalition in January 2013 asserted that “the expansion would have the most dramatic impact in rural Missouri, reducing the uninsured by up to 31 percent” in Southeast Missouri alone.¹¹

Opponents of Medicaid expansion in Missouri, however, continue to voice arguments that it will be “financially unsustainable”¹² for Missouri to take on the heavy additional expense of adding a large number of uninsured citizens to Missouri’s Medicaid rolls and warn that this in turn might cause the state to pull funding from other parts of the state budget, including education.¹³ Another frequent argument is that there

⁹ “The Economic Impacts of Medicaid Expansion on Missouri,” University of Missouri School of Medicine, Department of Health Management and Informatics, and Dobson DaVanzo & Associates, LLC, Vienna VA, November 2012. Last accessed January 5, 2013, http://web.mhanet.com/uploads/media/MU_Medicaid_Expansion_Economic_Report.pdf.

¹⁰ *Ibid.*

¹¹ Timothy McBride, Sidney Watson, and Amy Blouin, “The Missouri Medicaid Expansion: Good for All Missourians,” The Missouri Medicaid Coalition, January 2013, last accessed November 25, 2013, <http://www.momedicaidcoalition.org/content/study-medicaid-expansion-has-most-critical-impact-rural-missouri>.

¹² Virginia Young, “Missourians Favor Medicaid Expansion, Legislative Work Group Finds,” *St. Louis Post-Dispatch* for the Kansas Health Institute, September 11, 2013, last accessed November 25, 2013,

<http://www.khi.org/news/2013/sep/11/missourians-favor-medicaid-expansion-finds-legisla/>.

¹³ *Ibid.*

would be nothing to stop the federal government in future years from dropping or reducing their contribution to state Medicaid programs, leaving the state of Missouri stuck with providing health care services to individuals without the funding to pay for it.¹⁴ Still another worry is that with more individuals receiving Medicaid, the already strained number of primary care providers available and willing (related to reduced reimbursements for Medicaid patients) to treat this population would reach the breaking point.¹⁵ And finally, policymakers, health care providers, insurers, and government agencies alike are well aware of the basic philosophical argument employed by conservatives, such as Missouri House Speaker Tim Jones, R-Eureka, who fundamentally “oppose government getting more involved in health care.”¹⁶ The latter argument disdains the “slippery slope” of continuing to expand government involvement in the health care decisions of American citizens.

Interestingly, with the exception of the latter argument, each of the above points of opposition was countered in a report issued by the Center for Health Law Studies at the Saint Louis University School of Law titled “Medicaid Expansion FAQs.”¹⁷ For example, to counter the claim that Medicaid expansion will be too costly for Missouri, the report noted “it will cost Missouri more not to expand Medicaid . . . In fact, in the first year alone the Medicaid expansion saves at least \$47 million and over ten years will save the state \$348 million in state tax dollars. Each year, the federal

money from the Medicaid expansion will also bring in about \$2 billion to the state.”¹⁸ Similarly, in response to the fear that the federal government might subsequently reduce its contribution, the report countered, “This increased Medicaid coverage opportunity is voluntary, which Missouri can drop at any time. The federal commitment is written into the law as additional security to ensure Medicaid expansion funding. Congress would have to pass another bill to reduce the federal contribution.”¹⁹

In enlisting the viewpoints of all major stakeholders in any policy debate in a democracy, many would assert that consideration should necessarily be given to citizen participation. In the case of Medicaid expansion in Missouri, a 52-member task force, called House Citizens and Legislators Working Group on Medicaid Eligibility and Reform and chaired by state Rep. Noel Torpey, R-Independence, concluded in a seven-page draft report that Missourians “favor both Medicaid expansion and reform.”²⁰ The question is whether these findings will ultimately provide the impetus for adoption of Medicaid expansion by the state of Missouri.

As a final note regarding Medicaid expansion and as a natural segue to the second topic of this paper (the state health insurance exchanges and federal government subsidies discounting the costs of health insurance), an article from the *St. Louis Beacon* provides one more unfortunate consequence that will result should Medicaid expansion continue to be denied by the state of Missouri:

By Missouri's refusal to expand its Medicaid program, more than 193,000 adults in the state will find themselves stuck in a coverage gap, come Jan. 1. These are uninsured adults who make too much money to qualify for Medicaid but too little to be eligible for the government

¹⁴ Sidney Watson, “Medicaid Expansion FAQs,” Center for Health Law Studies, St. Louis University School of Law, March 11, 2013, last accessed November 25, 2013, <http://slu.edu/Documents/law/Centers/Health%20Law/Medicaid/Medicaid%20Expansion%20FAQs3-11-2013.pdf>.

¹⁵ *Ibid.*

¹⁶ Jo Mannies, “Backers of Medicaid Expansion Gear Up to Show Legislative Critics that ‘We Mean Business,’” *St. Louis Beacon*, January 16, 2013, last accessed November 24, 2013, https://www.stlbeacon.org/#!/content/28917/medicaid_expansion_backers_011613.

¹⁷ Sidney Watson, “Medicaid Expansion FAQs,” Center for Health Law Studies, St. Louis University School of Law, March 11, 2013, last accessed November 25, 2013, <http://slu.edu/Documents/law/Centers/Health%20Law/Medicaid/Medicaid%20Expansion%20FAQs3-11-2013.pdf>.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ Virginia Young, “Missourians Favor Medicaid Expansion, Legislative Work Group Finds,” *St. Louis Post-Dispatch* for the Kansas Health Institute, September 11, 2013, last accessed November 25, 2013, <http://www.khi.org/news/2013/sep/11/missourians-favor-medicaid-expansion-finds-legisla/>.

subsidies that discount the price of private health insurance.²¹

State Health Insurance Exchanges, or Marketplaces

Perhaps previously less contentious but equally uncertain, enrollment of individuals and families in the new state health insurance exchanges has more recently received its fair share of political pushback related to the rocky rollout of the federal HealthCare.gov website on October 1, 2013. The stated purpose of these exchanges, or marketplaces, was to give individuals, families, and small businesses the opportunity to “find quality health coverage”²² and to potentially “get lower costs on monthly premiums for private insurance plans”²³ in their states without fear of being denied coverage or incurring higher costs for pre-existing conditions. In Missouri alone, a large number of the state’s 877,000 uninsured citizens (those above 100 percent of the Federal Poverty Level), are expected to receive health care insurance through the state health insurance marketplace.²⁴

Given the opportunity to create Missouri’s own state health insurance marketplace after passage of the PPACA in 2010, Missouri lawmakers early on rejected this option, or even consideration of the state’s own plan management, currently becoming one of approximately 20 states to receive full designation as a “federally facilitated marketplace.”²⁵ In fact, according

to the National Conference of State Legislatures (NCSL), Missouri has been at the forefront of state legislation and actions challenging the enactment of various reforms. For example, Missouri is currently one of six states requiring (through state law) legislative approval on further compliance with the PPACA,²⁶ is one of 18 states “providing that state government will not implement or enforce mandates requiring the purchase of insurance by individuals or payments by employers,”²⁷ and one of seven states to “have recently enacted laws intended to create Interstate Health Compacts—these take a first step toward allowing a group of states to join together to establish broad health care programs that operate outside of the PPACA or other federal law.”²⁸ The latter is considered by some health care analysts to be a step in the right direction toward health care coverage for all Missourians.

With enrollment starting October 1, 2013, and coverage starting as early as January 1, 2014, however, increasing numbers of Missourians have begun seeking enrollment in the plan in compliance with the mandate to purchase health insurance or receive a tax penalty for non-compliance. Because the U.S. Supreme Court upheld the individual mandate on June 28, 2012, the only effect of legislation in Missouri to restrict the federally facilitated state marketplace or ban the health insurance mandate is to “bar state agencies and employees from enforcing it as of 2014.”²⁹

Should Missouri create its own health insurance exchange? The question still begs to be fully answered. Proponents point to the ability to provide significantly more Missourians with health insurance coverage, with no pre-existing conditions, no lifetime caps on coverage, and with access to at least ten essential health benefits.³⁰ They further point out that, as with other health insurance risk pools, it is imperative that all individuals, including younger, healthier citizens, must enroll in the plans and share

²¹ Robert Joiner, “Medicaid Coverage Gap Will Affect More Than 5 Million Americans, Including 193,000 In Missouri,” *St. Louis Beacon*, October 22, 2013.

https://www.stlbeacon.org/#!/content/33318/medicaid_coverage_gap_102113_2.

²² “What Is the Health Insurance Marketplace?”

HealthCare.gov website, last accessed January 5, 2014, <https://www.healthcare.gov/what-is-the-health-insurance-marketplace>.

²³ *Ibid.*

²⁴ “The Significance of Missouri’s Uninsured,” Missouri Foundation for Health, last accessed November 25, 2013, <http://www.mffh.org/mm/files/Significance%20of%20uninsured%202013.pdf>.

²⁵ “State Action to Establish Health Insurance Marketplaces,” The Commonwealth Fund, July 2013, last accessed November 25, 2013, <http://www.commonwealthfund.org/Maps-and-Data/State-Exchange-Map.aspx>.

²⁶ Richard Cauchi, “State Legislation and Actions Challenging Certain health Reforms,” National Conference of State Legislatures, October 2013, last accessed November 25, 2013, <http://www.ncsl.org/research/health/state-laws-and-actions-challenging-ppaca.aspx>.

²⁷ *Ibid.*

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ “Find Health Coverage That Works for You.”

the costs of health insurance in order that all individuals will receive more affordable health care options and that the spiraling costs of health care options will be contained.³¹ A final major argument of proponents of the exchanges is that creating an exchange would give Missourians more control over Missouri's own health insurance market rather than allowing federal control of its marketplace.

However, unlike passage of Medicaid expansion, Missouri legislators have been far less divided on their rejection of the state health insurance exchanges. As a primary support for this stance was the testimony of Michael F. Cannon, Director of Health Policy Studies at the Cato Institute, a conservative think tank in Washington, D.C. Addressing the Interim Committee on Health Insurance Exchanges for the Missouri Senate on September 15, 2011, Cannon provided a laundry list of reasons why the exchanges were a bad idea and should not be adopted by the states. These included increased premium costs to individuals, especially “healthy purchasers,” “by as much as 30 percent [currently] in some cases, and will cause even greater increases in premiums in the years to come” with the inundation of high-cost patients.³²

He also warned about the increased costs to states, asserting, “Every dollar that Missouri spends on an Exchange is a dollar it cannot spend on roads, education, or police—or more important, a missed opportunity to spur economic recovery by reducing the tax burden.”³³

An interesting caveat in recent months was the admission by the Department of Health and Human Services (HHS) and by President Barack Obama himself in November 2013 that the previous promise

that “all individuals would be able to keep their health insurance plans” even after the state exchanges were implemented was not, in fact, true for many individuals.³⁴ Although the president has since promised that he will do everything he can to insure more individuals will be able to keep their plans after all, the jury is still out regarding the eventual evidence and impacts of implementation of this portion of the PPACA on Missouri and on the nation.

Conclusion

While Missouri legislators, policymakers, health care providers, health insurance agencies, citizens, and other stakeholders will continue for some time into the future to debate the merits of two of the most controversial portions of the Patient Protection and Affordable Care Act (PPACA), namely Medicaid expansion and the state health insurance exchanges under the health insurance mandate, it has been predicted that most provisions of the law will remain intact. Citing the U.S. Supreme Court's decision in June 2012 to uphold the PPACA (with the exception of Medicaid Expansion as a state option), these forecasters also point to historical evidence that other major changes to U.S. health law, including the initial enactment of Medicare and Medicaid in 1965 and the Prescription Drug Act as part of the Medicare Modernization Act of 2003, were significantly challenged after enactment but remained essentially intact.

While what this means for Missouri also remains essentially unclear at this point, adoption or reasoned modification of the positive pieces of this legislation to benefit Missouri and its citizens may well be in order, as well as ongoing attention to reduction of any harmful consequences that may result to Missourians related to their implementation. After all, related to the above-referenced findings of the House Citizens and Legislators Working Group on Medicaid Eligibility and Reform, thoughtful bipartisan effort on the part of

³¹ Chad Terhune, “California Enrolls 80,000 in Health Plans; Older People Lead the Way,” *The Los Angeles Times*, November 22, 2013, last accessed November 25, 2013, <http://www.latimes.com/business/healthcare/la-fi-mo-california-exchange-enrollment-20131121,0,378085.story#axzz2li0edqX6>.

³² Michael F. Cannon, “Should Missouri Create a Health Insurance Exchange?” Cato Institute, September 5, 2011, last accessed November 24, 2013, <http://www.cato.org/publications/congressional-testimony/should-missouri-create-health-insurance-exchange>.

³³ *Ibid.*

³⁴ Dave Boyer, “White House Comes Clean: Everyone Won't Keep Health Plan Under Obamacare,” *The Washington Times*, October 28, 2013, last accessed November 25, 2013, <http://www.washingtontimes.com/news/2013/oct/28/everyone-wont-keep-health-care-plan-obamacare/?page=all>.

the Missouri Legislature to respond to citizen support for Medicaid expansion and health care reform would seem a fairly strong mandate for change from the status quo.