THE MEDICAID EXPANSION IS GOOD MEDICINE FOR MISSOURI

January 2013

Joel Ferber, Director of Advocacy*
Legal Services of Eastern Missouri
4232 Forest Park Avenue
St. Louis, MO 63108

*The work on this paper was funded by a grant from the Missouri Foundation for Health.

Missouri has an unprecedented opportunity to improve the lives and health of its residents by adopting the Medicaid expansion of the Affordable Care Act (ACA) — now a state option after the Supreme Court's decision in June 2012. The Governor has announced that he will include funding for the Medicaid expansion in his upcoming budget request. The ACA enables states to expand Medicaid coverage to 138% of the federal poverty level ($15,415 for an individual or $26,344 for a family of three). Implementing the Medicaid expansion in 2014 will improve access to health care and health outcomes for nearly 260,000 low-income Missourians who are currently left out of Missouri Medicaid.[1] It will also have significant positive ramifications for the state's economy, while a failure to implement will have a clear adverse impact. This paper analyzes key aspects of the State's decision regarding this important state option.

The Supreme Court's Decision and the New State Option: On June 28, 2012, the Supreme Court upheld the constitutionality of the ACA and the controversial requirement that most individuals have health insurance (the "individual mandate").[2] The Court, however, also did what no district or appellate court had done — finding that the ACA's provision allowing the federal government to remove all federal Medicaid funding for states that do not expand Medicaid coverage to 138% of the federal poverty level was unconstitutional, even though the Medicaid expansion *itself* is constitutional.[3] The Court treated the ACA's expansion of the Medicaid program as if it were a *new* program and decided that the federal government could not condition funds for the existing Medicaid program on participation in the "new program" created by the ACA. This ruling effectively made the Medicaid expansion an "optional" program for states by stripping the Secretary of the Department of Health and Human Services (HHS) of meaningful enforcement authority to require states to implement the ACA's mandatory expansion. This decision is very significant since *more than half* of the uninsured individuals projected to receive coverage under the ACA would receive such coverage pursuant to the Medicaid expansion. The remaining uninsured would largely be covered through the premium tax credits available to individuals purchasing coverage through the newly created health insurance exchange ("Exchange").

Reducing the Number of Uninsured Missourians: If states choose not to adopt the Medicaid expansion, the ACA's impact on covering the uninsured will be substantially reduced. Missouri has 807,000 uninsured individuals according to recent estimates.[4] In fact, in spite of an overall nationwide decrease in the rate of uninsured, Missouri was the only state with a statistically significant increase in its uninsured population from 2010 to 2011.[5] The Missouri Department of Social Services now estimates that nearly 260,000 uninsured adults will enroll in the Missouri Medicaid Program (MO HealthNet) under the expansion in 2014 (with the number increasing to over 300,000 over time).[6] If Missouri chooses not to expand Medicaid, most of these 260,000 individuals will remain uninsured.[7]

These uninsured include *childless adults* that MO HealthNet (like most states' Medicaid programs) does not cover at all, unless they are aged, blind or disabled, and parents with extremely low incomes. Missouri also provides very low levels of coverage in its current Medicaid program for low-income parents (capping coverage at 18% of the federal

poverty level or $3,504 per year for a family of three, after certain disregards).[8] Thus, parents and caretakers with incomes between 18% and 138% of the federal poverty level ($3,504 and $26,344 annually) would remain excluded from Medicaid coverage if the expansion is not implemented.[9]

A New Donut Hole?: Under the ACA, starting in 2014, there will be tax credits to help offset insurance premium costs for individuals who purchase insurance through the Exchange. These tax credits will generally only be available to people with incomes between 100% and 400% of the federal poverty level (between $19,090 and $76,360 per year for a family of three).[10] Therefore, of those eligible for the Medicaid expansion, only those between 100% and 138% of the federal poverty level would be covered by the premium credits offered through the Exchange if the State chooses not to expand Medicaid. Thus, without the Medicaid expansion, some of the lowest income Missourians will have no coverage at all, while people with more moderate incomes will have coverage through the Exchange. And people with coverage in the Exchange whose income fluctuates could well go *on and off of coverage* when that happens rather than transitioning into a Medicaid program. This scenario is highly problematic in terms of ensuring any continuity of coverage and access to care for low-income working Missourians.

Impact on Health: It is well-established that having health insurance coverage improves access to health care and health outcomes, and increasing coverage through the ACA's Medicaid expansion furthers that important goal.[11] The uninsured receive fewer screenings, less preventative care, and less care for serious conditions, and they ultimately have poorer outcomes than the insured. In fact, two recent studies have identified the positive impact of Medicaid expansion on health access and outcomes. A study published in the New England Journal of Medicine found that expanding coverage reduced the death rate, decreased the number of uninsured, and reduced the number of individuals choosing to delay health care due to high costs. [12] An Oregon study found that Medicaid expansion led to a 20% increase in cholesterol screenings for beneficiaries, a 60% increase in mammograms for female beneficiaries, and a 40% decrease in the likelihood of experiencing a decline in health, and that Medicaid beneficiaries were 40% less likely to borrow money or leave other bills unpaid in order to cover their medical expenses.[13]

Economic Impact of Enhanced Federal Funding: The ACA's Medicaid expansion, as is widely known, provides 100% federal funding for such expansion during the first three years. Funding gradually is lowered to a 90% federal matching rate in 2020. This level of funding is still significantly higher than the federal match in the current Missouri Medicaid program where funds are generally matched at about a 61% rate.[14] 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 cost the State $806 million in state match.[15] Over that eight-year period, 95% of the Medicaid expansion would be funded with federal funds and 5% with state funds.[16] This small expenditure of state funding would result in a 32% reduction in Missouri's rate of uninsured.[17]

Taking these federal Medicaid funds will be a significant boon to Missouri's economy. The $15.7 billion will bring an enormous amount of economic activity to our state. This unprecedented amount of federal matching funds will be an important source of funding for hospitals, doctors, and pharmacists in every part of the state — funding which, in turn, will lead to economic ripple effects as these health care providers pay rent, purchase food, pay taxes, and so on.

For example, in 2015 alone, Missouri projects that the state will receive over $1.8 billion in federal funds.[18] This amount of funding could pay for the salaries of 10,041 doctors or 29,803 registered nurses in a single year.[19] Most recently, a new study by the University of Missouri found that the Medicaid expansion would create more than 24,000 jobs in the Missouri economy in 2014 alone.[20] This figure amounts to 12.8% of the state's unemployment figure and is greater than the employment of Missouri's ten Fortune 500 companies.[21]

Regardless of the details, it is undeniable that billions of dollars in federal funding will have a substantial positive economic impact on our state and its economy and will fund jobs in a wide range of professions. Thus, it is not surprising that a report from Wells Fargo Securities found that "the federal government's generous reimbursement for expanded coverage is indeed too good to pass up."[22]

Funding Other States' Medicaid Expansions: In contrast, a decision to *decline* these funds means that Missouri taxpayers would be helping to fund the states that *do* adopt the Medicaid expansion. As Justice Scalia noted in his dissent to Chief Justice Roberts' opinion in the Supreme Court's decision on the Affordable Care Act, "[t]hose states that decline the Medicaid Expansion must subsidize, by the federal tax dollars taken from their citizens, vast grants to the states that *accept* the Medicaid expansion."[23] With Medicaid expansion, Missouri imports federal revenues and increases both health care and jobs. Without expanding, Missouri effectively exports both jobs and money to other states. It will be interesting to see if policymakers ultimately choose to turn down Missouri's allotment under the ACA, thereby allowing New York, Illinois, California, and other states to get the benefit of the federal tax dollars paid by Missourians.

Medicaid Expansion Likely to Generate Significant Savings for the State: Expanding Medicaid will generate significant savings for the State in several areas as discussed below.

Savings in State health care costs: Missouri has several programs, funded entirely with state dollars, that help pay for the cost of care to people without insurance. Expanding Medicaid coverage will mean that far fewer individuals will need to rely on these programs, thus reducing costs to the State. The new federal funds from the Medicaid expansion will cover the cost of services for the uninsured currently paid for exclusively with state dollars, such as mental health services and other state programs for the uninsured (such as state-funded health care for blind individuals). The use of federal Medicaid funds to pay for services that are now entirely state-funded will save the State money. In fact, Missouri is currently projecting $203 million in savings from "state

only" programs such as "blind pension" and state-funded mental health to the new Medicaid expansion group with its enhanced matching rate.[24]

States and localities also provide funding to help hospitals and other health care providers offset the costs of uncompensated care (care provided to individuals who are uninsured or underinsured and who cannot afford to pay for the care they received). A new Kaiser Report estimates, based on national data, that the Medicaid expansion would save Missouri approximately $385 million in uncompensated care costs from 2013 to 2022.[25]

Covering Some Individuals in the Current Medicaid Program through the Medicaid Expansion: The Medicaid expansion will also save the State money by enabling the State to cover some individuals eligible for coverage in its current Medicaid program (funded at a 61% matching rate) in the new expansion group (for individuals at or below 138% of poverty) — coverage which will be funded at the much higher federal matching rates discussed above (100% in the first three years gradually being reduced to 90%).[26] While the details of this change are somewhat complex, some existing coverage groups that will likely receive coverage in the new category are Medicaid spenddown beneficiaries not eligible for Medicare, some pregnant women (who become pregnant subsequent to being enrolled in the new eligibility group), some individuals with disabilities (e.g. those who are enrolled before any determination of disability is made), and individuals in the Breast and Cervical Treatment (BCCT) program. Indeed the State of Missouri is currently projecting over $704 million in savings from moving individuals from current programs with a lower match rate to the new expansion eligibility group funded at the significantly higher match rate.[27] These savings are another reason why the infusion of federal funds will have such a significant positive impact on the State budget.

Generating Additional Taxes for Missouri: The additional tax dollars generated by the infusion of federal funds into Missouri's economy could well provide funds for some or all of the state match required to draw down these additional federal funds. In fact, a new University of Missouri study found that the federal funds from the Medicaid expansion would generate $856 million in additional state and local tax revenues (as well as $1.4 billion in federal taxes) from 2014 to 2020.[28] This figure exceeds the estimated state cost of coverage during that same time period. The State of Missouri projects nearly $453 million in new tax revenue as a result of the expansion.[29]

Not all State Funds Expended would be General Revenue Dollars: Many of the funds used for "state match" for the Medicaid expansion would not be state general revenue dollars because Missouri uses provider taxes and other funding streams to provide a significant portion of the state match for its Medicaid program. These "provider taxes" are paid by certain types of providers like hospitals, pharmacists, and nursing homes in order to receive federal matching funds through the Missouri Medicaid program. State estimates indicate that 45% of the limited state match needed for the expansion would come from provider taxes and other funding streams besides general revenue.[30]

Other States also estimate that the Medicaid Expansion Will Save Money: Missouri's estimated cost-savings are not surprising given that other states have similarly estimated

substantial savings from the ACA's Medicaid expansion. The state of Arkansas determined that the receipt of new federal health care dollars under the ACA would increase state revenue by $254 million from 2014 through 2021, and that the Medicaid expansion would save the state $372 million overall (from 2014-2021).[31] The states of Maryland and Idaho have made similar determinations.[32] Moreover, an independent study showed that Florida would likely save $100 million a year under the Medicaid expansion, *after* the federal match is reduced to 90%.[33]

For all of these reasons, the Medicaid expansion is likely to have a significant positive impact on the state budget, and a failure to adopt the expansion will have the opposite effect. Indeed, the State estimates that the combination of new general revenue generated by the new federal funds and general revenue savings discussed above exceed the cost of covering newly eligible individuals in every year from 2014 to 2021.[34]

Greater Uncompensated Care Costs and Higher Premiums Without Expansion: Without the expansion, working Missourians in low wage jobs will be left without insurance. When they have a major illness or injury, other Missourians *with insurance* will still have to pick up the cost of their care (through higher premiums). As the Supreme Court noted, Congress estimated that the cost of uncompensated care raises family health insurance premiums, on average, by over $1,000 per year. [35] Without the expansion, Missourians will continue to bear that cost entirely on their own, without having the benefit of federal Medicaid funds.

In addition, if Missouri does not expand its Medicaid program, people with incomes between 100% and 138% of poverty will have no choice but to buy insurance through the Exchange with the help of a premium tax credit. These low-income individuals, however, are expected to have higher health care costs than higher-income individuals who buy insurance through the exchange. The Congressional Budget Office estimates that the higher health care costs for lower-income enrollees in states that do not expand Medicaid will increase the average premiums across the United States by 2 percent.[36] However, because this is the *national* average increase, the premium increases will be significantly higher in states that do not expand Medicaid.[37] In contrast, the aforementioned University of Missouri study found that privately insured individuals and families could potentially *save* nearly $1 billion in premium reductions from 2014 to 2020 as a result of the Medicaid expansion.[38]

Medicaid Expansion will Help Keep Missouri's Health System Strong: Taking up the Medicaid expansion will also help keep Missouri's health system strong. While the State covers some of the cost of uncompensated care and some costs are passed on as higher charges to other payers, hospitals still absorb a large percentage of uncompensated care costs. In 2011, uncompensated care cost Missouri hospitals more than $1.1 billion.[39] By extending health care coverage to hundreds of thousands of uninsured Missourians, the uncompensated care costs for hospitals will be significantly less. That reduction will help keep our hospitals strong.

On the other hand, failing to expand Medicaid will likely increase the uncompensated care costs for Missouri hospitals. That increase will occur because the health reform law reduces the federal payments that help hospitals cover the cost of uninsured patients. The federal government currently provides some support to hospitals that treat a disproportionate number of uninsured patients through Disproportionate Share Hospital, or DSH, programs. The assumption under the health care law was that reductions in federal DSH payments would be offset by an increase in the insured population, from both the Medicaid expansion and the other ACA provisions, and a corresponding reduction in uncompensated care. The Supreme Court decision made the Medicaid expansion an option for states, but it did not change the DSH reductions. If Missouri does not take up the Medicaid expansion, most of the 260,000 low-income Missourians initially estimated to gain coverage through the expansion will remain uninsured, but the federal support that has helped offset the cost of caring for the uninsured will be less. This result will undoubtedly place a strain on the Missouri budget by increasing state uncompensated care costs, not to mention the budgets of hospitals and other providers.[40] The Missouri Hospital Association currently estimates a $704 million DSH cut for Missouri.[41] Cuts of this magnitude would place a financial strain on Missouri hospitals and would likely cause some rural hospitals to close.

Providing Health Insurance to Low-Wage Workers: The Medicaid expansion would help uninsured workers in various sectors of Missouri's economy, many of whom have incomes below 138% of poverty, including workers in such professions as retail, restaurants, and construction. For example, as shown in Table 1, as many as 14,900 uninsured workers in the health care sector could gain Medicaid coverage through the expansion, including nursing home employees, hospital workers and home health aides. Nearly 3,000 child care workers could gain coverage as well.[42]

TABLE 1: Workplaces and Occupations With Significant Numbers of Uninsured Workers Who Could Gain Medicaid Coverage in 2014 (based on income level at or below 138% of the federal poverty level)[43]	
Restaurants and Food Service	34,200
Construction	18,300
Medical and Health Services	14,900
Cashiers	10,700
Maids and Housekeeping	7,300
Retail Sales	7,600
Grounds Maintenance Workers	7,200
Agricultural Workers	1,900
Elementary and Secondary School Teachers	1,800
Child Care Workers	3,000

Moreover, a large number of Missouri occupations pay wages below the income limits of the new Medicaid expansion, thereby making workers in those industries eligible for

coverage under the expansion. Table 2 lists some of the occupations with significant numbers of workers making wages below the expansion's income limit. The expansion would greatly benefit workers in these industries by providing badly needed health insurance coverage.

TABLE 2: Occupations With Average Wages That Would Make a Family of Three Eligible for Medicaid Expansion (based on annual wages below 138% of the federal poverty level, or $26,344 for a family of three)
(Source: Missouri Economic Research and Information Center)

Occupation	Avg. Hourly Wage	Avg. Annual Wage
Child Care Worker	$9.66	$20,101
Hairdressers, Hairstylists, and Cosmetologists	$11.60	$24,140
Home Health Aides	$9.61	$19,984
Hotel, Motel, and Resort Desk Clerks	$9.68	$20,150
Landscaping and Groundskeeping Workers	$11.74	$24,431
Maids and Housekeeping Cleaners	$9.34	$19,412
Restaurant Cooks	$10.09	$21,006
Waiters and Waitresses	$9.30	$19,346

Impact on Children: The ACA's Medicaid Expansion is also likely to benefit children as well as the low-income adults who will be directly covered by the expansion. Expanding Medicaid to cover parents means that more eligible children will enroll. Children who are eligible for health insurance are *three times more likely* to enroll if their parents also have insurance. Previous expansions of Medicaid coverage for parents have led to a significant increase in enrollment of eligible children and a drop in the number of uninsured children.[44] Missouri has experience in this regard. When Missouri expanded low-income parent coverage in the late 1990s, Gary Stangler (the Director of Missouri Department of Social Services under Governors Ashcroft and Carnahan) noted: "*With no outreach, no advertising, no partnerships to spread the word, enrollment soared,… Helping adults greatly contributed to the enrollment of children.*"[45] The State estimates that 32,000 additional children are expected to enroll in the program in 2014 as their parents become eligible for Medicaid.[46]

Expanding Medicaid to cover parents also means that children are more likely to *stay* enrolled. Studies have found that covering parents makes it less likely that children have breaks in their own Medicaid coverage.[47] Moreover, expanding Medicaid to cover parents makes it more likely that children will receive needed preventive care and other health care services. Studies have found that insured children whose parents are also insured are more likely to receive check-ups and other care, compared to insured children whose parents are uninsured. Moreover, parents' health can affect children's health and well-being.[48] The Institute of Medicine has reported that a parent's poor physical or

mental health can contribute to a stressful family environment that may impair the health and well-being of a child. Moreover, uninsured parents who cannot get care may be unable to work or may end up with large medical bills if they do get care. In either case, the financial consequences have a significant impact on children even if the children have coverage.[49]

Medicaid Expansion Would Help Low Wage Workers

Paula is 48 years old and lives with her 66 year-old mother and her 10 year-old son Josh. Josh receives Medicaid coverage and Paula's mother receives SSI and Medicaid. Paula works part time in the cafeteria for her son's school district and makes $7.75 an hour, with her total monthly gross income about $776. Her gross income is lower during the summer when she is laid off and receives a few weeks of unemployment insurance. Paula is relatively healthy but does have allergies and high blood pressure. She is seen occasionally at the St. Louis County Health Clinic where she pays $6 per visit, and she looks for places to fill her prescriptions for $4 each. She does not go to the doctor regularly because she has no health insurance, and it is difficult for her to pay the $6 per visit on her very limited income while still paying for her other basic needs such as food, rent and utilities. She avoids the emergency room because she cannot afford it, and she can only hope that she will not have to be admitted to the hospital. She was referred for urgent care one time this year, was charged $90 for that visit and is still paying off that bill. She is ineligible for Medicaid because her income is above Missouri's eligibility limit for low income parents ($234 per month for a two-person household).

Under the Medicaid expansion, however, she would receive coverage because her income would be well below the limits established in the Affordable Care Act, and she could receive the regular health treatment she needs for her high blood pressure as well as medically necessary preventative care.

Who benefits from Expansion coverage? The ACA's Medicaid expansion would benefit a wide and diverse population of Missourians. According to national studies, the racial breakdown of the expansion population in Missouri is as follows:[50] White (72.7%); Hispanic (4.5%); African American (18.8%); Other (4.0%). State data indicates that the expansion would cover both low-income parents (45%) and childless adults (48%).[51] The expansion would also provide coverage to the following needy populations.

- **Individuals with Mental Illness:** approximately one in six currently uninsured adults with incomes below 133% of poverty has a severe mental illness. Many others have less serious mental health conditions.[52]

- **Veterans:** nearly half of uninsured veterans have incomes under 138% of poverty (an estimated 14,640 uninsured Missouri veterans would be eligible for coverage by the Medicaid expansion).[53]

- **Homeless:** nearly 60% of homeless individuals are uninsured (over 4,800 homeless Missourians lack insurance).[54]

- **Individuals with HIV:** nearly 30% of people with HIV are uninsured and up to 59% are not in regular care. The State can provide treatment earlier before individuals become disabled. For example, a Medicaid expansion had a positive impact on access to HIV medications in the state of Massachusetts.[55]

Medicaid Expansion Would Help Victims of Domestic Violence Receive Medically Necessary Health Treatment

Monica was separated from her abusive husband for over a year, but he continued to stalk and harass her, obsessed with whether she was seeing anyone new. He called and texted her nonstop, drove to places where she might be staying to check on her whereabouts, and repeatedly approached her at work to harass her. On a summer morning, when she arrived early to work at 7:00 a.m., he pulled up alongside her in the empty parking lot. An argument ensued, and he drove his truck into her, causing her to be flung from the hood onto the pavement. Almost two hours later, Monica was found limp on her own lawn, apparently dumped there. Her adult children found her and called an ambulance. When she arrived at the hospital, she was confused and incoherent. Monica doesn't remember anything beyond seeing her husband arrive in the lot and the argument beginning. After a CT scan of her brain and spine, she was diagnosed with bilateral cerebral contusions, a form of Traumatic Brain Injury (TBI). As her symptoms worsened, she was admitted to the neurology Intensive Care Unit. With additional monitoring, she was diagnosed with traumatic left sixth cranial neuropathy resulting from the assault.

Monica was hospitalized for over a week, and required significant inpatient and outpatient occupational, physical, and speech therapy related to her loss of cognitive function. Her hospital bills totaled over forty thousand dollars. However, Monica was uninsured. Her employer did not provide insurance, and she was ineligible for Medicaid because she had no minor children and did not have a disability. Missouri's Crime Victims' Compensation Fund paid $19,000 of the bills on her behalf; but this still left Monica with substantial medical debt. Monica was unable to complete her follow-up treatment because specialists would not see her without insurance coverage. She endures memory loss and loss of her sense of smell and taste to this day. She also continues to have headaches and dizziness. Monica is afraid to go to doctors because it will only increase her medical debt which she cannot afford to pay. She is already under significant stress over her outstanding bills.

Because she earned about $13,000 per year, Monica would have been eligible for Medicaid had the Medicaid expansion of the Affordable Care Act been in effect. With Medicaid coverage, Monica would have received the health treatment she needed and would not have been saddled with medical debt.

People like Monica need the Medicaid expansion to access the health care they need.

Additional Employer Costs if the Expansion is *Not* Implemented: A failure to implement the Medicaid expansion will result in additional costs for Missouri businesses. Under the ACA, businesses will have to pay a penalty for individuals receiving premium tax credits through the Exchange if they do not offer health insurance to their employees. Without the expansion, some individuals – those with incomes between 100% and 138% of the federal poverty level (unlike individuals with incomes below 100% of the poverty level) will be eligible to receive premium tax credits for health insurance, and their employers will be subject to financial penalties, as much as $3,000 per employee per

year. These penalties will not apply under the law if these employees are covered by Medicaid.[56] These additional employer costs are an important reason to adopt the expansion.

Conclusion

Governor Nixon has decided to include the Medicaid expansion in his proposed budget for the new fiscal year. Now, whether Missouri moves forward with the expansion is up to the legislature. There are many factors that policymakers must consider in deciding whether to implement the ACA's Medicaid expansion. The health impact of expanding coverage is well-documented, and the Medicaid expansion will extend health coverage to an estimated 260,000 currently uninsured Missourians in 2014. However, it is also important to note the impact of $15.7 billion in federal funding for our state and its economy, not to mention local economies, hospitals, and providers. And as documented above, there are a number of other important ramifications to the decision that Missouri must make, including the impact on private insurance premiums and the costs to employers if the expansion is not adopted.

Substantially reducing the number of uninsured Missourians, with *100% federal funding* in the first three years and no less than 90% in the long-term, is a great deal for the state. The consequences of turning down these funds would be extremely detrimental to the state, its providers, and its economy, as well as the low-income uninsured individuals whose health is on the line.

Before the Supreme Court's decision, some state officials objected to the federal government forcing them to expand Medicaid, which was viewed by some as an affront to state sovereignty. The State now has the opportunity to make a *choice*, but it is important to make that choice based on full and complete information. The evidence shows that Medicaid expansion will strengthen Missouri's economy and its health care system while improving access to health care for our state's uninsured residents.

Acknowledgments

The author wishes to thank Geoffrey Oliver for his extensive assistance, in reviewing and analyzing United States Census data, conducting research, and reviewing drafts of this paper. The author also thanks Dee Mahan for reviewing a draft and Matt Broaddus for assistance with analysis of U.S. Census data. Finally, the author thanks the Missouri Foundation for Health for providing grant funding for health policy analysis, including the work on this paper.

Endnotes

[1] Like most states, Missouri's Medicaid program does not cover nondisabled adults without dependent children no matter how low their income. Parents with dependent children are not eligible if their income exceeds $3,504 year, for a family of three (after allowing for certain disregards).

[2] *National Federation of Independent Business, et al. v. Sebelius, et al.*, 567 U.S.__, 132 S. Ct. 2566, 183 L.Ed.3d 450, 2012 U.S. LEXIS 4876 (2012).

[3] Patient Protection and Affordable Care Act, 111 P.L. 148, § 2001(a) (hereinafter "ACA"). The law expands coverage to individuals at or below 133% of the poverty level, but provides for a 5% income disregard that effectively sets the upper income limit at 138% of the federal poverty level. Health Care and Education Reconciliation Act, 111 P.L. 152, §1004(e).

[4] United States Census Bureau, American Fact Finder, *Health Insurance Coverage Status: 2011 American Community Survey 1-Year Estimates*, Table S2701, available at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_11_1YR_S2701&prodType=table.

[5] Matt Broaddus & Edwin Park, U*ninsured Rate Fell or Held Steady in Almost Every State Last Year, New Census Data Show*, Center on Budget and Policy Priorities, September 21, 2012, available at http://www.cbpp.org/files/9-21-12health.pdf. As in other states, the decline in private or employer health insurance coverage has been cushioned to some extent by an increase in Medicaid enrollment in light of the economic downturn. Moreover, a new federal health reform requirement allowing adult children under the age of 26 to remain on their parent's coverage has helped to increase coverage among individuals in Missouri aged 18 to 24 by 2.5%. Matt Broaddus & Edwin Park, supra at 6. *See also* Jonathan Rodean, *Health Insurance Coverage of Young Adults Aged 19 to 25: 2008, 2009, and 2011, United States Census Bureau*, September 2012, available at http://www.census.gov/prod/2012pubs/acsbr11-11.pdf.

[6] *Medicaid Expansion Draft: Impact on New Eligibles*, provided by Linda Luebbering, Budget Director, December 18, 2012. The Urban Institute previously estimated that 351,000 currently uninsured adult Missourians would potentially be made eligible by ACA's Medicaid expansion, The Urban Institute estimates that 267,000 of these newly eligible individuals (about 76%) have incomes at or below 100% of the poverty level and thus could not receive coverage through the premium tax credits available for Exchange coverage. *See* Genevieve M. Kenney, Lisa Dubay, et al., *Opting out of the Medicaid Expansion under the ACA: How Many Uninsured Adults Would not Be Eligible for Medicaid*, Exhibit 2, July 5, 2012. This paper relies on new State data referenced above. Previous analyses have relied on earlier State estimates that did not include the level of detail included in the December 18th data, cited herein. *See*, *e.g.*, Joel Ferber, "The Impact of the Supreme Court's Decision on Medicaid Expansion in Missouri: Early Observations," *The Missouri Nurse*, at 9, Summer 2012.

[7] If we assume based on figures from the Urban Institute that 76% of the currently uninsured at or below 138% of the federal poverty level would not receive premium tax credits (note 6 supra), then 197,600 Missouri adults would remain uninsured if Missouri elects not to implement the Medicaid expansion in 2014.

[8] For example, Missouri provides time-limited disregards for earnings, a work expense deduction and a child care deduction in its current Medicaid program. The ACA replaces these individual deductions with a 5% "across the board" deduction from income.

[9] Missouri's current eligibility limit for family coverage is $234 a month for a family of 2 and $292 per month for a family of 3, a capped amount that does not increase when the poverty level increases. Currently this limit is about 18% of the federal poverty level. The 260,000 will also include some

Missourians with disabilities who are only eligible for MO HealthNet on a spenddown basis, but *not* those beneficiaries who are dually eligible for Medicaid and Medicare.

[10] ACA, § 1401(c)(1). Certain *legal* immigrants with incomes below the poverty level who are not eligible for Medicaid can receive premium credits.

[11] *See*, *e.g.*, Cover Missouri, *The Significance of Missouri's Uninsured*, Missouri Foundation for Health (and citations therein), available at http://covermissouri.org/docs/Significance%20of%20Missouris%20Uninsured%20-%20FS%20Final.pdf .

[12] Benjamin T. Sommers et al., *Mortality and Access to Care Among Adults After State Medicaid Expansions*, 367 NEW ENG. J. MED. 1025, 1025-1034 (2012).

[13] Amy Finkelstein, Sarah Taubman, et al, *The Oregon Health Experiment: Evidence from the First Year*, The National Bureau of Health Research, (undated), available at http://www.nber.org/papers/w17190.pdf?new_window=1.

[14] Missouri's regular Medicaid matching rate for fiscal year 2013 is 61.37 %. 76 Fed. Reg. 74063 (November 30, 2011).

[15] *See* note 6. The total State share of the expansion is $806 million for 2014-2021, which comes from an increase in General Revenue ($447 million) and from other revenue sources ($359 million) including the provider tax.

[16] *See* note 6.

[17] This figure is based on the estimates provided by Linda Luebbering (*see* note 6) cited in this paper, i.e., that 260,000 of Missouri's uninsured would be covered by the ACA's Medicaid expansion, as well as the U.S. Census estimate that there are currently 807,000 uninsured Missourians.

[18] *See* note 6.

[19] These estimates are based upon analysis of Missouri Economic Research and Information Center's Occupational Employment and Wage Estimates 2011 data. We took the Mean Annual Wage for Physicians and Surgeons in 2011 ($179,258) and estimated how many doctors could be paid for by $1.8 Billion. The same process was repeated using the Mean Annual Wage of Registered Nurses in 2011 ($60,395).

[20] University of Missouri School of Medicine Department of Health Management and Informatics and Dobson DaVanzo & Associates, *The Economic Impacts of Medicaid Expansion on Missouri*, Missouri Hospital Association and Missouri Foundation for Health, at 11 Table 3, November 2012.

[21] *Id.* at vi, 12.

[22] Wells Fargo Securities, Municipal Securities Research, *Medicaid Expansion Update*, at 3, August 17, 2012.

[23] *National Federation of Independent Business*, 2012 U.S. LEXIS 4876 at *318 (emphasis added).

[24] *See* note 6. From 2014-2021 the State estimates savings from the "Blind Pension" program ($10 Million), Corrections ($23 million), and Department of Mental Health ($169 Million). These numbers are rounded down here for purposes of simplification. The estimated savings to the Department of Corrections will occur because Medicaid will cover the in-patient hospital stays of prisoners whose hospitalizations are currently paid for solely with state funds.

[25] John Holohan, Matthew Buettgens, Caitlin Carroll & Stan Dorn, The Urban Institute, *The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by –State Analysis*, Kaiser Commission on Medicaid and the Uninsured, at 53, November 2012. Earlier research found that states and localities finance 30% of the uncompensated care. Spending by states and localities on uncompensated care comes from grants to hospitals and clinics, the state share of Medicaid DSH payments, state and local support for graduate medical education, public hospitals, and indigent care programs. Kaiser assumed that states would only be able to achieve savings equal to 33% of the reduction in their share of payments for uncompensated care. The Kaiser report conservatively assumes that state savings from the Expansion would equal only 10% of the State's total uncompensated care cost. *See Id*. at 26 (for a discussion of the methodology used to determine states' uncompensated care savings). The State of Missouri does not include any "uncompensated care" savings in its estimated general revenue savings under the expansion, as Missouri generally uses provider taxes (rather than general revenue) to fund the state cost of uncompensated care.

[26] *See* Stan Dorn, *Considerations in Assessing State-Specific Fiscal Effects of the ACA's Medicaid Expansion*, Urban Institute, at 3-4, August 2012 (Revised September 2012).

[27] *See* note 6. From 2014-2021 the State of Missouri estimates savings from moving recipients from the following programs to the new Medicaid expansion eligibility group: Pregnant Women ($383 Million), Ticket to Work Program ($11 Million), Breast/Cervical Cancer ($57 Million), Spenddown ($245 Million), and Women's Health Services ($9 Million). The State estimates savings for Pregnant Women, the Ticket to Work Program, Breast/Cervical Cancer Treatment, and Spenddown because Medicaid recipients with incomes at or below 138% of the Federal Poverty Level will move to the new Medicaid eligibility group with a higher federal match rate. The savings for "Women's Health Services" are based on the assumption that the program (which provides limited benefits for qualifying women) will be eliminated, and that individuals in that program will move into the new Medicaid expansion group or the Exchange. These numbers are rounded for purposes of simplification.

[28] *See* note 20, at 14.

[29] *See* note 6. From 2014-2021 the State of Missouri estimates new tax revenue from Individual Income Tax ($242 Million), Sales Tax ($34 Million), Miscellaneous Sales Tax ($16 Million), and "Avoided Tax Credits " ($160 Million) from the elimination of Missouri's Health Insurance Pool (HIP) for high risk individuals, which will no longer be needed as people receive coverage under the ACA. *Medicaid Expansion—Budget Key Assumptions*, provided by Linda Luebbering, Budget Director, December 13, 2012. Companies now receive a tax credit for their contributions to the HIP. When the HIP is eliminated, those tax credits will be eliminated as well. These numbers are rounded for purposes of simplification.

[30] *See* note 15. This figure is based upon estimates provided by State Budget Director, Linda Luebbering, that Provider Taxes and other non-general revenue funding streams will fund ($359 Million) of the State's Share of Medicaid expansion ($806 Million).

[31] State of Arkansas, *Estimated Medicaid-Related Impact of the Affordable Care Act with Medicaid Expansion*, July 17, 2012, available at http://humanservices.arkansas.gov/director/Documents/ACA%20impact%20estimate%20with%20expansion%20FINAL.pdf.

[32] Charles Milligan, *Expanding Medicaid: The Smart Decision for Maryland*, Health Affairs Blog, August 29, 2012, available at http://healthaffairs.org/blog/2012/08/29/expanding-medicaid-the-smart-decision-for-maryland/. January Angeles, *Idaho Shows Why Medicaid Expansion Is a Good Deal for States*, Center on Budget and Policy Priorities Blog, November 15, 2012, available at http://www.offthechartsblog.org/idaho-shows-why-medicaid-expansion-is-a-good-deal-for-states/.

[33] Joan Alker et al., *Florida's Medicaid Choice: Understanding Implications of Supreme Court Ruling on Affordable Health Care Act*, Health Policy Institute, Georgetown University, at 7, November 2012.

[34] *See* note 6. From 2014-2021, the State of Missouri estimates that the combination of *new* general revenue generated by the new federal funds and savings to general revenue exceeds the cost of expanding Medicaid by $587 Million.

[35] *National Federation of Independent Business*, 2012 U.S. LEXIS 4876 at *37; 42 U.S.C. Section 18091(2)(F).

[36] Congressional Budget Office, *Estimates for the Insurance Coverage Provisions for the Affordable Care Act Updated for the Recent Supreme Court Decision*, July 2012, available at http://www.cbo.gov/sites/default/files/cbofiles/attachments/43472-07-24-2012-CoverageEstimates.pdf.

[37] American Academy of Actuaries, *Implications of Medicaid Expansion Decisions on Private Coverage,* September 2012, available at http://www.actuary.org/files/Medicaid_Considerations_09_05_2012.pdf.

[38] *See* note 20, at 17.

[39] Missouri Hospital Association, *Health Matters*, available at http://resources.missourihealthmatters.com/Reports/EconomicReport.aspx?ReportId=*6*, (confirmed by Mary Becker, Missouri Hospital Association, November 29, 2012).

[40] For more information about the DSH program and the DSH provisions in the ACA, *see*, Corey Davis, *Q & A: Disproportionate Share Hospital Payments and the Medicaid Expansion*, National Health Law Program, July 2012.

[41] Missouri Hospital Association data, provided by Mary Becker, December 6, 2012. MHA also estimates substantial cuts to Missouri hospitals as a result of provisions of the ACA that cut Medicare payments to hospitals. Those cuts are another reason why funding from the Medicaid expansion is so important for Missouri hospitals.

[42] These estimates by occupation and income level are from LSEM's analysis of U.S. Census Public Use Microdata Sample (PUMS) 2011 data. All numbers have been rounded to the nearest hundred. This PUMS analysis has also been reviewed by Matt Broaddus of the Center on Budget and Policy Priorities.

[43] *See* note 42.

[44] Martha Heberlein et al., *Medicaid Coverage for Parents Under the Affordable Care Act*, Georgetown University Center for Families and Children, at 1, June 2012, available at http://ccf.georgetown.edu/wp-content/uploads/2012/08/Medicaid-Coverage-for-Parents.pdf.; *See also* Genevieve M. Kenney et al., *Medicaid/CHIP Participation Among Children and Parents*, Robert Wood Johnson Foundation, at 7, December 2012, available at http://www.rwjf.org/content/dam/farm/reports/reports/2012/rwjf403218.

[45] Center on Budget and Policy Priorities, *Insuring Parents Helps Children: A Fact Sheet*, July 25, 2001 (emphasis added), citing Comment by Gary Stangler on "Supporting Work Through Medicaid and Food Stamps," by Bob Greenstein and Jocelyn Guyer in Rebecca Blank and Ron Haskins, editors, *The New World of Welfare*, Washington, DC, Brookings Institution.

[46] *Medicaid Expansion Draft: Kids Budget Information*, provided by Linda Luebbering, Budget Director, December 18, 2012. The number of children gaining coverage is expected to increase to over 40,000 by 2018. *Medicaid Expansion—Budget Key Assumptions*, December 13, 2012 (provided by Linda Luebbering, Budget Director). The State of Missouri has separated the costs of increased enrollment for

children from the costs of Medicaid expansion because this cost will occur, with or without the Medicaid expansion, due to streamlined Medicaid enrollment, the requirement that children be covered for any parent to receive federally subsidized premiums, and outreach campaigns.

[47] Sara Rosenbaum et al., *Parental Health Insurance Coverage as Child Health Policy: Evidence from the Literature*, Department of Health Policy, George Washington University, at 5, June 2007, available at http://firstfocus.net/sites/default/files/r.2007-6.25.rosenbaum.pdf.

[48] Kathryn Schwartz, *Spotlight on Uninsured Parents: How a Lack of Coverage Affects Parents and Their Families*, Kaiser Commission on Medicaid and the Uninsured, at 6, June 2007, available at http://www.kff.org/uninsured/upload/7662.pdf.

[49] Leighton Ku & Matthew Broaddus, *Coverage of Parents Helps Children, Too*, Center on Budget and Policy Priorities, October 2006, available at http://www.cbpp.org/cms/?fa=view&id=754.

[50] Genevieve M. Kenney et al., *Opting in to the Medicaid Expansion under the ACA: Who are the Uninsured Adults Who Could Gain Health Insurance Coverage*, Urban Institute, at 11 Table 4, August 2011, available at http://www.urban.org/UploadedPDF/412630-opting-in-medicaid.pdf

[51] *See* note 6. These figures are based on the State of Missouri's 2014 estimates of "Newly Eligible Participants" for Medicaid coverage under Medicaid expansion including Parents (115,685), Childless Adults (124,032), and "Medically Frail" individuals (19,782). The "Medically Frail" calculation is based on the prevalence of disability for selected age groups in 2010 U. S. Census data. This group of individuals includes both parents and childless adults, but the State has not broken down the "Medically Frail" category into low-income parents and childless adults.

[52] Judge David L. Bazelon Center for Mental Health Law, *Advantage of New Opportunities to Expand Medicaid Under the Affordable Care Act*, July 2012.

[53] Jennifer Haley & Genevieve M. Kenney, *Uninsured Veterans and Family Members: Who Are They and Where Do They Live?*, Urban Institute, at Table 4, May 2012, available at http://www.urban.org/UploadedPDF/412577-Uninsured-Veterans-and-Family-Members.pdf.

[54] Office of Community Planning and Development, *The 2010 Annual Homeless Assessment Report to Congress*, at 131 App. C-2, U.S. Department of Housing and Urban Development, June 2011, available at *http://www.hudhre.info/documents/2010HomelessAssessmentReport.pdf* . Travis P. Baggett, *et al., The Unmet Health Care Needs of Homeless* Adults, 100 AM. J. PUBLIC HEALTH, 1326, 1328 Table 1 (July 2010), available at *http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2882397/pdf/1326.pdf*.

[55] Jane Perkins, *50 Reasons Medicaid Expansion is Good for Your State*, National Health Law Program, August 2, 2012.

[56] Hinda Chaikind & Chris L. Peterson, *Summary of Potential Employer Penalties Under the Patient Protection and Affordable Care Act (PPACA)*, Congressional Research Service, at 3, May 14, 2010, available at http://www.shrm.org/hrdisciplines/benefits/Documents/EmployerPenalties.pdf .