

NEWS



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Conservative States' Medicaid Expansion Provides Laboratory For Missouri Expansion

JEFFERSON CITY, Mo. — A [new analysis](#) of conservative state Medicaid expansion in Arkansas, Indiana and Ohio clarifies many of the questions raised about state-level costs and budget savings of a potential Missouri expansion. Researchers at Health Management Associates interviewed leaders directly involved with expansion in these states to evaluate the policy and operational adjustments they undertook to design a budget-conscious program while maximizing state value.

“The Arkansas, Indiana and Ohio experiences demonstrated that expansion can be designed to free general revenue funds for other priorities — including K-12 education, transportation and law enforcement,” said Matt Powers, Managing Director of MMA at Health Management Associates. “During expansion, these states shifted some currently enrolled, lower state-match recipients into the expansion population, reducing the state’s outlay and general revenue costs.”

In the six years in which states have had the option to expand Medicaid through the Affordable Care Act, no state has reversed its decision to adopt the expansion — for financial or other reasons. An analysis of the research nationwide suggests expansion has had an overall positive impact on states' general revenue budgets. Researchers found Arkansas, Indiana and Ohio all

LESSONS LEARNED FROM MEDICAID EXPANSION IN CONSERVATIVE STATES



developed customized expansion programs to keep costs under control and to capture additional state dollars to fund the state's share of the expansion.

The ACA Medicaid expansion — like other Medicaid enrollment categories — includes state cost sharing. Under expansion, the federal share of the cost would be 90% and the state's cost 10%. In addition, the state would incur administrative costs and growth in the program through the “woodwork effect” — when the expansion enrollment process draws in individuals previously eligible but not enrolled in Medicaid.

“Using the tools at their disposal, our research suggests that state leaders can avoid significant state-level spending to expand Medicaid through the ACA,” Powers said. “Our research suggests that the full cost of a well-designed and well-synchronized program in Missouri can be covered by replacing state-only funded enrollees with the expansion's 90% federal match, offsetting other Medicaid enrollees that would be matched at a higher rate, and through other policy and operational adjustments.”

Several areas where Missouri could offset existing enrollment were identified by the researchers. These categories include behavioral health and substance abuse treatment, and transition support for the recently incarcerated, which currently are state funded. In addition, some pregnant women, women eligible for the breast and cervical cancer program, the medically needy, and

individuals with disabilities could be moved to the expansion enrollment category, generating state savings.

In addition to population management activities, researchers suggested where the state might see additional revenue opportunities through expansion.

“The influx of federal funds will generate economic activity resulting in increased sales tax for Missouri,” Powers said. “And, Missouri has a long history of maximizing provider and health insurer taxes to stabilize the growth of general revenue spending within Medicaid. That type of collaboration exemplifies the spirit of innovation necessary to adopt solutions similar to the conservative states studied.”

Researchers identified several lessons from Arkansas, Indiana and Ohio that could help Missouri maximize the value of expansion for the state. These include the following.

- The newly available federal funds create an opportunity to implement reforms to the state’s health care delivery and payment systems, and could support a more systemic transformation initiative.
- Policymakers should understand that the state savings benefit does not occur immediately. In other states, the full benefits took one to two years to accrue.
- Financing should be straightforward and build on existing mechanisms when possible.

“A well-designed and implemented program will create new economic opportunity for the state and its citizens,” Powers said. “At the same time, expansion will strengthen individual health and the health care system.”

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Read the [Executive Summary](#).

The report was commissioned by the Missouri Hospital Association and Missouri Primary Care Association and released in partnership with stakeholders from the health care community.

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