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April 17, 2025

The Effects of Congressional Medicaid Proposals on Medicaid Expenditures in Missouri: Summary of Key Findings to Date

Congressional Republicans are considering several different policy options to reduce federal Medicaid funding as part of the budget reconciliation process. This document describes expenditure and enrollment estimates for several different proposals under consideration during the **10-year (Federal Fiscal Years (FFYs) 2025-2034)** budget window.[1] These estimates **do not** account for interactive effects.

Policy	Expenditure Impact
Federal Medical Assistance Percentage Proposals (*Effective FFY 2026)*	
1. Eliminate Enhanced Federal Match for Expansion Enrollees	• **Option A: State Eliminates Expansion Group:** If Missouri eliminates coverage for expansion enrollees, total Medicaid spending would decrease by **$42.9 billion** (24%) and enrollment would decline by 347,000 (27%).[2, 3] • **Option B: State Replaces All Lost Federal Funding:** Missouri would need to increase its own Medicaid spending by **$11.2 billion** (21%) to maintain current levels of total Medicaid expansion expenditures and enrollment.[4]
Per Capita Cap Proposals *(Effective FFY 2028)*[5]	
2. Impose Per-Capita Cap for All Medicaid Enrollees	• **Option A: State Only Spends Matched Dollars:** If Missouri were to spend only dollars that could be matched, total Medicaid spending would decrease by **$20.3 billion** (14%). • **Option B: State Maintains Prior Funding Levels:** If Missouri were to hold non-federal spending constant, total Medicaid spending would fall by 10% or **$15.0 billion**. • **Option C: State Fully Replaces Lost Federal Funding:** Assuming the same policy parameters as the Congressional Budget Office (CBO), Missouri would need to increase its own Medicaid spending by 36% -- an increase of **$15.0 billion** -- to maintain existing total Medicaid spending levels.
3. Impose Per-Capita Cap for Expansion Enrollees Only	• **Option A: State Only Spends Matched Dollars:** Proposal would reduce total Medicaid spending by **$7.8 billion**. This would represent a 5% decline in total Medicaid spending and a 22% decline in spending on the expansion group. • **Option B: State Maintains Prior Funding Levels:** If Missouri were to hold non-federal spending constant, total Medicaid spending would still fall by **$7.0 billion** (5% of total Medicaid spending and 20% of spending on the expansion group).

[1] Both the budget window and assumptions regarding effective date for the policies are aligned with the Congressional Budget Office (CBO), Options for Reducing the Deficit: 2025 to 2034.
[2] Figure represents the difference in average annual enrollment relative to baseline.
[3] Estimates reflect reduced expansion enrollment as well as reductions in child enrollment and increased enrollment in disability-based coverage. Evidence from the implementation of Medicaid expansion clearly shows that increased in parental coverage drove increases in child coverage. Additionally, states saw reductions in enrollment in disability-based coverage, as some individuals chose to forgo the complex process of a disability determination and instead opted to enroll through the expansion group. We assume the inverse of these effects will occur if there are significant reductions in coverage for adults under these proposals.
[4] Note: percentage impacts relative to baseline are for years in which the policy is in effect only.
[5] CBO assumes per capita caps would be established using a FFY 2024 spending baseline and would take effect at the start of FFY 2028. Caps would be trended forward based on the Consumer Price Index for All Urban Consumers (CPI-U). If Congress chooses a per capita cap model that diverges from CBO's parameters (e.g. choosing a different base year or trend rate), estimates would differ.

	• **<u>Option C: State Fully Replaces Lost Federal Funding:</u>** Missouri would need to increase its own spending by **$7.0 billion** to maintain existing total Medicaid expansion spending levels. This would represent a 17% increase in state Medicaid spending overall and a **196% increase** in state spending on the expansion population (because of the enhanced federal match rate for expansion enrollees).
State Directed Payment Proposals (*Effective FFY 2026)*	
4. Reduce Hospital State Directed Payments from Current Levels to Medicare-Equivalent Rates[6, 7]	• **<u>Impact on Medicaid Hospital Spending</u>**: Reducing hospital state directed payments (SDPs) from current levels to Medicare-equivalent rates would decrease **federal** Medicaid funding for Missouri hospitals by **$952 million**, a 3% decline compared to expected federal Medicaid hospital funding in Missouri under current law. On a percentage basis, the estimated reduction in federal funds is the second smallest compared to the 34 states[8] with approved hospital SDPs in 2023 or 2024.
Provider Tax Proposals *(Effective FFY 2026)*[9,10]	
5. Reduce the 6% cap on provider taxes to 5%	• **<u>Impact on Overall Medicaid Spending</u>**: Given that Missouri's provider taxes on hospitals equal approximately 4.8% of net patient revenues, reducing the cap to 5% would <u>not</u> decrease federal funding to Missouri Medicaid.
6. Reduce the 6% cap on provider taxes to 4%	• **<u>Impact on Overall Medicaid Spending</u>**: Would decrease federal funding for Missouri Medicaid by **$6.8 billion** overall (5% compared to expected federal Medicaid funding under current law). On a percentage basis, the estimated reduction in federal funds is the **15th largest** compared to the 46 states with hospital provider taxes.
7. Reduce the 6% cap on provider taxes to 3%	• **<u>Impact on Overall Medicaid Spending</u>**: Would decrease federal funding for Missouri Medicaid by **$15.4 billion** overall (12% compared to expected federal Medicaid funding under current law). On a percentage basis, the estimated reduction in federal funds is the **8th largest** compared to the 46 states with hospital provider taxes.
8. Reduce the 6% cap on provider taxes to 2.5%	• **<u>Impact on Overall Medicaid Spending</u>**: Would decrease federal funding for Missouri Medicaid by **$19.7 billion** overall (16% compared to expected federal Medicaid funding under current law). On a percentage basis, the estimated reduction in federal funds is the **6th largest** compared to the 46 states with hospital provider taxes.
Mandatory Work Requirement Proposals *(Effective FFY 2026)*[11]	

[6] Estimated impacts assume that the state does not replace lost federal funding.
[7] Estimated impacts are limited to SDPs to hospitals and do not reflect potential effects on SDPs to other types of providers.
[8] Includes states with at least one approved SDP preprint for hospital services posted on CMS' website in for rating periods starting in 2023 or 2024.
[9] Figures reflect the impact of changes to Medicaid hospital taxes and do not account for potential changes to taxes on other entities (e.g., nursing homes, managed care plans). Estimates assume that the state does not replace lost non-federal share funding.
[10] Under federal Medicaid law, states generally cannot impose provider taxes that exceed 6 percent of net patient services revenues for the class of providers subject to the tax.
[11] 10 year enrollment figures represent the estimated decline in average annual enrollment from 2026 - 2034.

9. Implement Mandatory Work Requirements for Expansion Adults Ages 19 - 55	• **Scenario A – Lower Coverage Loss[12]:** Total Medicaid spending would decline by **$11.0 billion** (6%) and enrollment would decline by 86,000 (7%). • **Scenario B – Higher Coverage Loss[13]:** Total Medicaid spending would decline by **$15.7 billion** (9%) and enrollment would decline by 123,000 (9%).
10. Implement Mandatory Work Requirements for Expansion Adults and Other Adults[14] Ages 18 - 65	• **Scenario A – Lower Coverage Loss:** Total Medicaid spending would decline by **$16.5 billion** (9%) and enrollment would decline by 140,000 (11%). • **Scenario B – Higher Coverage Loss:** Total Medicaid spending would decline by **$23.5 billion** (13%) and enrollment would decline by 199,000 (15%).

[12] The lower coverage loss scenario reflects Arkansas' experience implementing work requirements. It assumes that 60% of individuals will be automatically exempted or determined compliant and that 72% of individuals not automatically exempted/determined compliant would lose coverage.

[13] The higher coverage loss scenario reflects New Hampshire's experience implementing work requirements. It assumes that 50% of individuals will be automatically exempted or determined compliant and that that 82% of individuals not automatically exempted/determined compliant would lose coverage.

[14] Other adults includes non-elderly, non-disabled adults not enrolled through the expansion group (e.g., parents)