

February 24, 2005

Medicaid Funding: Separating Fact from Fiction

One of the most difficult decisions the legislature and the governor make each year is how to equitably and properly divvy out money in the state budget. Our budget this year is estimated to be over \$19 billion and while \$19 seems like a lot of money, one thing is certain, there is never enough to go around. Consequently, state legislators face the gut-wrenching decision of trying to parcel out this money fairly. This decision is especially difficult when it involves programs like Medicaid that affect the daily lives of thousands of Missourians.

This difficult decision is not made in a vacuum. One of the beauties of our system of government is that it is all open to the public and the press. However, even with this transparency, many times disinformation about what is actually being funded or cut spreads rapidly.

First, I want to make something very clear that most people have not heard. Governor Blunt is actually proposing to spend \$60 million more on Medicaid in the 2006 budget than is being spent in the 2005 budget. He has not proposed a year over year cut in Medicaid. He has proposed an increase. However, given Medicaid's massive growth rate, even slowing the rate of growth of the program will feel like a cut because programs will have to be scaled back or eliminated.

Missouri is in a quandary. The cost of Medicaid has grown dramatically faster than the income of Missourians has grown. We get our state budget money from taxing our citizens. Without tax increases, which would have to come by a vote of the people, our state budget can grow only as fast as personal and corporate income grows. Missouri's budget has to be in balance under the state constitution. We cannot run up deficits.

The cost of Medicaid in most of the past 10 years has grown dramatically. Over the last 13 years there has been a 15% average growth rate. Here are Medicaid's annual growth rates since 1991:

'91:	39.47%
'92:	58.38%
'93:	-3.06%
'94:	6.57%
'95:	11.84%
'96:	1.84%
'97:	6.22%
'98:	7.53%
'99:	10.52%
'00:	9.44%
'01:	21.91%
'02:	16.55%

'03: 2.46%

Our government tax receipts actually declined in 2001 through 2003 while Medicaid was growing heartily. Nearly every year, Medicaid has grown faster than has the income of Missouri taxpayers. That is simply not sustainable.

Only the state of Tennessee spends a greater percentage of its budget on Medicaid than Missouri and the governor of that state has proposed to take 323,000 Tennesseans off of their Medicaid program. Even if all of the governor's cuts are enacted, Missouri will still spend a greater percentage of its budget on Medicaid than 41 other states. All over the country states are being forced to cut back on Medicaid.

Some have argued that taxes should be raised so that Medicaid can continue on its growth path. Yet, under the Missouri constitution, any such vote would have to go to a vote of the people. It would require a huge tax increase. Some of the most ardent Medicaid advocates, the Missouri Hospital Association, investigated putting such a tax increase on the ballot by initiative petition. They conducted polling to determine the likelihood of success and discovered that Missourians were overwhelmingly resistant to increasing their taxes to sustain Medicaid's growth rate. Missourians have defeated the last 5 tax increase proposals that have been put before them.

That puts the legislature in a pickle. We have no choice but to slow the growth of Medicaid, unless we are willing to make substantial budget cuts to K-12 education and other funding priorities.

Please remember that the budget is a work in progress. You will see many changes throughout the process. We have to be wise. For example, we must make sure \$1 of cuts does not lead to \$2 of additional cost in another budget line item.

I certainly welcome your ideas. What would you do if you were Governor? I ask this question because I often receive deeply insightful and helpful responses. You can reach my office by e-mail at matt_bartle@senate.state.mo.us or by phone at (888) 711-9278.