



Medicaid Is Stifling Economic Growth in Missouri

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Stop me if you've heard this one before: Medicaid costs in Missouri are expected to increase drastically again next year. This yearly refrain will continue again into State Fiscal Year (SFY) 2020, as indicated by the recently released state department requests for next year's budget. The [exploding](#) cost of Medicaid is something my colleagues have written about extensively, especially since the passage of Obamacare in 2010. The scale and importance of the program for our state's fiscal health certainly warrants continued attention.

Medicaid is the most expensive program the State of Missouri administers, and the share of the budget that the program occupies only continues to grow. In SFY 2000, Missouri spent 18.4 percent of its budget on the Medicaid program. For this year's SFY2019 budget, Missouri will spend more than 37 percent. These totals include federal and other funds, but the impact on state General Revenue doesn't look any better.

The state's General Revenue is funded mostly by individual income and sales tax collections. Each year, Missouri's budget is put together based on an agreed-upon assumption of how much the revenue collections will change for the year. When a single state program grows rapidly, it prevents lawmakers from allocating funds to other worthy public policy priorities when the economic outlook is good, and it also limits options for response when there is a downturn.

To understand Medicaid's effect on the budget, consider this: In the ten years between SFY 2008

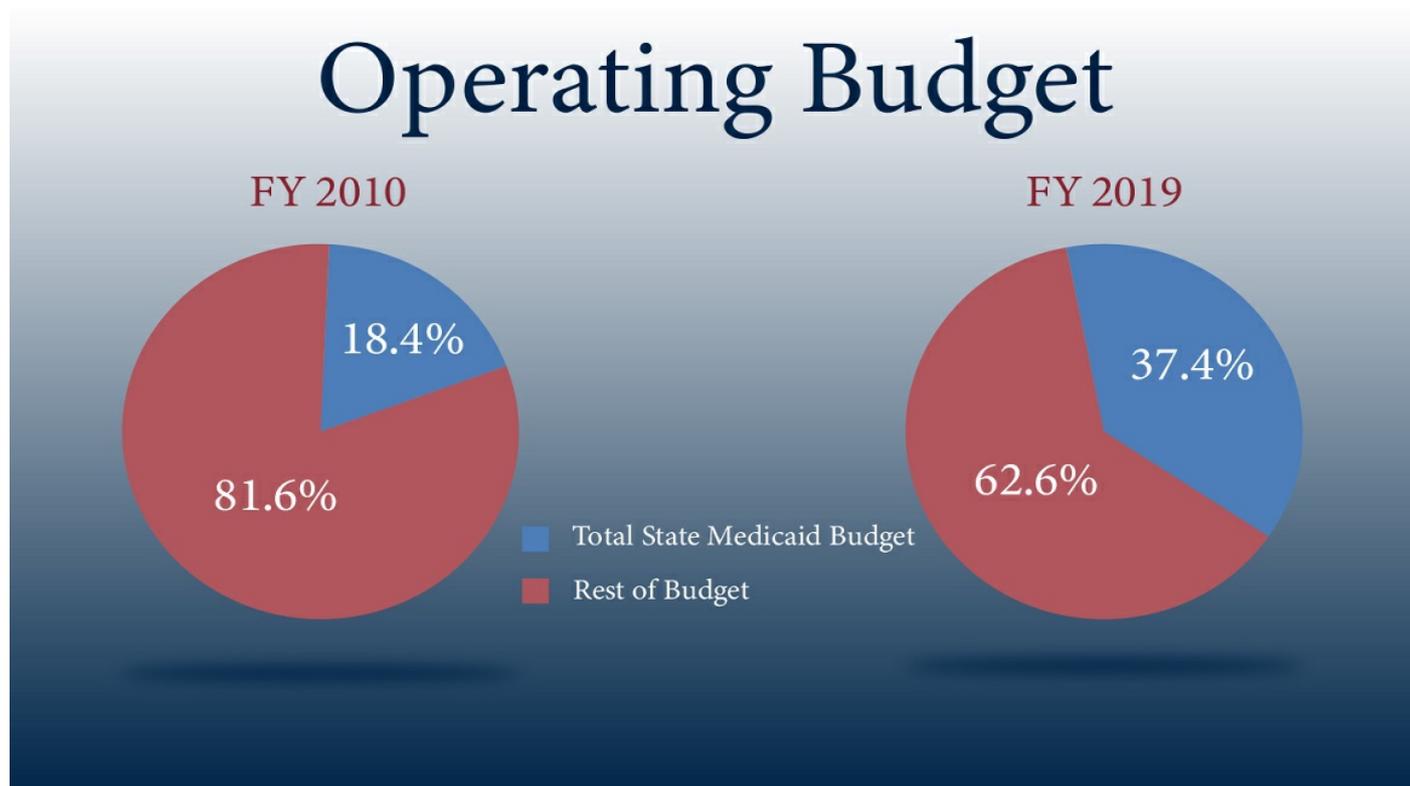
and SFY 2018, state General Revenue collections increased by \$1,464.7 million (or 18.3 percent). In that same time period, the General Revenue cost of Medicaid increased by \$770.3 million. So in effect, over the past decade nearly 53% of all tax revenue growth in Missouri has been consumed by the growth in cost of the Medicaid program.

Sadly, it looks as if this story will continue into SFY 2020. According to the [department requests submitted](#) by the MO HealthNet Division of the Department of Social Services, the Medicaid program is expected to need an additional \$302 million in General Revenue next year. What does such an increase mean?

First, note that the projected increase for next year (\$302 million) is nearly 40 percent as large as the total increase from SFY 2008 to SFY 2018.

Second, even if the only cost increase Missouri had to worry about in its entire budget this year was for Medicaid, state revenue collections would still have to increase by 3.2 percent in order to keep up. And Missouri has only met or exceeded that rate in five of the previous ten years.

As next year's legislative session approaches for Missouri's policymakers, the continued growth of the state's Medicaid program is certain to remain a major concern for our elected budget preparers. Current and future public spending priorities will have to be continually pushed aside until the program can be [reformed and the costs controlled](#). With regard to the future of our state's budget, Medicaid reform cannot come soon enough.



Tags:

- [Medicaid](#)

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Elias Tsapelas earned his Master of Arts in Economics from the University of Missouri in 2016. His research interests include economic development, health policy, and budget-related issues.

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