

# Proposition C And Missouri Hospitals

## *Fact Sheet*

Proposition C is a statewide referendum to revise Missouri's statutes to block the ability of the federal government to impose a legal insurance coverage mandate on Missouri residents. If Proposition C is approved by the voters and upheld by the courts Missouri hospitals would be significantly disadvantaged.

On the Aug. 3 ballot, Proposition C asks Missouri voters the following.

*Shall the Missouri Statutes be amended to:*

- *Deny the government authority to penalize citizens for refusing to purchase private health insurance or infringe upon the right to offer or accept direct payment for lawful healthcare services?*
- *Modify laws regarding the liquidation of certain domestic insurance companies?*

## **Implications For Hospital Funding Under ACA**

Funding for the federal Affordable Care Act was derived from various sources, including Medicare and Medicaid disproportionate share hospital payments. The total hospital spending reductions throughout 10 years would be approximately \$155 billion.

Payment reductions were premised upon the idea that cuts would be offset by a corresponding increase in the number of insured patients. Part of that increase would stem from the ACA's insurance coverage mandate.

If Proposition C is adopted and upheld, Missourians would be free to ignore the federal mandate and remain uninsured. However, Proposition C has no effect on the federal cuts to hospital payments

The accounting firm BKD has analyzed the effect of health reform legislation on Missouri hospital payments through 2019 using hospitals' Medicare and Medicaid cost reports. Most of the ACA payment reductions would be implemented in the Medicare program. Hospital payments under the Medicaid disproportionate share hospital program also would be reduced over time to reflect changes in the number of uninsured patients. With some downward adjustments to soften some indicator-based reductions, the 10-year payment reductions for Missouri are projected to be \$2.5 billion.

Under Proposition C, some of the payment reductions — an estimated 20 percent of the total — would not be matched by corresponding increases in the number of insured Missourians. Instead, these savings extracted from Missouri hospitals by Congress would pay for

expanded coverage in other states or be kept by the federal government rather than used to reduce the burden of the uninsured in Missouri.

The Congressional Budget Office has estimated that the expected increase in coverage under ACA is 31 million additional individuals. The CBO estimates that 6 million individuals will be covered under new employer-sponsored plans. However, without an enforceable mandate in Missouri, the state's share of the 6 million newly insured individuals would not be realized. This corresponds to about 20 percent of the newly insured under ACA. As a result, coverage in Missouri would be expected to be 20 percent less than it would be with a federal coverage mandate.

## **Conclusion**

Eliminating the federal health insurance mandate will significantly reduce the number of Missourians otherwise expected to obtain coverage under the ACA. This will have negative consequences for Missouri hospitals, because they will experience Medicare and DSH payment reductions designed to fund higher levels of coverage.