

2019 “State of the State” Budget and Policy Initiatives

January 2019

Revenue and Economic Projections

- Modest revenue growth
- Revenue growth estimates
 - 1.7 percent growth for FY 2019
 - 2 percent growth for FY 2020
- “Solid” growth in sales taxes, with income tax growth curbed by federal tax reform and a second round of state income tax cuts
- 3 percent unemployment, the lowest since 1976

FY 2020 Budget Sources of Funds

- Total Proposed Operating Budget — \$29.8 billion
 - Federal Funds — \$9.9 billion
 - Other Funds — \$9.7 billion
 - General Revenue — \$10.1 billion
 - Net General Revenue — \$9.8 billion (-refunds)
 - Individual Income Tax — \$6.8 billion
 - Sales and Use Tax — \$2.3 billion
 - Corporate Tax — \$0.3 billion
 - All Other Sources — \$0.4 billion

FY 2020 Budget Recommendations

— Medicaid

- \$357.7 million for “cost to continue” spending
- \$34.9 million to modernize the program, improve integrity and change payment systems
- \$450,000 to implement a new inpatient payment methodology
- \$7.5 million for Medicaid technology infrastructure
- \$3.7 million for MMIS replacement (IT system)
- \$5.7 million to promote HIE data exchange
- \$146 million for federally-mandated actuarial increases for Medicaid managed care plans

FY 2020 Budget Recommendations

— Medicaid

- \$392.4 million in core reduction from FY 2019 appropriation, including \$102.4 million in General Revenue
 - Replace one-time funding (\$62.5 million)
 - Replace “lost” pharmacy tax (\$40.2 million)
 - FMAP adjustment (\$21.1 million)
 - Replace tobacco settlement money (\$16.3 million)
 - Managed care caseload drop (\approx \$200-250 million)

FY 2020 Budget Recommendations

— Medicaid

- \$48.8 million for higher pharmacy costs
- \$850,000 contract audit of ground ambulance services
- \$20.2 million in provider rate increases funded by General Revenue

FY 2020 Budget Recommendations

— Dept. of Mental Health

- \$18.1 million for enhanced opioid abuse prevention, treatment and recovery
- \$1 million for faith/community-based opioid abuse recovery
- \$28.8 million for PPS behavioral health clinics and the behavioral health crisis system
- \$12.7 million for psychiatric and substance abuse provider rate increases

FY 2020 Budget Recommendations — Dept. of Health and Senior Services

- \$4 million in funding and 52 new staff for implementing medical marijuana law
- \$500,000 in FRA to supplant current funding for a poison control hotline
- \$195,000 for weekend/holiday newborn screening service
- \$23.4 million for more capacity and \$14.4 million for a rate increase in the Medicaid Home and Community-Based Services program, administered by DHSS

Workforce Funding Initiatives

- \$22.2 million for training adults for degrees in high-need areas
- \$16.3 million for employer-driven training
- \$10 million to support workforce needs of new or expanding businesses
- \$501,000 for loan forgiveness for health care providers serving in areas of shortage
- \$425,000 for primary care training/telepsychiatry for behavioral care in underserved areas
- \$376,000 to improve oral health access

Other Budget Proposals

- \$5.5 million to expand rural broadband

Supplemental Appropriations for Current FY 2018

- Of the \$511.7 million needed to address shortfalls in current year spending, \$158.3 million is attributed to Medicaid hospital care.
- Of the \$158.3 million, \$114.5 was planned by budget writers in 2018.
- The remaining \$33.8 million likely is related to Medicaid hospital rate cuts going into effect later than planned.

FY 2020 Budget Takeaways

- State revenue growth is modest
- Few references to specific payment reductions, but the budget proposal does not include details
- Governor is willing to invest to support changes to Medicaid payment processes

State of the State Policy Stances

- Priority: “cultivating and training our workforce for high-demand jobs”
- “Total investment of nearly \$75 million dollars into bold and innovative workforce development programs.”

WORKFORCE

With a united vision between the state and private sector, Missouri continues to find innovative solutions to improve our state's business climate and overall economy. However, we must do more to ensure our workforce is prepared for the jobs of today and the future. The Governor's budget makes substantive investments towards that goal, investing in programs aimed at ensuring more Missourians have the opportunity to gather the necessary education and training they need to enter the workforce and fill high demand jobs. Businesses will also receive valuable assistance to upgrade their workers' skills for the needs of an evolving economy.

FAST-TRACK WORKFORCE GRANT PROGRAM

■ \$22.2M for grants to adults over 25 with a household adjusted gross income of less than \$80,000 who are working toward degree programs that fill a high-needs skills gap. Grants shall be awarded in an amount equal to the actual tuition and fees. The grants are available for up to four semesters until receipt of a bachelor's degree or reaching 200 percent of the time typically required to complete the program of study, whichever occurs first.

MISSOURI EXCELS

■ \$16.3M for Missouri Higher Education Institutions to develop and expand employer-driven education, training programs, and initiatives to substantially increase educational attainment.

MISSOURI ONE START

■ \$10M for an increase and consolidation of the Missouri Works program. This new fund, called Missouri One Start, will help new and expanding businesses by providing and covering the costs of training. In addition, this fund assists existing businesses in upgrading workers' skills. The Missouri One Start training program assists small, medium, and large companies that are either creating jobs or making significant capital investments.



State of the State Policy Stances

- “There will be other issues that are important, like ... passing regulatory and venue reform.”
- “Our administration recently completed the state’s largest deregulation effort, eliminating nearly one out of every five state regulations.”
- “Our budget also proposes a reduction of nearly 430 government positions.”

State of the State Policy Stances

- High-speed broadband access: “We currently have about ten school districts and many rural communities that lack access to high speed broadband, and that is unacceptable.”
- “That is why my budget calls for an additional \$5 million dollars in broadband funding”



State of the State Policy Stances

- “A key part of our efforts to improve Missouri’s workforce and infrastructure is improving our citizen’s health and healthcare by developing better access to providers and hospitals.”
- “Almost 40 percent of Missourians live in rural areas and we are committed to making sure they too have access to both preventive and emergency care.



State of the State Policy Stances

- “In addition, we will be providing a substantial increase to help those facing the challenges of mental health, expand tele-medicine technology, fight the opioid crisis, and better serve those in need.”



State of the State Policy Stances

- “We must also curb Medicaid costs, which accounts for over 10 billion dollars of the state budget.
- I hired Director Todd Richardson to lead this charge.
- Safeguarding the integrity of the Missouri Medicaid program is vital to the state of Missouri. Nearly one-third of Missouri’s entire budget is devoted to the Medicaid program.
- It must be run with the highest level of integrity to ensure every tax dollar is accounted for.”

State of the State Policy Stances



“We have to maintain fiscal accountability while also ensuring MO HealthNet provides more than 900,000 of the state’s most vulnerable citizens access to the quality healthcare they deserve.”

— Medicaid Director Todd Richardson

Missouri Forward: Budget and Legislative Priorities

Questions or Comments?