

CAPITOL REPORT

Senator Luann Ridgeway

April 22, 2005

We are spending a lot of time working on Medicaid reform. One of the Clay County Representatives recently wrote two capitol reports. They are so good, I want to send them to you.

Contact Information: Senator Luann Ridgeway: State Capitol- Room 419, Phone: (573) 751-2547, Fax: (573) 751-9771

Representative Doug Ervin District 35 Capitol Commentary

April 1, 2005

Budget, Medicaid, and Federalism

The year was 1966, the President of the United States was Lyndon B. Johnson, Congress was working on Medicare, the Great Society was just around the corner, and democrat Governor Warren Hearnes of Missouri saw trouble on the horizon.

Governor Hearnes denounced the federal legislation of Title 19, which we know today as Medicaid, as "punitive"¹, because it would require significant new state expenditures or the state would face the threat of losing federal money. He prophesied, "The great danger is that we start participating in some of these matching fund programs and when we get into them we find it's going to vitally affect our budget."²

He recognized the significant effect of federalism during an interview when he was asked whether he believed the federal government holds a financial club over the states by responding, "Yes, and the club is getting larger all of the time. But the worst feature of the present system is that the states become committed to programs that turn out to be open-ended as to costs, yet the states have little or no control."³

The "financial club" was a problem in 1967 and it remains so today. Governor Hearnes understood that Missouri should not be "...forced into any program through federal legislation which would impose upon its citizens additional state taxes to which they, or their elected representatives, have not consented."⁴

A democrat state senator from Cape Girardeau, Albert M. Spradling, Jr. also recognized the "great danger" of "open-ended" costs by Medicaid saying "we're frightened and we're scared" of the unknown financial requirements. He believed then in 1966 - and time has proven him right - that Medicaid under Title 19 would require stiff tax increases to maintain funding.⁵

It was during this time that Governor Hearnes had the distinction of attracting national attention by criticizing President Lyndon Johnson explaining, "I also do not believe this effort on the part of the Federal Government to dominate vital programs is truly creative federalism. I furthermore do not believe such efforts push outward the horizons of a Great Society."⁶

The debate in Missouri at that time was not one of lack of compassion for the truly needy, but one of the unknown financial burden of such programs on Missouri's budget which is paid for by Missouri citizens of that and future generations. Governor Hearnes foresaw the encroachment of this "creative federalism" in this case as unwieldy and without restraint. He understood that the use of vague terms like "near needy"⁷ and "medically indigent"⁷ would lead to untenable and unsustainable growth in eligibility and costs.

Herbert Trasik, state political correspondent of the Post-Dispatch, neatly summarized that "He [Hearnes] said he favored medical aid to persons who are unable to pay for it, but questions whether this program [Medicaid] should be extended to those who could pay their own way. The problem... is how to define near needy persons who would be eligible for such public assistance."⁸

Time has passed since 1966-67 and the debate surrounding Medicaid and our state's finances rests on the same pillars today as then - providing help to those who are truly needy versus those "who could pay their own way". Then, as now, the "financial club" of Medicaid weighs heavily over the heads of all Missourians.

Growth in the Medicaid program has grown from \$38,914,458 (4% of our state budget) in 1968 to \$4,888,399,124 (28% of our state budget) in 2004. Medicaid served 108,238 Missourians in 1970 and has grown to 1,003,864 as of February 2005.

Medicaid spending has exploded in the last 10 years growing \$4.2 billion from \$2.26 billion (\$1 billion of general revenue plus \$1.2 billion of federal funds) in 1996 to projected expenditures totaling \$6.5 billion (\$2.5 billion of general revenue plus \$4 billion of federal funds) this year for an average increase of \$420 million annually.

The growth in Medicaid that we have experienced since the early 1990's can be traced back primarily to 14 new federal Medicaid mandates enacted by the federal government. In addition to the federal mandates, the state chose to expand Medicaid using various waivers. Since 1994, Missouri expanded Medicaid eligibility 12 times while making only four minor reductions during that same time period.

As one digests the data of the past 40 years, Governor Hearnes' words ring true, "...the worst feature of the present system is that the states become committed to programs that turn out to be open-ended as to costs, yet the states have little or

no control”³ as “much of our taxes flood to Washington and return in dribbles too small for us to meet some of the mandates proposed without thought of our ability to meet the demands made upon us...”⁹

This General Assembly and Governor Blunt must take the lead and begin transforming our welfare system. The choice of doing nothing is a choice that leads to massive tax increases in amounts in excess of \$350 million this year and after. The other choice is to make the difficult decisions that are being made today in Jefferson City.

Governor Hearnes also observed that, “If a federal law can be enacted which require a state... to adopt a program which could result in the imposition... of higher taxes on its citizens, then the states have lost to the Federal Government one of their most precious assets, self-determination, an asset they have historically possessed.”¹⁰

Two bills are before the General Assembly, one dealing with the short-term by strengthening Medicaid by eliminating waste, fraud, and abuse and reducing eligibility requirements and one that gives us footing to transform Medicaid into a program that serves the truly needy among us and returns to Missourians a precious asset – self-determination.

The coming weeks have all of the marks of being contentious, but this General Assembly has no other choice but to rise above the partisan rancor that accompanies welfare reform and work together to move our state in a positive, forward direction to build a better Missouri.

Feel free to forward this email to friends and family to promote an informed and active citizenry.

Footnotes:

¹St. Louis Post-Dispatch, January 21, 1967, “Hearnes Bitter over ‘Punitive’ Medicaid Law, Other U.S. Acts”

²St. Louis Globe, February 7, 1966, “Legislators to Make Trip to Washington”

³Kansas City Times, January 26, 1967, “Federal ‘Overlord’ Resented by Hearnes”

⁴St. Louis Post-Dispatch, January 21, 1967, “Hearnes Bitter over ‘Punitive’ Medicaid Law, Other U.S. Acts”

⁵St. Louis Globe, June 10, 1966, “Hike in State Taxes Predicted”

⁶St. Louis Post-Dispatch, January 21, 1967, “Hearnes Bitter over ‘Punitive’ Medicaid Law, Other U.S. Acts”

⁷UPI, May 24, 1966, “Hearnes Warns Medicare Plan is Threat to State Finances”

⁸St. Louis Post-Dispatch, January 21, 1967, “Hearnes Bitter over ‘Punitive’ Medicaid Law, Other U.S. Acts”

⁹St. Louis Post-Dispatch, December 1, 1966, “Hearnes Urges Congress to Amend Law on Medicare”

¹⁰St. Louis Post-Dispatch, December 1, 1966, “Hearnes Urges Congress to Amend Law on Medicare”