

Report from the States

# Medicaid Expansion in a Litmus State: The Missouri Struggle

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**Abstract** For a century Missouri was a bellwether state in presidential elections, always picking the winner. Since 2008 it has been experiencing a partisan divide along urban/rural lines with President Obama losing the state twice. The battle over Medicaid expansion found a Democratic governor unable to convince a Republican legislative majority to support ACA-based expansion. The more highly partisan legislative environment has rendered traditional bargaining and negotiations impossible on the controversial question of Medicaid expansion.

Despite supportive advocacy by hospitals and the business community, the Republican legislative leaders have opposed any movement on Medicaid expansion over the past four years. There will be a new occupant in the governor's mansion in 2017, which may create a fork in the road. Democrats are unlikely to regain a legislative majority, and one path is continued Republican refusal to consider expansion. The other path features the new governor responding to the national 2016 election outcome, and creating the prospects for a deal, perhaps around a waiver plan.

**Keywords** Missouri, Medicaid, expansion, bellwether

Missouri was *the* “bellwether” state in presidential elections in the twentieth century. From 1904 until 2008, Missouri cast its electoral votes for the winning candidate in every presidential election except 1956. In 2008 President Obama lost Missouri by a fraction, but in 2012 was defeated by Romney, 54 percent to 44 percent. Picking the winner 96 percent of the time in a century was hardly a chance occurrence. Have changes in Missouri politics ended the bellwether status?

This article examines the failure of Medicaid expansion in Missouri. At first glance the relationship between statewide votes for Roosevelt, Wilson, and Harding a century ago appears unrelated to Medicaid. The abrupt departure from the bellwether history by a slim margin in 2008, and decisively in 2012, suggests Missouri may be a poster child for the new red and blue divisions. Rejection of Medicaid expansion is a visible symbol of a partisan political shift in the state over the past decade.

During the Civil War, Missouri was a border state that barely remained in the Union. Part of the state government favored secession, but federal troops and German immigrant militias defeated the pro-South forces in St. Louis to keep Missouri in the Union. One hundred fifty years ago Missouri politics and political sentiments reflected a division between urban St. Louis and the small towns and rural areas in the state.

A few years ago I assumed economic logic and political compromise would lead Missouri to follow other swing states accepting Medicaid expansion. When Missouri was a bellwether border state, compromise and deal making characterized the state legislative process. Democrats controlled the state legislature, but their majority coalition represented a wide ideological spectrum. In that environment, those seeking Medicaid expansion might have looked to find a path by working with friend and foe to seek a middle ground. This did not happen in the 2016 legislative session.

### **Missouri's Political and Demographic Geography**

In 1900 there were three million Missouri residents, a total which has doubled to the current six million with two-thirds living in either the St. Louis or Kansas City metropolitan areas. Statewide contests are competitive. Since 1900 fourteen Democrats and nine Republicans have held the office of governor. There have been eleven Democratic senators and ten Republicans.

In 1982 there were six Democrats to four Republicans in the state delegation to the US House of Representatives. By 2002 it was five Republicans to four, and currently six Republicans to two. The two remaining Democrats in the House of Representatives are from St. Louis and Kansas City with districts that concentrate urban African Americans.

President Obama lost Missouri by ten points in 2012, but Democrats Senator McCaskill and Governor Nixon both won reelection by margins similar to Governor Romney's victory. President Obama only won the four urban counties that generated 53 percent of his total votes in the state. McCaskill and Nixon each won a number of out-state counties as well as

**Table 1** Partisan Control of Governorship and Legislature

	House		Senate	
	GOP	DEM	GOP	DEM
1992	65	<b>98</b>	14	<b>20</b>
1994	76	<b>87</b>	15	<b>19</b>
1996	75	<b>88</b>	15	<b>19</b>
1998	76	<b>85</b>	15	<b>19</b>
2000	76	<b>87</b>	<b>18</b>	16
2002	<b>90</b>	73	<b>20</b>	14
2004	<b>97</b>	66	<b>23</b>	11
2006	<b>92</b>	71	<b>21</b>	13
2008	<b>89</b>	74	<b>23</b>	11
2010	<b>106</b>	57	<b>26</b>	8
2012	<b>110</b>	53	<b>24</b>	12
2014	<b>118</b>	44	<b>25</b>	9

the urban centers. Democratic statewide candidates can build a sufficient margin in St. Louis and Kansas City to win, but the majority of state house and senate districts are increasingly uncompetitive for Democratic candidates. Tables 1 and 2 indicate the recent distribution of seats in the state legislature and party control of the governor's office.

The partisan majority shift in the senate took place before the redistricting after the 2000 Census. The house shift began in 2002, but accelerated with a decisive victory in 2010. The 1992 adoption of legislative term limits of eight years in each body contributed to the transformation as veteran Democrats left office and were replaced by Republicans. Party control of the governor's office has frequently shifted in recent decades.

The 2014 state senate elections illustrate the new partisan division. Republicans won fourteen of seventeen senate seats on the 2014 ballot. Only three were competitive, with two won by Republicans and one by a Democrat. In nine of the contests a Republican was elected without opposition, and one garnered 72 percent of the vote. In two others the Republican won by margins of 12 percent and 9 percent. The two competitive elections with Republican winners were in outer suburban counties of St. Louis and Kansas City. Democrats won three contests. Two victories were in the city of St. Louis and the inner ring suburbs, with substantial margins, and the third was in the St. Louis suburbs with a 4 percent margin.

The fourteen Republican senators probably do not perceive a 2018 election threat from a Democratic challenger. The two-term limit also



**Table 2** Partisan Control of Governorship

MO	Control	Governor
1981–85	GOP	Bond
1985–93	GOP	Ashcroft
1993–2000	DEM	Carnahan
2001–05	DEM	Holden
2005–09	GOP	Blunt
2009–16	DEM	Nixon

means that for many this was their final senate election. The Missouri House elections show a similar pattern. In 2012 President Obama lost the state, but Democrats won the state's US Senate, governor, secretary of state, treasurer, and attorney general contests. This difference reflects some gerrymandering of legislative districts, but to a greater extent Democratic voters are now concentrated in St. Louis and Kansas City with Republican majorities in the rest of the state.

### The Politics of Missouri Medicaid

In the late 1990s under Democratic control of the governorship and legislature, Missouri liberalized its Medicaid program, and included the Children's Health Insurance Program (CHIP) as part of Medicaid. By early 2005, Republicans had gained control of both houses of the legislature, and the newly elected Republican governor, Matt Blunt, proposed substantial reductions in Medicaid eligibility, some benefit contraction, and increases in co-payments. These were enacted during the 2005 legislative session. A Medicaid Reform Commission was established to make recommendations for permanent changes. In 2007 the senate and house passed significantly different Medicaid reform bills. A conference committee agreement led to the passage of SB577 MO HealthNet bill. Major provisions were: (a) restoring eligibility for a small number of those cut in the 2005 legislation; (b) including durable medical equipment and hospice care as eligible services; (c) encouraging beneficiaries to live healthy lifestyles; and (d) encouraging physicians with a new reimbursement plan and receiving financial rewards for meeting best practices (Peterson and Ehresman 2007). This recent history of liberalization under Democratic Governors Carnahan and Holden with subsequent retrenchment under Governor Blunt and the Republican majority in the legislature set the stage for the current

debate over whether or not to accept the Affordable Care Act (ACA) Medicaid expansion.

## **Enrollment and Spending Growth**

In the past fifteen years Missouri Medicaid enrollment has shifted dramatically. The advent of the State Children's Health Insurance Program (SCHIP) drove enrollments from 600,000 to nearly 700,000 by 2000. This increased to nearly 900,000 by 2004. Subsequent cuts caused a sharp decline to 700,000 by 2006. Enrollment has again increased to almost 900,000. Another 200,000 are potentially eligible, if Medicaid expansion is accepted.

In the 1990s Missouri average annual Medicaid spending growth increased 16 percent, outpacing the national average. Spending grew by 9 percent in the early 2000s, but the Blunt-era cuts held growth to 2 percent from 2004 to 2007. After a spike during the recession, growth returned to 2.4 percent from 2010 to 2014.

A state's Medicaid spending is the product of the number of enrollees and the nature of the reimbursement system. In 2005 Missouri Republicans controlled both the governorship and the state legislature and sought to reduce the growth of Medicaid spending with enrollment cutbacks. Despite the rhetorical arguments about changing recipient behavior toward a healthier lifestyle and modifications of physician practice styles, enrollment reductions were the most readily available policy tool.

Missouri ranked fourth among all states in the growth of Medicaid spending as a share of own-source revenue between 2000 and 2013. The 2013 national average was 17 percent, but Missouri had increased from 14 percent in 2001 to 22 percent in 2013 (Pew 2016). Expansion opponents argued that Medicaid was crowding out all other state expenditures with state Medicaid costs rising higher than in other states. Ku and Solomon in their 2005 analysis pointed out that Missouri's comparatively low level of state revenue per capita (forty-fifth) made it only appear that per enrollee spending was out of line. State general fund Medicaid expenditures per resident ranked thirty-fourth and as a share of state personal income ranked thirty-eighth (Ku and Solomon 2005).

However, Republicans in the legislature continue to place a high priority on controlling the growth of state Medicaid expenditures. Education spending represents nearly half the annual general fund budget compared to 18 percent for social services, including Medicaid. A large share

of Medicaid spending is drawn from the federal government and other sources, such as provider taxes. When state revenue growth is stagnant, even relatively small increments in Medicaid spending will crowd out opportunities to increase spending in other sectors, such as education. This is the basis for the argument that Medicaid expansion is unaffordable, even if the actual dollars are a small share of the total budget.

### **The Missouri Medicaid Expansion Debate**

Republican legislators believe the 2006 Medicaid cutbacks kept state Medicaid spending from spiraling out of control. This is a context for understanding the steadfast opposition to Medicaid expansion. Missouri Republican opposition to the Affordable Care Act was demonstrated in 2010 with a legislative ballot initiative referred to as the Missouri Healthcare Freedom Act, which was on the August 2010 primary election ballot. There was little in the way of a campaign, and it passed easily in a low turnout election. The law denied 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 health care services.” Democrats regarded it as a stunt with no legal basis since the ACA was federal law.

A subsequent 2012 ballot issue prohibited the governor from unilaterally establishing a state-run exchange. Republicans interpreted these elections as votes in opposition to the ACA, including Medicaid expansion. The Medicaid expansion issue was not on the legislative agenda until after the 2012 election.

Many Republican officeholders believed Romney would defeat President Obama, leading to the repeal of the ACA. Governor Nixon was silent on the issue during his 2012 reelection campaign, but announced support for Medicaid expansion in December 2012. Two powerful economic forces in the state soon joined the effort. The state and regional Chambers of Commerce had commissioned a study by the University of Missouri, which touted the major economic benefits of expansion in terms of the jobs created by federal expansion funds (“The Economic Impacts” 2012). The Missouri Hospital Association also began a public campaign in support of expansion. They argued that, with the pending end of disproportionate-share hospital (DSH) funds, Missouri hospitals large and small would be financially threatened without Medicaid expansion.

A grassroots organization, the Missouri Medicaid Coalition, was formed as a way to mobilize groups serving the poor and medically disadvantaged.



The Missouri Foundation for Health sponsored a poll in late 2012 that found 52 percent favored expansion and only 18 percent opposed it, which was a shift since 2010 (Crisp 2012).

As the 2013 legislative session began in January, battle lines were drawn. The governor and Democrats in the legislature, with the Chamber, Hospital Association, and a grassroots coalition of individuals and non-profits serving the poor and medically indigent, were arrayed against the Republican leadership of the legislature.

Republicans in the legislature had emerged from the election with a feeling of mandate as a result of a nearly two-to-one party advantage in both the house and senate. President Obama had lost Missouri by ten points, and by an even greater margin in many legislative districts. A Missouri Foundation for Health poll had found a majority in the state favoring Medicaid expansion, but the typical Republican legislator believed a significant majority of their constituents opposed expansion. A Republican polling firm conducted a poll in early 2013 and found a 47 percent to 37 percent plurality support for expansion. This encouraged the efforts of the Chamber and Hospital Association to convince Republican legislators to support expansion (Yokley 2013).

The Republican legislative leaders had announced opposition before the legislative session began. Speaker Tim Jones stated, "The basic conclusion is the state cannot afford it" (Lieb 2012). Budget committees in both chambers refused to include federal funds under Medicaid expansion in the budget. An alternative approach proposed by Republican Representative Barnes was dropped in April because he perceived a lack of support, especially in the senate.

The 2013 legislative session ended in May with no serious movement on Medicaid expansion, and the clock ticking on the three-year window for full federal reimbursement. Some legislators had suggested that expansion might be approved with a three-year sunset provision to provide reconsideration after the end of full federal funding. This approach did not have the backing of the Republican leadership, and was never seriously considered.

As the 2014 session began, there was optimism that Republican legislators might find a political formula to support expansion. Both the house and senate had special study panels to look at Medicaid. The Chamber and Hospital Association continued their expansion advocacy.

Several Republican senators quickly announced their opposition to any Medicaid expansion. Efforts to find a compromise did emerge as

Republicans Senator Silvey and Representative Torpey envisioned expansion with special waivers from the federal government. They proposed coverage through managed care for those below poverty, and coverage in the federal exchange for those between 100 percent and 138 percent of the federal poverty level in the federal exchange.

The Chamber of Commerce hired former Republican Senator Kit Bond to lobby the state senate to support the Silvey approach. There was a last-minute effort in the final days of the legislature to craft a compromise expansion bill. After the end of the session, Silvey reported that a deal had been worked out with Democrats, the governor, and legislative leaders. However, the House majority leaders reported a few hours later that it was not acceptable to the House (Sherry 2014). Thus, the 2014 session ended with no action.

### 2015 Session

Silvey remained confident that expansion would be possible in the 2015 session. The state medical association supported expansion. But the Republican leadership indicated Medicaid expansion was off the table for 2015. A group of five senators had said they would filibuster any expansion legislation, and the incoming House Speaker interpreted the election results as a rejection of the ACA.

Senator Bond continued lobbying on behalf of the Chamber for expansion as economic development. Charlie Shields, a former Republican state senator, heads a major Kansas City hospital. He urged his former colleagues to support Medicaid expansion to keep additional hospitals from closing (Modern Healthcare 2014).

As the 2015 legislative session began, Republican leadership remained strongly opposed to Medicaid expansion. Senator Silvey continued to be the only prominent Republican to push for expansion. He proposed two bills. One would expand Medicaid for eligible veterans. The other sought to emulate Rhode Island and convert the state's Medicaid funds to a block grant. The rules to implement the shift to a block grant would be established by a legislative joint committee. This was intended to bypass the Democratic governor in establishing the new organizational structure for Medicaid. Silvey's bill died in committee.

The governor continued to advocate for Medicaid expansion, but did not endorse the Silvey approach. He proposed both work requirements and incentives for healthy living as part of any Medicaid expansion. The grass-roots Missouri Medicaid coalition held rallies and lobbied for expansion.



A month before the end of the 2015 legislative session, the federal government released an audit of the Missouri Medicaid program that criticized the state for not collecting rebates from drug companies. It stated \$34 million would need to be repaid. This was the latest in a series of audits and reports detailing administrative problems in the Missouri Medicaid program (Shapiro 2015).

In 2015 about half of all Medicaid beneficiaries (excluding the elderly, blind, and disabled) were part of a managed care system. Provisions in the 2015 budget required that managed care be extended to cover the remaining beneficiaries retaining the exclusions. Republican legislators saw this as part of the continuing process of Medicaid reform.

## **2016 Session**

The 2016 legislative session is now history, with no Medicaid expansion. Senator Silvey has not continued to pursue Medicaid expansion through a block grant approach. It is Governor Nixon's last year in office. The new Speaker of the House has opposed any Medicaid expansion. The Missouri Medicaid Coalition held two rallies at the state capitol with participants from across the state, but its executive director has announced her resignation to take another position. The hospitals and Chamber of Commerce still support Medicaid expansion, but seem resigned to the fact that no action will be taken this legislative session.

## **Conclusion**

The case for Medicaid expansion in Missouri has been made on the grounds of social justice and economic benefit. The Kaiser Commission has estimated that an additional 193,000 residents would be eligible for Medicaid if the state authorized expansion (Kaiser 2014). The Urban Institute calculated the ten-year cost of not expanding to be \$18 billion of lost federal revenue over ten years (Dorn, McGrath, and Holahan 2014).

An optimist's perspective takes a micro view. The governor, former Senator Bond, legislative leaders, and shrewd lobbyists representing the hospitals and Chamber of Commerce meet in the modern equivalent of a smoke-filled room. A confluence of politics and economics lead to a win-win deal on Medicaid expansion. This is the genius of American politics at work. Experienced legislators, after public posturing, agree to sit down and compromise for the good of the state.

This scenario ignores the changing environment of American politics as it is in Missouri. The macro view returns to the beginning. Missouri was, for a century, a bellwether state in national politics with urban and rural/small town Democrats and Republicans. Republicans and Democrats were competitive across the state. Legislators from both parties came from the suburbs of St. Louis and Kansas City, and from small towns in the rural regions. The current Republican two-to-one dominance in the legislature is a reflection of a solid red color for the nonurban part of the state.

An eight-year in one house term limit for legislators was adopted in 1992. This has transformed the legislative style and approach. Long-term officeholders could ignore constituent pressure by acting as trustees in the tradition of Edmund Burke. Today, short-termers have their eye on the election cycle for another office from the time they arrive in Jefferson City. Legislative skills tend to be slowly learned and honed over time. Quick turnover means that party leaders have had only a few years in the legislature, and anticipate departure after a short leadership role. This is not conducive to fashioning compromise on controversial issues.

Safe districts with relatively new legislators render the primary as the real contest. Incumbents are not pressured to appeal to centrist voters. Rather, they have to protect themselves against a future primary opponent. With a primary victory, the general election is an easy win.

This macro legislative environment combined with national pressure from party leaders, think tanks such as the Heritage Foundation and Cato Institute, and Rush Limbaugh-type talk radio to be uncompromising in its opposition to any aspect related to the ACA, and renders support for expansion a difficult stance.

The various polls showing a 10 percent margin among state voters in favor of Medicaid expansion is not compelling for many legislators. Despite the economic stimulus, the financial threat to hospitals, and the constituent benefits, it is an easier vote to say no to Medicaid expansion than to say yes. Some Republican legislators may truly believe that there are few Medicaid beneficiaries in their district, but a high share of the population potentially covered by expansion is in the rural and small town southern part of the state. Those local hospitals are at the greatest risk of closing without either DSH or Medicaid expansion funds.

The expansion beneficiaries in one's own district do not have enough influence to counter the macro trends driving the national philosophic debate over health care reform and Medicaid expansion.

Even with a significant Democratic victory in the 2016 presidential election, there is no pathway for the party to retake the Missouri state

legislature. A close race for governor is likely in 2016, with the outcome uncertain. None of the Republican candidates has endorsed Medicaid expansion.

There will be no Medicaid expansion in Missouri in 2016, but is it possible that national and state political environments might be more conducive in 2017? A Hillary Clinton victory will assure at least four more years of life for the ACA. Will “Obamacare” be more acceptable with President Obama retired? Probably not in Missouri, unless the current turmoil in the Republican Party produces a more conciliatory national approach.

But, the new governor of Missouri, whether a Democrat or Republican, may have an opportunity for a fresh start. Republican leaders, who have understood the economic arguments for expansion, could seize the opportunity created by the 2016 election to pursue expansion with a new label. A waiver-based expansion plan for Missouri resembling plans in Arkansas or Indiana might be acceptable to the Republican legislative leadership in 2017.

One of the mantras of many Republican legislators has been “we must reform Medicaid before considering expansion.” These reform efforts began with the changes during the Blunt administration a decade ago, and have continued with the broadening of Medicaid use of managed care in 2015 legislation. A new governor may find it easier to creditably promise administrative changes to complete the reform effort, and advocate reform based on a waiver, or perhaps seek to use the Section 1332 waiver flexibility available after 2017.

With new players, logic and state interest might prevail. Some Republican legislators could claim in 2017 that reforms, such as expanded managed care and improved administrative processes, now make it possible to discuss expansion. A backroom deal might be feasible in the wake of another Republican defeat at the national level that seems to confirm that voters are not interested in ACA repeal. With hospitals and chambers of commerce energized to push again for expansion, there would be a new window of opportunity.

Or, the macro environment may be so altered in the past decade that the centrist political environment that created bellwether status for a century may have permanently disappeared, leaving no prospect for Medicaid expansion in Missouri in the foreseeable future.



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