IMPACT OF FEDERAL MEDICAID CHANGES ON MISSOURI

AUGUST 2025 POLICY BRIEF

CLAY COUNTY PUBLIC HEALTH CENTER

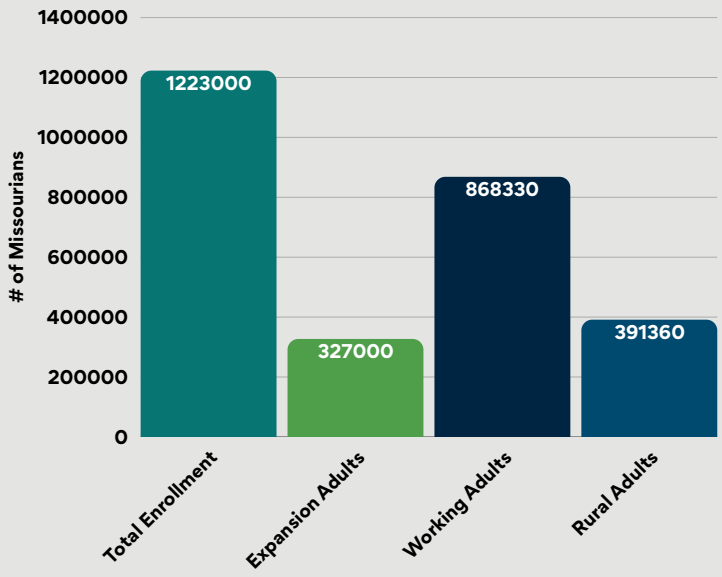
KEY CHANGES

This brief highlights the following key changes to Medicaid in the 2025 Reconciliation Bill:

- Work Requirements
- Rural Health Transformation Program Funding
- Provider Tax Caps
- Certain Federal Medical Assistance Percentage (FMAP) Changes

CURRENT MO MEDICAID COVERAGE

- **1,223,000** Missourians are enrolled in Medicaid (MO HealthNet). **71%** of adult enrollees work; **32%** live in rural areas.
- **327,000** Missourians are in the Medicaid expansion group (the population targeted by new work/activity rules).



PROJECTED IMPACT ON CLAY COUNTY

Cuts in funding, along with changes to enrollment and eligibility requirements for the Medicaid expansion group (adults ages 18-64 with incomes at 138% of poverty level) are expected to result in enrollment losses ranging from 130,000-170,000 people in Missouri. **This will impact enrollment for 7,800-10,200 people in Clay County.**

While Clay County is part of the Kansas City metro, it borders rural counties (e.g., Ray, Clinton). Rural facilities rely on reimbursement from Medicaid to cover the cost of care for low-income community members. **If rural facilities cut services or close due to lack of Medicaid reimbursement, Clay County emergency departments and clinics can expect spillover demand. This means longer wait times for all, regardless of insurance status. Behavioral health and labor & delivery services are expected to be impacted the most.**

WORK REQUIREMENTS: COST VS BENEFIT

- Medicaid eligibility for adults under the ACA expansion will require meeting work or activity thresholds starting in 2027.
- Most Medicaid adults under age 65 are already working (64%) or exempt due to caregiving, illness, or schooling.
- A recent KFF analysis shows that among Medicaid adults who met an 80-hour/month threshold in June, only 44% maintained that for six straight months—meaning volatile work patterns (eg. seasonal labor, contract employees, gig workers) could trigger eligibility loss even for those generally employed.
- Women could be especially impacted—while most are working or exempt, they are more likely than men to cite caregiving as a reason for not working, and these exemptions may require documentation, increasing red tape.
- The Congressional Budget Office estimated that Medicaid work requirements *would not increase employment*, but would substantially decrease insurance coverage.
- According to KFF data, public support for these requirements generally collapses when people understand that *"most people on Medicaid already work"* and that administrative burdens may cause coverage loss.
- Medicaid work requirements often generate additional administrative costs for the state, and increase financial burdens on healthcare providers.

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INCREASED FINANCIAL BURDEN FOR HOSPITALS

- According to the Missouri Hospital Association, in 2023 Missouri hospitals collectively provided:
  - **$811 million** in unreimbursed care for Medicaid services
  - **$389 million** in other unpaid billed services
  - Totaling **$1.06 billion in uncompensated care**, all part of over **$2.7 billion in community benefit** statewide.
- Reductions in Medicaid enrollment or funding (via FMAP cuts or provider tax caps) would likely increase this uncompensated care burden—threatening the financial viability of rural hospitals.

KEY FMAP CHANGES

- The temporary 5-percentage-point increase to FMAP—part of the American Rescue Plan—for states that expanded Medicaid on or after March 11, 2021 will be eliminated, effective January 1, 2026. **This will include Missouri.**
- This will further reduce revenue for hospitals that treat a high number of low-income patients.

IMPLICATIONS FOR STATE FUNDING

To avoid rural healthcare closures and resulting healthcare shortages, Missouri will need to find a way to cover these funding gaps via general funds.

PROVIDER TAX CAPS

- The bill incrementally lowers the allowable state provider tax rates in Medicaid expansion states, starting in FY2027, from the current 6% to 3.5%.
- Provider taxes work by increasing state funding for Medicaid, which in turn generates more dollars from federal matching.
- In Missouri, these taxes are critical—according to the Missouri Hospital Association (MHA), about one-third of Missouri's non-federal Medicaid funding comes from provider taxes.
- KFF estimates that if provider tax caps reach their full effect, **Missouri could lose out on 1.9B in federal matching funds.**

RURAL HEALTH TRANSFORMATION PROGRAM

- To offset losses to rural hospitals, the 2025 reconciliation bill allocates **$50B** to a Rural Health Transformation Program.
- **This only offsets 37% of estimated loss of federal funding to rural hospitals due to Medicaid changes**.
- Half of this money ($25B) will be distributed equally between all states with *approved* applications. The other half ($25B) will be distributed by the Centers for Medicare and Medicaid Services with *broad discretion*.
- Due to unclear application criteria and the wide range of uses for funds, the expected impact of this program is unclear and could vary widely from state to state.

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