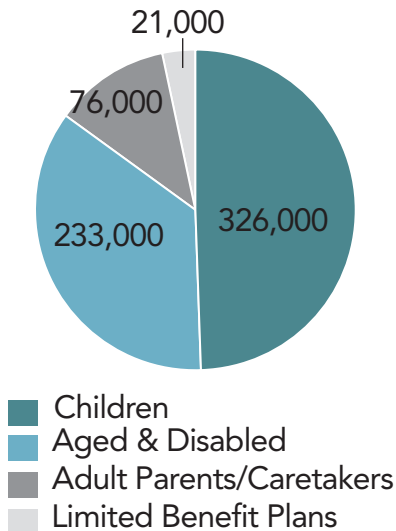


MISSISSIPPI MEDICAID AND POTENTIAL FEDERAL REFORMS

Project Principle: John Dillon Harris, MPH | Senior Policy Analyst

FIGURE 1: MISSISSIPPI MEDICAID ENROLLMENT, FEBRUARY 2025

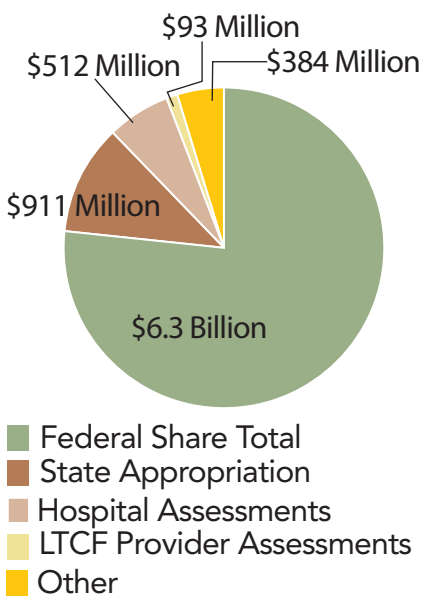


During the 2024 Regular Session, the expansion of Medicaid as allowed by the Affordable Care Act was seriously debated for the first time in the Mississippi Legislature. House Bill 1725 became the primary piece of legislation that would have expanded the state’s eligibility for Medicaid coverage and remained a key issue throughout the 120-day, 2024 session¹. The momentum behind the legislation was largely due to the substantial economic benefits that Medicaid Expansion would make available to the State of Mississippi. While the bill ultimately died in Conference, research had been provided, and Legislative support had grown significantly with leadership in both the House and the Senate making the policy a top priority for the 2025 Regular Session.

INTRODUCTION

In February 2025, The U.S. House of Representatives passed a bill that calls for \$880 Billion worth of spending reductions to programs under the jurisdiction of the House Energy and Commerce Committee over the next decade, which includes Medicaid. Total outlays for mandatory programs under the Committee’s jurisdiction amount to nearly \$8.8 Trillion for the 2025-2034 period, with Medicaid accounting for \$8.2 Trillion, or 93%, of total outlays². While these proposed Medicaid financing reforms have yet to become law or even debated or amended by the U.S. Senate, the potential of such reforms and significant reductions to federal Medicaid funding has not only stalled efforts to expand Medicaid in Mississippi, but have led to growing concerns among both expansion states and non-expansion states related to the sustainability and affordability of their Medicaid programs.

FIGURE 2: MISSISSIPPI MEDICAID EXPENDITURES, FY 2025



Medicaid revenues have been essential to healthcare providers and hospitals in Mississippi, especially since the Mississippi Division of Medicaid expanded the Mississippi Hospital Access Program in 2023 to raise Medicaid reimbursement rates to near the average commercial rate. Additionally, Medicaid made up 13.6% of total net patient revenues for the general, short-term hospitals throughout the state.

Depending on what is implemented, the proposed Medicaid financing reforms being discussed in Congress could have varying impacts on the amount of federal funding Mississippi receives to support its Medicaid program. Based on the most recent Mississippi Medicaid expenditure data, the Center for Mississippi Health Policy commissioned The Hilltop Institute at the University of Maryland Baltimore County to estimate the financial impacts of three potential Medicaid financing reforms to the State of Mississippi and its Medicaid program: per capita caps, reduction of the safe harbor limit on hospital

provider taxes, and equalization or elimination of the expansion Federal Medical Assistance Percentage (FMAP). This policy brief summarizes the proposed reforms and the results of these studies³.

PER CAPITA CAPS

TABLE 1: PER CAPITA CAPS PER FULL-BENEFIT ENROLLEE, BY ELIGIBILITY GROUP FOR FY 2022

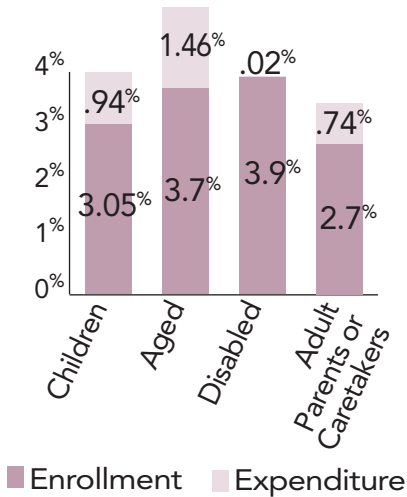
Children	\$3,339
Aged	\$24,700
Disabled	\$19,189
Adult Parents/ Caretakers	\$5,423

These data reflect only full-benefit enrollees and do not include expenditures related to administration or the disproportional share hospital (DSH) payments.

Previous guidance from the federal government suggests that per capita caps would rely on a base year to determine per-enrollee spending limits for different eligibility groups, with these limits increasing over time indexed to a growth rate. The federal government would reimburse states at the FMAP rate, but only up to these capped amounts for each enrollee. Consequently, if Mississippi’s Medicaid spending growth surpasses the per capita cap’s growth, the state’s federal Medicaid funding would be lower than it would have been without the cap. The Congressional Budget Office estimates this particular policy change would reduce federal Medicaid spending by approximately \$893 billion.

Using enrollment and expenditure data for Mississippi from MACStats, an annual data book compiled and maintained by the Medicaid and CHIP Payment and Access Commission, Hilltop’s modeling established a base year of per capita cap amounts for four broad eligibility groups (Table 1). These base year amounts rely on FY 2022 per-person expenditures and assumes those caps will be trended forward at an annual rate of inflation (CPI-U) of 2.13% for each subsequent year.

FIGURE 3: ANNUAL GROWTH RATES FOR EXPENDITURES AND ENROLLMENT, BY ELIGIBILITY GROUP



As shown in Figure 3, annual enrollment and expenditure growth rates were assumed for each of the eligibility groups.

Under those assumptions, the results of this simulation, detailed in Table 2, describe the potential impacts of a per capita cap on Mississippi’s Medicaid program and the level of federal funding the state receives to support the program.

Table 2: Per Capita Caps Impact to Federal Funding, in Millions

FY	Normal Operations		Per Capita	Federal Share Difference
	Total	Federal Share	Federal Share	
2026	\$5,931	\$4,567	\$4,401	-\$166.1
2027	\$6,182	\$4,760	\$4,523	-\$237.0
2028	\$6,443	\$4,961	\$4,648	-\$312.6
2029	\$6,716	\$5,171	\$4,778	-\$393.3
2030	\$7,000	\$5,390	\$4,911	-\$479.2
2031	\$7,296	\$5,618	\$5,047	-\$570.7
2032	\$7,606	\$5,856	\$5,188	-\$668.0
2033	\$7,928	\$6,105	\$5,333	-\$771.5
2034	\$8,265	\$6,364	\$5,482	-\$881.5
2035	\$8,616	\$6,634	\$5,636	-\$998.3
Total	\$71,982	\$55,426	\$49,948	-\$5,478.2

■ REDUCED PROVIDER TAX LIMITS

THE CONGRESSIONAL BUDGET OFFICE ESTIMATES THAT REDUCING THE THRESHOLD TO 2.5% WOULD REDUCE FEDERAL SPENDING ON MEDICAID BY APPROXIMATELY **\$241 BILLION.**

In 2015, the Division of Medicaid (DoM) established the Mississippi Hospital Access Program (MHAP) to provide supplemental payments to hospitals. In July 2023, Mississippi hospitals were given much needed relief as DoM was approved to increase funding for those payments so that Medicaid reimbursements to hospitals would be at approximately 80% of the average commercial rate for both inpatient and outpatient care. The amount of state funding for MHAP increased from \$533 million annually during state fiscal years (SFY) 2016-2022, to over \$1.5 billion annually for SFYs 2024-2026 – more than tripling Medicaid payments to the state’s hospitals (relative to the base amount without state-directed payments).

The state funds its share of MHAP primarily through hospital provider taxes under a “hold-harmless arrangement”, which reduces the state share of funding Medicaid but also increases reimbursement rates to those hospitals. The provider taxes, however, were capped by Congress in 1993 at no more than 6% of a hospital’s net patient revenue – often referred to as the “safe harbor” threshold for hold-harmless arrangements⁴. When the state increased funding to MHAP, it required an increase to the amount hospitals would be taxed and, per MHAP policy for SFY 2025, the state set “the total amount taxed to hospitals to the maximum of six percent (6.0%).”

Proposals for reducing federal spending on Medicaid include reforms to the 6% safe harbor threshold for hold-harmless arrangements. The reforms being considered include three options: decreasing the threshold to 5%, decreasing the threshold to 2.5%, or eliminating the threshold altogether which would no longer allow states to collect revenues under these arrangements. The Congressional Budget Office estimates that reducing the threshold to 2.5% would reduce federal spending on Medicaid by approximately \$241 billion.

Hilltop used net patient revenue data for Mississippi’s general short-term hospitals to estimate the potential reduction in federal funding for Medicaid if the provider tax safe harbor threshold was reduced to 2.5%. With this analysis, Hilltop calculated the amount of federal funding the state receives with provider taxes at the current level of 6%, the amount that would be received under a 2.5% limit, and the difference between the two which is interpreted as the potential reduction in federal funding to the state for Medicaid. Table 3 shows the results of this analysis and details the potential impacts of this policy change to Mississippi.

Table 3: Provider Tax Rate Reform’s Impact to Federal Funding, in Millions

FY	Federal Medicaid Funding Under...		Federal Share Difference
	6% Provider Tax Limit	2.5% Provider Tax Limit	
2026	\$2,131	\$888	-\$1,243
2027	\$2,248	\$937	-\$1,312
2028	\$2,372	\$988	-\$1,384
2029	\$2,502	\$1,043	-\$1,460
2030	\$2,640	\$1,100	-\$1,540
2031	\$2,785	\$1,161	-\$1,625
2032	\$2,938	\$1,224	-\$1,714
2033	\$3,100	\$1,292	-\$1,808
2034	\$3,271	\$1,363	-\$1,908
2035	\$3,450	\$1,438	-\$2,013
	TOTAL		-\$16,006

■ ELIMINATING OR REDUCING THE ENHANCED FMAP FOR MEDICAID EXPANSION

The FMAP is the percentage of a state’s Medicaid program that is funded by the federal government and is based on a state’s per capita income. The FMAP varies by state but, at the time of this writing, Mississippi has the highest FMAP in the country at 76.90%. However, in states that expanded Medicaid eligibility through the Affordable Care Act, the federal government finances 90% of the costs associated with that expansion. One proposal for reducing federal Medicaid spending involves reducing the expansion FMAP of 90% to the same, or traditional, FMAP for enrollees who were eligible before the expansion. The Congressional Budget Office estimates this policy change would reduce federal spending on Medicaid by approximately \$561 billion.

Given that Mississippi has not yet expanded Medicaid, the implications of this particular proposal are minimal to the state. However, considering the serious efforts to expand Medicaid during the 2024 Regular Session, Hilltop estimated the cost of a hypothetical expansion in Mississippi if the 90% FMAP were eliminated and, instead, financed by the federal government with the state’s 76.90% FMAP. This analysis found that the state cost of expansion would be between \$251.6 million to \$313.3 million higher without the enhanced FMAP of 90%. As detailed in Table 4, these cost estimates were projected from 2026 to 2035.

■ SOURCES

1. H.B. 1725, 2024 Reg. Sess. (Miss. 2024). <https://billstatus.ls.state.ms.us/documents/2024/html/cr/HB1725CR.htm>
2. Congressional Budget Office. (2025, March 5). Mandatory spending under the jurisdiction of the House Committee on Energy and Commerce. <https://www.cbo.gov/system/files/2025-03/61235-Boyle-Pallone.pdf>
3. The Hilltop Institute. (2025, February 26). Mississippi Medicaid and Potential Federal Reforms.
4. Congressional Budget Office. (2024, December 12). Options for reducing the deficit: 2025 to 2034. <https://www.cbo.gov/publication/60557>

Table 4: State Costs of Medicaid Expansion without Expansion FMAP, in Millions

FY	Federal Medicaid Funding Under...		Difference
	90% FMAP	77% FMAP	
2026	\$193.6	\$445.2	\$251.6
2027	\$198.3	\$456.2	\$257.9
2028	\$203.0	\$467.0	\$263.9
2029	\$207.8	\$477.9	\$270.1
2030	\$213.0	\$489.9	\$276.9
2031	\$218.3	\$502.1	\$283.8
2032	\$223.8	\$514.7	\$290.9
2033	\$229.4	\$527.6	\$298.2
2034	\$235.1	\$540.7	\$305.6
2035	\$241.0	\$554.3	\$313.3
		TOTAL	\$2,812.3

Center for Mississippi Health Policy

578 Highland Colony Parkway
Suite 105
Ridgeland, MS 39157
P 601.709.2133 | F 601.709.2134
www.mshealthpolicy.com
✉ @mshealthpolicy

The Center for Mississippi Health Policy is an independent, non-partisan, non-profit organization that provides objective information to inform health policy decisions.