



July 1, 2025

Governor Kehoe Takes Action on FY26 Operating Budget Bills

Governor Mike Kehoe officially signed Missouri's Fiscal Year 2026 (FY26) state operating and capital improvement budget, totaling \$50.8 billion, including \$15.4 billion in general revenue. While many waited to see their fate and what the Governor decided to veto, several were surprised by the 208 line-item vetoes that were issued. In addition to the vetoes totaling nearly \$300 million, the Governor also imposed 32 spending restrictions worth an additional \$211 million in general revenue.

In the FY26 budget approved by the General Assembly back in May, nearly \$775 million in new general revenue spending was added above the Governor's budget recommendation, including 450 items that Governor Kehoe did not propose or went beyond his recommendation. Additionally, the Office of Administration's Division of Budget and Planning estimates a nearly \$1 billion shortfall in general revenue starting in FY27.

There were also several budgetary and legislative decisions made during the 2025 Legislative Session and Extraordinary Session that were not considered in Governor Kehoe's FY26 budget recommendation but compound the budgetary challenges the State is facing:

- **Additional funding for the K-12 Foundation Formula** – In his budget recommendation, Governor Kehoe proposed a \$200 million increase for public education funding, representing the largest increase ever seen, and nearly 4 times larger than the average annual increase. The General Assembly chose to spend an additional \$297 million on top of Governor Kehoe's historic recommendation.
- **Tax Cuts** – The General Assembly approved, and Governor Kehoe has committed to signing, pro-growth legislation eliminating the income tax on capital gains, which is expected to reduce state revenues by approximately \$400 million annually. Governor Kehoe supports tax cuts and is proud to return Missourians' hard-earned dollars back to them, but the reduction in state revenues must be accounted for in current and future budget decisions.
- **Disaster Relief** – Unforeseen severe storms, tornadoes, and flooding have caused unprecedented damage to communities across the state. Governor Kehoe supported, and the General Assembly approved, over \$210 million in extraordinary emergency disaster relief for Missourians. While the need is undeniable, the cost must still be reconciled in the budgetary process.

To view the complete list of budget vetoes, [click here](#).

In addition to his vetoes in the FY26 budget, Governor Kehoe today also restricted spending on an additional 32 budget items, totaling \$211 million in general revenue. This funding can be released at a later date by the Governor if revenue or economic circumstances improve. To view the complete list of expenditure restrictions, [click here](#).

Looking forward, the Governor can withhold additional funds at any point during the fiscal year. With the current revenue situation being slightly below the forecasted amount, we will continue to monitor and listen for any potential or additional restricted spending.

The Governor's full press release regarding the FY26 Budget can also be found [here](#).

The Governor now will spend the next couple of weeks reviewing the 51 policies bills that were Truly Agreed and Finally Passed (TAFP'd) during session, as he only has until July 14th to make any additional vetoes.

MO NEA Sues to Stop \$50M ESA Appropriation

Immediately after the Governor signed the FY26 budget, the Missouri National Education Association filed suit to stop the \$50 million appropriation to the MO Empowerment Scholarship Act, citing the "scheme to divert general revenues to what are essentially vouchers for the payment of private school tuition for elementary and secondary school students" is unconstitutional.

As you might recall, this is one of Governor Kehoe's biggest agenda items. See the filed suit [here](#).

Anthem BCBS/MU Healthcare

The Senate Committee on Insurance and Banking convened Monday June 30th for a public hearing to discuss the lack of contract agreement between Anthem Blue Cross Blue Shield and MU Health Care. Four groups were specifically called to testify: the Missouri Department of Commerce and (DCI) Insurance, Missouri Consolidated Health Plan (MCHCP), Anthem Blue Cross Blue Shield (Anthem), and MU Health Care (MU). First to testify was DCI Director Angie Nelson who provided information regarding the insurance plans that are regulated by their department and also provided background information regarding the number of Missouri citizens currently on Medicaid/Medicare, self-paid insurance plans, company sponsored plans and state plans. Additionally, information was provided regarding insurance premium trends, network adequacy trends and the difference between small and large pool insurance plans.

The committee then turned its attention towards MCHCP Executive Director John Wiemann, who provided information on the three self-insured medical plans, an HSA plan and two PPO plans offered to members, active employees and non-Medicare retirees. MCHP also administers dental and vision benefits for most members and to employees and retirees of the Departments of Conservation, Transportation and Missouri State Highway Patrol. Executive Director Wiemann stated the consolidation of healthcare providers has led to fewer choices and rising costs for consumers. Today, only two major carriers, United Healthcare and Anthem, compete statewide with only a few limited regional carriers doing product-specific offerings. The committee was also informed the RFP for MCHP was issued in 2024 and was structured for a five-year renewable on an annual basis. At this time, the renewal of the contract has been postponed but open enrollment begins October 1, 2025, and there is no longer time to issue a new RFP and enact a new contract with a different provider before the open enrollment deadline. Those who must receive care at MU Health Care will have to pay non-network fees and costs.

MU Health Care CEO Rick Ransom then appeared before the committee to provide context of the current contract issues, how insurance contracting is conducted, and address recent media speculation. CEO Ransom informed the committee MU Health Care is a non-profit safety net academic health system and are one of two in Missouri. It was stated they currently serve 25 counties, 800,000 people and, of those, 90,000 have Anthem insurance. They are currently experiencing a 7% per year increase in total operating expenses and a new provider agreement with Anthem was needed and needed to include material increases to achieve market level compensation for provided care. CEO Ransom then moved on to explain there are three different elements of provider agreements with managed care companies that have economic value and include rates (for hospitals and physicians), carve-outs and incentives. The initial proposal that was sent to Anthem in July of 2024 included a 13% increase per year over three years. Since that time, three additional proposals have been submitted to Anthem with the final proposal including an 8% increase per year over three years. During this time, it was stated, Anthem's proposal remained the same and included a 1% increase for physicians and a 2% increase for hospitals. It was also stated, MU Health Care asked for a list of affected patients to attempt to provide care during the 90-day out-of-network period and was refused the list repeatedly. In conclusion, CEO Ransom stated they are in no way close to an agreement as Anthem has repeatedly refused to negotiate in good faith and have used the media to paint MU Health Care in a negative light to force non-favorable contracts.

Anthem Blue Cross Blue Shield President of Commercial Markets Rich Novack was the final witness called to appear before the committee. President Novak stated they provide administrative services for MCHCP, 83% of the membership that Anthem serves in Missouri is covered under a self-insured program and they provide services and not insurance. It was also stated Anthem approached MU twice about extending continuity of care and were rejected both times. Anthem included an offer which would base rates on value-based care and reduced the thresholds for what it takes to earn the extra funds. President Novack then read a final statement to the committee which said, "Anthem will take the existing policy contract language and agree to a three-year increase where each increase is a hundred basis points one full percentage point, higher than the published CPI. The most recent CPI published was 2.3 and they will agree to 3.3 within the existing provisions. Or, if MU Health Care would like to be paid like other academic institutions such as Kansas University or University of Kentucky (KU is not an Anthem plan), they will sign a deal that is structured exactly like the University of Kentucky with no alterations or amendments."

At the end of the hearing, Chairman Sandy Crawford (R-Buffer) decided to open the hearing for public testimony due to the number of private citizens who attended the hearing. Testimony was limited to two minutes for each person attending and included statements from physicians, patients, Mid-MO Healthcare Coalition, City of Versailles, Morgan County, and several other private citizens who shared their personal stories and highlighted the effects the ongoing contract disputes are having on their care.

Supreme Court Chief Justice

By order of the Court, Supreme Court of Missouri Judge W. Brent Powell will assume the role of chief justice beginning July 1. His two-year term as chief justice will run through June 30, 2027. He succeeds Judge Mary R. Russell, who remains on the Court.

Key Upcoming Dates:

- July 1, 2025 – First day of new fiscal year
- July 14, 2025 – Last day for Governor to sign or veto policy legislation
- August 28, 2025 – Effective date for policy bills without an emergency clause

- September 10, 2025 – Veto Session
- December 1, 2025 – First day of bill filing
- January 7, 2026 – First day of Legislative session

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