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Web Posted: 09/11/2009 12:00 CDT

Federal health care reform would cost Texas dearly

As Congress continues its health care debate, the American public is focused squarely on the implications that current federal proposals will have on our nation's economy, health-care system and fiscal future.

“The Prognosis for National Health Insurance: A Texas Perspective,” the recent report by internationally renowned economist Arthur Laffer for the Texas Public Policy Foundation, concluded that a reform based on President Barack Obama's principles — including an estimated \$1 trillion increase in federal government health subsidies over 10 years — will accelerate health-care inflation; slow our economy, cost every Texas resident an additional \$4,265, and still leave about 30 million Americans uninsured.

But Laffer's report also addresses a critical angle that has been largely missing from the debate so far: what effect these proposals would have on the various states. As his research found, a larger government role in health care would impose a huge budget burden on Texas.

Texas would experience lower overall economic activity as well as increased pressures on our state budget.

Even more troublesome is the proposed expansion of Medicaid eligibility, estimated to cost as much as \$600 billion over the next decade. If the federal government requires states to pay for this expansion of lower-income individuals' health insurance, the hit to Texas' budget will be staggering.

The House Tri-Committee Reform Proposal would force states to expand Medicaid eligibility to 133 percent of the poverty level and lock in current benefit levels. Although the federal government would initially cover new Medicaid enrollees under the plan, the lack of flexibility could damage Texas' ability to manage its growing Medicaid costs.

The Senate plans being discussed would force states to expand Medicaid eligibility to 150 percent of the poverty level, with the increased costs shifting to states after five years.

Even if the federal government were to absorb the full cost of Medicaid expansion, the cost to the state budget of health care reform, based on President Obama's priorities, is \$8.89 billion, or \$365 per Texan. Requiring Texas to foot the bill would sap as much as \$28.2 billion from our state treasury.

Because Texas does not have the option to run trillion-dollar deficits, the proportion of health care expenditures as a percentage of total tax revenues would increase as well. Texas' tax collections would have to increase \$2.1 billion just to cover the increase in health care expenditures in 2019 — even if the federal government bears the full cost for Medicaid expansion.

And the threat to our state budget doesn't end there. Expansion of Medicaid eligibility may create additional Medicaid costs in Texas. The *Frew v. Hawkins* lawsuit was based on inadequate access for Medicaid enrollees because the state's physician reimbursement was so low that not enough doctors would take


Medicaid patients. Even after the reimbursement rate was increased 25 percent in 2007, the situation still exists.

Going from healthy budget surpluses to California-style financial distress in a few years — that's not the outcome Texans deserve from Congress.

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