

## Is Texas really thinking of opting out of Medicaid?

*Governor is among those who think idea should be considered as Legislature grapples with \$24 billion budget shortfall.*

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It's been the buzz this past week in certain corners of the Texas Capitol: Is the Lone Star State really considering dropping out of the Medicaid program?

GOP Gov. Rick Perry, fresh off a big re-election win and touting his new book on states' rights, is among those who say it's a good idea. The election results — which included a huge haul of state House seats for Republicans — have left some Capitol watchers wondering whether they should take seriously an idea that might have been immediately discarded in the past.

Never mind that no state has ever ditched Medicaid. Or that the federal government typically kicks in about 6 of every 10 dollars spent on the health care program in Texas.

Medicaid pays for more than half of all births and chips in for the care of nearly two-thirds of all nursing home residents in the state. And top medical industry officials say opting out of Medicaid would cripple the state's health care system and hurt the economy.

The opt-out idea surfaced nearly a year ago in a memo by the Heritage Foundation, a conservative think tank in Washington.

Perry has given it new legs.

"I'd like to see the states be given the opportunity to opt out of the Medicaid program that we are looking at today," Perry told Fox News' Greta Van Susteren last week.

As Texas lawmakers grapple with what's projected to be a \$24 billion-plus state budget shortfall for 2012-13, many of them want to leave their options open. And with Medicaid taking up a quarter of the state budget, some lawmakers say that any fiscal discussion has to include a serious look at ending Medicaid in Texas as it now exists.

While critics call the idea ridiculous, those in favor are banking on the dramatic shift in power in the House on Election Day — Republicans will go from having a two-seat advantage in the last legislative session to about a 48-seat edge in the 150-member chamber — to propel the idea.

The notion of ending Medicaid as it now exists means different things to different people. To some, it would mean forfeiting federal dollars (this year, \$16.6 billion), and it's unclear how popular such an approach would be. Others are talking about revamping the program in a way that would allow the state more flexibility, though proposals so far are vague.

Perry hasn't laid out details of how he envisions that opting out would work. A spokeswoman for the governor, Lucy Nashed, said that "these discussions are just beginning and will continue as we move into the legislative session."

While doing TV appearances and speeches in connection with his new book ("Fed Up!"), Perry has brought up the idea multiple times.

The governor has mentioned the Heritage Foundation memo, which says that Texas could save \$60 billion between 2013 and 2019 by dropping out of Medicaid. The memo was written before the passage of national health reform legislation.

Tom Banning, CEO of the Texas Academy of Family Physicians, said that the loss of federal Medicaid dollars would be "crippling" to Texas' health care infrastructure.

"It's all political sound bites," Banning said. "The anti-Washington, we-can-do-it-better mantra plays well. You always play to the extreme and then bring it back to the middle once you hear the outcries."

Dr. Ron Anderson, president and CEO of Parkland Health & Hospital System in Dallas, said in a radio interview that the opt-out idea is "so bizarre as to be unworthy of much consideration."

Medicaid serves 3.1 million Texans — primarily children, pregnant women and adults with disabilities — at a cost of about \$24.7 billion this year in state and federal money.

Getting rid of Medicaid would mean the end of the state's 500,000-enrollee Children's Health Insurance Program because federal law requires states to have a Medicaid program before they may receive federal dollars for a CHIP program, said Stephanie Goodman, a spokeswoman for the state Health and Human Services Commission.

For state Rep. Warren Chisum, R-Pampa, quitting Medicaid — and forgoing all the federal dollars that go with it — is "absolutely" on the table.

"These are serious times; we have to consider all options," said Chisum, who is running for House speaker. "Too much of taking money with strings attached is just not good for the people."

When asked which other Texas lawmakers are floating the idea, Chisum named Rep. John Zerwas, pointing out that the Richmond Republican passed a bill last year directing the state to study the issue.

But Zerwas, an anesthesiologist, said the idea for the study was not to look at how to opt out of Medicaid. Rather, he said, his legislation stemmed from a concern that rising debt might lead the federal government to cut funding for Medicaid.

The law mandates "a study to determine the effect on the health care infrastructure in this state if the state Medicaid program is abolished or a severe reduction in federal matching money under the program occurs."

The study is expected in advance of the Legislative session that will begin in January.

Zerwas said that looking seriously at opting out would be "a good exercise for us to go through" but that it wasn't his study that put the idea on the table. "Opting out really comes from national and statewide think tanks" such as the Heritage Foundation and the Texas Public Policy Foundation, he said.

Arlene Wohlgemuth, executive director of the Texas Public Policy Foundation — the think tank to which Perry is donating the proceeds from his new book — is working on a proposal that would be an alternative to Medicaid.

Wohlgemuth, a former state lawmaker, is not proposing forgoing the federal funds because they're Texas taxpayers' dollars, too. She wants to use them in a different way.

"Medicaid is an unsustainable program," Wohlgemuth said. "We have got to find a better way to deliver care to the people that need care."

She declined to be specific, though she did say that options could exist through a totally new system, or through waivers or block grants that could give the state freedom to run the program as it sees fit.

But Anne Dunkelberg, associate director of the Center for Public Policy Priorities, which advocates for low-income Texans, said that "those aren't options under law." She said that there are no block grant options for Medicaid and that "there's certainly not any new waiver ability that gets us out of the fact that health care is expensive."

Perry frequently talks about a Medicaid waiver he proposed in 2007 that he says is languishing in Washington. His program would have redirected some federal Medicaid dollars into a pool to pay for health insurance subsidies for uninsured, low-income adults.

But the George W. Bush administration had concerns about the proposed limits on benefits and asked for a revision, which Texas has not submitted.

Though Perry's proposal is technically still pending, Goodman said it would need to be revised "if the Medicaid expansion is implemented" as required by the federal health reform law.

The law requires Texas to provide Medicaid to more adults starting in 2014.

Federal health reform is another government initiative on which Perry would like to opt out.

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