

## Conservative group urges Medicaid shift to market-based plans

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AUSTIN — Texas should shift many of its 3.3 million Medicaid recipients into private health insurance to avert a fiscal meltdown, a conservative group is urging.

Medicaid recipients who are not disabled should be given subsidies to buy private plans, and the state should ask to be freed from federal rules setting minimum coverage levels, the Texas Public Policy Foundation says in a report scheduled for release Tuesday.

The arrangement would let people in the state-federal program “make their own decisions,” and all but the most abject of the poor should be forced to use some of their own money so they become more aware of health care’s cost, the foundation urged.

“We would make shoppers out of our Medicaid recipients so they are making value decisions,” the foundation’s executive director, former Rep. Arlene Wohlgemuth, said in an interview.

Wohlgemuth, clearly anticipating criticism that some low-income, poorly educated recipients might have trouble buying private plans, said the state would provide counselors under the foundation’s proposal.

The state should organize the individual insurance market through a centralized Web portal, much like Amazon or [Travelocity](#) do for books and travel, the foundation says. But it should let insurers customize benefit plans and set whatever deductible amount or out-of-pocket costs they wish “to the extent they do so for the non-Medicaid population,” the study says.

“We’re going to allow the marketplace to work,” Wohlgemuth said.

To avoid “frightening” some 820,000 elderly and disabled people now on the program, she said, the plan would keep current benefits and eligibility. But it would slash how much future applicants seeking long-term care could make in income by nearly 40 percent and clamp down on their ability to keep what can be quite valuable homes. And that program also would shift eventually to a market-oriented look, Wohlgemuth said.

While some health policy experts don’t expect President Barack Obama’s administration to approve of any such overhaul, the Austin-based foundation urged the Legislature to “take the lead in reforming Medicaid in a creative and bold way.”

Wohlgemuth said if states send Congress detailed blueprints for revamping the program, it will be forced to pay attention, much as Washington heeded states on welfare reform in the mid-1990s.

“It’s one thing to say ‘no’ through HHS,” she said, referring to the [U.S. Department of Health and Human Services](#), which decides whether to grant states leeway to experiment with Medicaid. “It’s another thing to say ‘no’ to your state legislature.”

In recent decades, the foundation’s report says, Medicaid’s rolls and scope of benefits have widened dramatically. It now covers just over half of all the live births each year in Texas. Current recipients include the disabled and some pregnant women and children in families earning wages above the poverty line.

The report paints a dire picture of Medicaid’s costs. It says the Legislature either would need to dramatically cut spending on education and prisons or raise the state’s 6¼-cent sales tax by at least three cents — starting now — to pay for a future explosion in Medicaid.

Most liberal and some moderate health care economists say conservatives fixate on Medicaid because it’s the only part of the U.S. health care system’s three-legged stool — private insurance, Medicare and Medicaid — that states pay for in a major way.

They also say the “health-savings accounts” and high-deductible policies that would be encouraged — though not required — in the foundation’s plan are largely unproven.

### How the change would work:

A family of three making less than \$9,265 a year would have all of its estimated \$400-a-month premium paid by the state.

The federal health care overhaul would provide subsidies for families earning up to four times the federal poverty level, but the foundation’s plan would cut off eligibility for subsidies at 174 percent of poverty — or just under \$32,500 for a family of three.

A family of three making between \$28,001 and \$32,499 only would get a 10 percent subsidy — reducing the incentive to not work so one can keep Medicaid.

SOURCES: Texas Public Policy Foundation; *Dallas Morning News* research

