



# Medicaid Freedom Is Solution to Texas Cost Problems

November 30, 2011

## Thorough Investigation

A Nigerian comedian was imprisoned for three weeks after an airport body scanner indicated he had drugs in his stomach. He may sue. Or he may make a movie about it. The man was taken into custody...

### POPULAR FACEBOOK COMMENTED

Beacon Power Follows Solyndra into Bankruptcy  
4,106 views

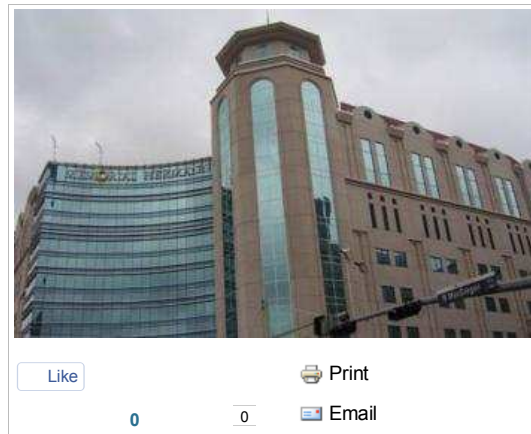
Health Care Layoffs in Texas Feared, Obama 'Stimulus' Blamed  
2,023 views

Obama's College Loan Initiative Another Bailout for the Privileged  
1,418 views

Study: Public School Teachers Highly Overpaid  
1,217 views

IL Taxpayers Forced to Cover Teacher Pension Contributions  
914 views

Obama Administration May Wipe Out Daniels' Healthy Indiana Plan  
848 views



Commentators have portrayed Texas's uninsured rate as evidence of Texans' lack of access to health care. However, the reality is that Texas's problem is not care but *cost*.

How does an uninsured individual receive care? In Texas and across the country, the answer is all too often through an emergency room. The costs of emergency room visits are ultimately picked up by a combination of county tax dollars, Medicaid, and cost-shifting to insured patients.

This system of universal health care is based

on market distortions caused by federal price controls and regulations, chiefly the Emergency Medical Treatment and Labor Act (EMTALA) and Medicaid.

### Driven by Federal Requirements

EMTALA requires emergency rooms to treat individuals regardless of their ability to pay. Though 91 percent of Americans approve of this policy, it is unlikely that they approve of the totally free care that is often the result. Low-income individuals have an incentive to seek care through emergency rooms because the care is free.

The care is free because hospitals have little incentive to collect on unpaid bills when a patient has limited ability to pay and other funding sources exist. To be fair, liability concerns play a role in broadly defining "emergency": if a client is deemed as a non-emergency, is turned away and then dies, the hospital could be held liable.

#### RELATED STORIES



Consumer Power Report: The States Lead By Example  
November 21, 2011



Consumer Power Report: Governor Perry's Off-Label Therapy  
August 8, 2011



Consumer Power Report Preventive Rationing?  
October 10, 2011



Canadian-Style Health Care Coming to Montana?  
November 2, 2011

Nevertheless, uninsured individuals remain at fault. Instead of employing common-sense solutions to prevent non-emergency use of emergency rooms, clients receiving care because of EMTALA leave the cost burden to the hospital, and no one seems to mind.

### Taxpayers Pick Up Tab

Hospitals pick up the tab for all clients who do not pay for care. In turn, they send the bill to Medicaid to be paid for through Disproportionate Share Hospital and Upper Payment Limits payments.

These payments make up, at least in part, for the loss from uncompensated and undercompensated care. To make up the remainder of the costs, hospitals and providers must raise price rates paid by private insurance.

### friend us on facebook



Heartland Institute on Facebook

Like

52,932 people like Heartland Institute.



Brendan



Robert



Geoffrey



Bradley



Shellee



Stan



Hugh



Peggie

Facebook social plugin

The Medicaid payments are the price controls that cause the need for higher payments for

undercompensated care.

### Federal Mandates Limit Options

Because of federal restrictions contained in both the stimulus and Obamacare, states have few options for adjusting Medicaid benefits and eligibility levels. This leaves reducing provider payments as their primary means of containing costs. As a result, Medicaid pays significantly less than either Medicare or private insurance, which in turn creates the undercompensated care that requires supplemental payments.

Ultimately all the financing mechanisms draw their funds from taxpayers and private insurance consumers. However, Medicaid's growth is outpacing the economy's. The mandatory eligibility requirement has increased the caseload, and the mandatory benefits have increased the costs per beneficiary. This system is unsustainable, and Texas can do better.

### Give States Medicaid Authority


The state must be given the freedom to redesign Medicaid. Turning control of Medicaid over to the states would allow Texas to build a system that pays all providers adequately.

A new Medicaid system could encourage personally owned insurance coverage for clients, promote personal responsibility by utilizing a sliding scale, dramatically reduce fraud, increase access to primary care, and greatly reduce administrative costs. It would also encourage low-income individuals to use low-cost, quality providers such as Federally Qualified Health Centers rather than expensive emergency rooms.

The federal government should also improve EMTALA by allowing hospitals to require copayments for emergency room use and requiring hospitals to divert non-emergency use. Additionally, hospitals should be given enhanced tools to collect payment and be required to attempt to do so before declaring the charge uncompensated care.

Commentators who posit that Texas's uninsured rate is evidence of a significant care problem are incorrect. Texas does not have a care problem; we have a cost problem that was created entirely by failed federal policies. Removing the federal government from our care delivery system is crucial to containing the future costs of Texas health care.

*Arlene Wohlgemuth (arlene@texaspolicy.com) is director of the Center for Health Care Policy with the Texas Public Policy Foundation.*



Add a comment...

Comment using...

Facebook social plugin



More Green Energy Fail | Power Line

Stephens: The Great Global Warming Fizzle - WSJ.com

Kos: Congress (sniff) is ruining the Internet « Don Surber

Fannie, Freddie caused the financial crisis - Economics - AEI

The American Spectator : The Bell Tolls for Obamacare

The recall election of WI Gov. Scott Walker is poised for vote fraud on a "massive scale."  
<http://t.co/L3jCqdI3>

RT @jpmon\_energy: James Taylor discusses the recent IPCC extreme weather report - <http://t.co/Q6A12Uz6>

Ohio Considers #Vouchers for Lower-Income Families | Heartlander Magazine: <http://t.co/WGs3GtPK> #edreform #edpolicy

More #Green Energy Fail | Power Line <http://t.co/Hb3gYp3X>

RT @thenoth: My op-ed in Crain's Chicago Business, "Short-term fixes won't end Cook County woes" <http://t.co/noLNJRnv> #sintax

### Reform Medicaid

False Time Sheets Result in 10 Counts of Medicaid Fraud for Louisiana Woman

Massachusetts Woman accused of \$5.5 Million in Medicaid Fraud

New Jersey Man's Reports lead to \$150M Settlement in Medicaid Fraud Case

New Jersey Doctor, Part of Statewide Drug Trafficking Ring Only Gets 3 Years

CMS Pushes For Expanded Oversight Over State Medicaid Rate Negotiations

### Somewhat Reasonable

'Vote' Early and Often for the Walker Recall Election

Heartland's Podcasts of the Week

Heartland Institute Mentioned in Climategate Emails, Rounds 1 and 2 (Part 1)

Congress Broadens School Lunch Choices — for Thanksgiving

Thanksgiving: Obama Fails to Learn the Pilgrims' Lesson

### Out of the Storm News

Reinsurers' 2011 tornado losses could top \$2.5B

Letter from Washington: Chicago as America's true insurance capital

Florida Wildlife Federation urges insurance reform

Federal government's role as insurer deserves more attention

FIRE Podcast- Daniel Schwarcz: Insurers should publish their policies on-line



The mission of the Heartland Institute is to discover, develop, and promote free-market solutions to social and economic problems.

19 South LaSalle Street, Suite 903  
Chicago, Illinois 60603

### Heartland Sites

- Out of the Storm News
- The Parent Trigger
- Tea Party Toolbox
- ClimateWiki
- Somewhat Reasonable
- Climate Conferences
- Emerging Issues Forum

### Issues

- Education
- Health Care
- Telecom
- Energy & Environment
- FIRE
- Budget & Tax
- Legal

### Follow Us

- Facebook
- Twitter
- YouTube
- Tumblr