

Texas Public Policy Foundation

Health Care

Legislator's Guide to the Issues 2017-18



Medicaid Expansion



The Issue

In recent years, state lawmakers have experienced pressure to expand Medicaid under the Affordable Care Act (ACA), however they have yet to do so. Expansion would add an estimated 1.5 million Texans to the program, extending eligibility to non-disabled adults, both with and without dependents. The groups pushing for expansion hope to pull down billions in federal funding, which would reimburse the state at 100% of the cost of coverage for the expansion population until 2017, then gradually reduce the rate to 90% by 2020.

Proponents argue that expansion would be an economic boon for the state by helping to reduce uncompensated care costs for hospitals that treat uninsured and underinsured patients. These costs are paid primarily through local property taxes, and many hospitals claim that Medicaid expansion would alleviate this tax burden by shifting the cost of covering the uninsured to the federal government.

Opponents of expansion, including TPPF, argue that previous Medicaid expansions in other states did not reduce uncompensated care costs, but instead exceeded cost and enrollment projections, and increased uncompensated care costs. TPPF and others instead push for reform of the current Medicaid program, arguing that program spending is on an unsustainable trajectory and has already overwhelmed other budget priorities such as education.

Expanding the program would exacerbate this problem and also strain an already fragile safety net of Medicaid providers in the state, making it more difficult for current Medicaid enrollees—whom the program was originally meant to serve—to access care. By adding 1.5 million Texans to the Medicaid rolls, lawmakers would expand coverage without providing adequate access to care, thereby weakening an already dysfunctional program with sub-standard health outcomes.

Some lawmakers argued for a “Texas Solution” that would expand Medicaid in exchange for certain reforms to the program such as requiring cost-sharing on a sliding scale based on income, the use of health savings accounts, and a trigger to opt out of expansion if federal funding drops off. However, none of these reforms are possible under current federal law or under the terms of a waiver from the Centers for Medicare and Medicaid Services (CMS). Furthermore, the proposed bill would have directed state officials to abandon them if it was necessary to secure federal expansion dollars. TPPF therefore opposes the “Texas Solution” as nothing more than Medicaid expansion under the ACA disguised to look like conservative Medicaid reform.

The Facts

- According to the Congressional Budget Office, federal spending on Medicaid will more than double over the next decade, increasing from \$265 billion to \$572 billion. The CBO estimate confirms TPPF 2010 projections that show Medicaid spending will double every decade on the state and federal levels.
- The Medicaid program now consumes 25% of General Revenue appropriations, an increase of the share by 42% in just over a decade.
- In the 2016-17 All Funds (AF) budget, the Medicaid program accounts for nearly 80% of all health and human services spending, and nearly 30% of the total state budget.
- In the current biennium, the program's growth has caused total state spending on health and human services to exceed total education spending for the first time in Texas history.

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- Medicaid expansion is estimated to cost the state \$8.8 billion over 10 years. According to projections from expansion proponents, expansion would cost \$3.74 billion in state matching funds for the years 2014-17.
- Nearly 70% of Texas physicians will not accept new Medicaid patients, thus forcing them to seek primary care in hospital emergency rooms or forego needed treatment altogether.
- Numerous studies show that Medicaid patients have worse outcomes than those with private health insurance and often worse outcomes than the uninsured.

Recommendations

- Lawmakers should resist calls to expand Medicaid under the ACA and instead focus on improving the existing program.
- Lawmakers should be skeptical of the “Texas Solution” or similar proposals for Medicaid expansion as they are typically disguised as Medicaid reform.

Resources

[*Texas Medicaid Reform Model: A Market-Driven, Patient-Centered Approach*](#) by John Davidson, Texas Public Policy Foundation (Sept. 2015).

[*Medicaid Expansion by Another Name: State “Alternative” to Expansion under ObamaCare Allow for No Significant Reforms*](#) by John Davidson, Texas Public Policy Foundation (Feb. 2015).

[*Three Medicaid Expansion Myths Exposed*](#) by John Davidson, Texas Public Policy Foundation (Jan. 2015).

Texas Medicaid and CHIP in Perspective, Ninth Edition, Texas Health and Human Services Commission (Jan. 2013).

[*Presentation to the House Appropriations Committee*](#) by Kyle Janek, Texas Health and Human Services Commission (March 8, 2013).

[*Save Texas Medicaid: A Proposal for Fundamental Reform*](#) by James Capretta, Arlene Wohlgemuth, and John Davidson, Texas Public Policy Foundation (March 2013).

