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## Texas should not expand Medicaid

By Arlene Wohlgemuth, Guest Commentary  
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The Texas Medicaid program is an indispensable part of the health care safety net for our state's neediest, most vulnerable residents.

State lawmakers have a responsibility to ensure that it delivers quality coverage and adequate access to care for those who rely on it, and also that the taxpayer-funded program is efficient and sustainable over the long term.

That is precisely why they should not expand it.

Put bluntly, Medicaid provides the worst health care outcomes in the country at the worst value to taxpayers. Providers in Texas have been abandoning the program for years, citing low reimbursement rates and burdensome federal red tape.

Today, 70 percent of Texas physicians refuse to accept new Medicaid patients, and beneficiaries find it increasingly difficult to find a doctor who will see them. Instead, they seek out primary care in hospital emergency rooms, driving up the cost of uncompensated charity care, which now totals about \$5 billion a year in Texas.

Proponents of expansion often cite uncompensated care as a reason to expand Medicaid, arguing that more people on Medicaid will mean fewer unreimbursed costs for hospitals.

But the problem is more complicated than that. The cost of unreimbursed care comes not only from treating the uninsured, but also from treating Medicaid patients, for whom hospitals are typically paid about 50 cents on the dollar compared to private insurance.

To make up the difference, hospitals receive local and federal tax dollars, but they also recoup costs by charging more to private insurance, which in turn increases insurance premiums for everyone.

By adding an estimated 1.5 million people to the program, it is likely that expansion will increase, not decrease, uncompensated care costs in Texas, as an influx of Medicaid enrollees discover that the only place they can reliably get health care is in a hospital emergency room.

The federal Affordable Care Act (aka Obamacare) attempts to expand Medicaid to cover everyone who earns less than 138 percent of the federal poverty level, about \$31,800 for a family of four. But for states that refuse expansion, anyone earning at least 100 percent of the federal poverty level (about \$23,000 for a family of four) will qualify for subsidized private health insurance through the federal exchanges established by ObamaCare.

In short, the law advocates a system in which those with very low incomes are forced to get substandard coverage on Medicaid, and those with higher incomes get a subsidy for higher-quality private coverage.

This is not only unfair to the working poor; it is also unfair to Texas taxpayers.

Texas' Medicaid program is broken and failing, and fundamental reform would be imperative even if Obamacare did not exist to exacerbate the problem. State Medicaid spending is on an unsustainable trajectory. Currently, the program consumes 25 percent of the state budget, but an expanded Medicaid program would account for 33 percent of the budget by 2040, forcing spending cuts in other areas, tax hikes, or both.

Recently, the Congressional Budget Office confirmed the findings of a 2010 study by the Texas Public Policy Foundation: without reform, Medicaid spending by the states and the feds will double every decade.

Pushing for a short-term influx of federal cash is short-sighted and irresponsible. State lawmakers must instead undertake a complete overhaul of the system and push the federal government to cooperate in this effort. For too long, a straightjacket of federal rules and regulations has prevented Texas and other states from enacting fundamental, market-based reforms that could control cost growth, increase physician participation, and improve health outcomes for Medicaid enrollees.

Toward this reform goal, the Texas Public Policy Foundation is developing a new model called Save Texas Medicaid that not only empowers Medicaid beneficiaries to become cost-conscious participants in their own care, but also gives them access to the same private coverage plans that other Texans now enjoy.

Instead of intermingling federal and state funds, so that neither the state nor the feds are politically accountable for outcomes, Save Texas Medicaid calls for a defined contribution of federal funds to the state.

Expanding the state's Medicaid program without fundamental reform is financially reckless and morally unconscionable. The good news is that there is another way to provide for our poorest residents over the long term. Given the flexibility, Texas could design a sustainable system that delivers better, more affordable care.

That is something state lawmakers owe to current Medicaid recipients and Texas taxpayers alike.

*Arlene Wohlgenuth is executive director and director, Center for Health Care Policy of the Austin-based Texas Public Policy Foundation.*

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