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Expansion of Medicaid will free up \$900 million, study finds

By Peggy Fikac | March 12, 2013 | Updated: March 12, 2013 10:48pm

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AUSTIN - Expanding Medicaid could make available at least \$900 million in state money that otherwise would be slated for health care as lawmakers work to pay for Texas' priorities, according to an analysis released Tuesday.

"More efficient health spending means there's more money available for other needs like water and education," said **Bee Moorhead** of Texas Impact, a faith-based advocacy group that commissioned the analysis with Methodist Healthcare Ministries of **South Texas Inc.** Both groups support Medicaid expansion.

Republican leaders and lawmakers oppose expanding Medicaid in its current form, saying it's a broken program that is taking an ever-larger share of Texas' budget. A number of key Republicans, however, are looking at alternatives that could allow the state to draw down billions of dollars in additional federal money for health care for the poor.

Moorhead said in a statement that moving people out of programs that are funded piecemeal with general revenue and into "prevention-focused managed care" would "give lawmakers more resources to tackle the other big issues on their plate this session.

The analysis was prepared by Billy Hamilton Consulting. Hamilton is a former longtime state deputy comptroller.

His analysis says that under starting-point legislative budget proposals, at least \$1.2 billion in general revenue funds would be spent over the next two years on state programs serving people who would potentially be eligible for Medicaid. Additional federal funds under Medicaid expansion would take the place of that state money, according to the analysis.

Hamilton estimated that Medicaid expansion would require about \$300 million in general revenue for state-paid administrative costs in Texas for the next two-year budget period. The **Legislative Budget Board** previously has cited a \$50 million estimate for administrative costs over two years.

Conservative estimate

Using the higher figure for administrative costs, the groups said that would mean \$900 million could be spent on as lawmakers would like - whether on health care or other programs - and it would not count against the state spending cap because it is considered current spending.

Lawmakers are facing pressure to restore funding cut from public education two years ago in the face of a projected revenue shortfall. Although revenues have been much higher than forecast, there are many demands on the money, including the bills that were left hanging to fund the current Medicaid program and long unaddressed needs in water and transportation.

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Hamilton called his estimates conservative and preliminary.

Medicaid expansion would cover low-income adults who aren't part of the traditional program. The federal government would pay for 100 percent of services at first, and the state would pay a gradually increasing share that would top out at 10 percent, according to the federal plan.

Voice of caution

The Health and Human Services Commission estimates the 10-year cost would be \$15.6 billion in state funds, bringing \$100 billion in federal funds to Texas.

The limited-government **Texas Public Policy Foundation**, which opposes Medicaid expansion, discounted the estimates.

"While projections can be helpful, actual experience is truly valuable. We can look to the decade-long experience of both Arizona and Maine to see that expanding Medicaid to this population cost the state far more than projected, uncompensated care cost went up instead of down, and the uninsured rate stayed the same," said the foundation's **Arlene Wohlgenuth**, a former state lawmaker. "States are the laboratories of innovation. The results of these experiments are in and the results prove that Texas would not be well served to expand Medicaid."

Rep. **John Zerwas**, who is among Republicans discussing Medicaid expansion alternatives, said lawmakers take Hamilton's figures seriously, given his long experience as a state revenue expert.

"He's a highly respected person when it comes to sort of objectively looking at the numbers," said Zerwas, a Simonton Republican who oversees human services as an **Appropriations Committee** member. "I think any time somebody talks about freeing up general revenue in our world, it gets your attention."

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The last thing this state needs to do is expand Medicaid. Hey if you can't get enrolled go to CA they will enroll you until their money runs out. The Feds will be pulling the funds down the road just like every other program they get started. Don't be fooled!

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