

Testimony before the Committee on State Sovereignty Regarding the Health Care Freedom Act

by The Honorable Arlene Wohlgemuth, Executive Director & Director of the Center for Health Care Policy

The state of Texas and its citizens' are certainly threatened under ObamaCare. United States District Court Judge Roger Vinson has already determined that the individual mandate is unconstitutional, but many states are moving forward implementing. This, on top of the associated costs, is weakening the court case's argument. According to Judge Vinson, "[...] the severity of [the states' economic] injury is undercut by the fact that at least eight of the plaintiff states [...] have represented that they will continue to implement and fully comply with the Act's requirements—in an abundance of caution while this case is on appeal—irrespective of my ruling." ObamaCare will have massive costs associated with it, including \$14 billion in new general revenue needed next session just for Medicaid. Texans will begin paying higher costs for mandated benefits they may or may not need or want.

ObamaCare's costs will be most apparent to the state through Medicaid. Under ObamaCare Medicaid will require 46.6 percent of our total budget by 2014-15. ObamaCare expands the antiquated, broken Medicaid program we have to more than 4 million new Texans. The bill provides for federal funding at 100 percent for these clients, gradually reducing to 92 percent. However, it is suspect that this funding level will remain given the precarious condition of the federal budget and historical tendencies to drop funding levels. On top of this, Medicaid benefits are elevated to the benchmark benefits defined in the law by Congress and the Secretary of Health and Human Services. Also, while the bill provides enhanced funding for clients made newly eligible under the law, it does not provide funding for increased enrollment of previously eligible clients due to the "no wrong door" policy and the individual mandate.

In order to have the money for this next session, Texas will have to pass a 4.5 cent sales tax increase this session, leaving it with the highest average sales tax burden in the nation. Texas could also cut \$14 billion out of other programs such as Public Education.

A portion of the argument in the ObamaCare lawsuit concerned the costs being imposed on the states currently due to their implementation of this law, but costs are being felt by more than governments. Broadly, the health care industry is already making adjustments due to the laws impending changes.

In the insurance industry, as recently noted by Lloyd M. Krieger in *The Wall Street Journal*, guaranteed issue is causing major transition in companies' business models. The added costs of high-risk clients are causing them to raise premiums and cut doctor's payments. Smaller insurers are shutting down or selling their businesses to larger insurers. Doctors and hospitals have also begun to consolidate. Medical Group Management Association estimated that doctors owned over two-thirds of the medical practices in the nation six years ago. But by next year, two-thirds of doctors will be salaried by large institutions.

Because this consolidation is driven by government and not by the marketplace, it is more akin to centralization than anything else. With fewer providers the effects of policy changes will travel through the system much faster. A policy such as Medicare payment cuts will encourage doctors to drop the program much quicker.

Legislation like the *Health Care Freedom Act* does more than shield our citizens from some of the most onerous provisions of the law. It also makes a definitive statement that Texas will be against the implementation of laws that not only harm our citizens, but are, arguably, unconstitutional. Texas is clearly beginning to feel the costs of this health care law. Regrettably, it is only the tip of the iceberg. The state should move quickly to pass the *Health Care Freedom Act* proposed here to shield our citizens from all of the harm possible. ★