



Texas Public Policy Foundation

# Center for Health Care Policy

## Texas Legislature's *83rd Session* in Review

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The single most important health care issue in the 83rd Texas Legislature was resisting the expansion of Medicaid as called for by the federal Affordable Care Act, aka ObamaCare. Although there were reform efforts in other areas, some that succeeded and some that failed, Texas lawmakers were able to hold the line against Medicaid expansion and achieve the single greatest conservative success of the legislative session.



### Texas Medicaid in Context

As the largest and fastest-growing program in the state—now nearly 30 percent of the 2014-15 All Funds budget—the future of Texas' Medicaid program in many ways represents the future of state spending as a whole. If Texas expands its Medicaid program in accordance with ObamaCare, forcing an estimated 1.5 million low-income people into the program, Texans should expect the state's share of Medicaid spending to grow significantly, requiring future spending cuts to other budget areas such as education and infrastructure, as well as ongoing tax increases.

It is in the context of ObamaCare's Medicaid expansion (which takes effect on January 1, 2014, for those states that choose to expand) that the Texas Public Policy Foundation's Center for Health Care Policy went into the 83rd Texas Legislature with the goal of preventing expansion in Texas. A coalition of hospitals, provider groups, chambers of commerce, counties, and school districts emerged early in the session and urged lawmakers to expand Medicaid. These groups were eager for the influx of federal dollars but heedless that expansion would put Texas on the hook for tens of billions more in state spending on Medicaid in the long term.

### Resisting Expansion

A number of expansion bills were filed during the session, but none of them reached the floor of either chamber, including HB 3791, which was presented as an alternative to Medicaid expansion but was in fact a loose framework for negotiating with Washington for expansion. The bill, which gained far more attention and support than other expansion bills this session, attempted to set conditions for expansion, but also allowed the Health and Human Services Commissioner to

discard those conditions and alter eligibility requirements as needed in order to secure additional federal Medicaid funds. The Foundation was instrumental in ensuring that it ultimately lacked support.

Overall, the key to resisting Medicaid expansion was to demonstrate that it is a broken, failing program that provides poor health outcomes for those it is currently meant to serve. By showing that expansion would also be financially unsustainable, the Foundation was able to make a persuasive case that Medicaid expansion is a reckless policy that will harm taxpayers and Medicaid patients alike.

In addition, TPPF helped close a statutory loophole that would have enabled the governor's office to expand Medicaid in the future without approval from the Legislature. The Foundation worked to improve a complex Medicaid reform bill in order to prevent the Health and Human Services Commissioner from negotiating with Washington for Medicaid expansion in the future. Any changes in eligibility beyond current requirements will now have to be approved by the Legislature because of this provision.

### Resisting ObamaCare

Aside from Medicaid expansion, the Foundation supported a successful effort to prevent Texas businesses with between 50 and 100 full-time employees from being considered small group employers by the ACA and thus from having to comply with the federal health care law's modified community rating (MCR) rule until Jan. 1, 2016.

The ACA imposes MCR on small group employers, which the law defines as businesses with one to 100 employees. The MCR limits the ability of insurers to charge different premium rates to employees of differing age and health status, and will therefore almost certainly increase the cost of premiums for employers and employees alike.

However, the law allows states to redefine small group employers as those with one to 50 employees until the end of 2015, thus temporarily shielding businesses with 50 to 100 employees from the MCR requirement. The Foundation supported a successful effort to accomplish this.

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Elsewhere in the battle over the federal health care law, the Foundation resisted efforts to establish a state-based health insurance exchange as described in the ACA. Although a bill was passed to regulate exchange “navigators,” Texas lawmakers did not opt to establish the exchange itself, deferring to the federal government instead, which means no state resources will be used to implement a deeply flawed and unworkable federal policy.

### Other Reform Efforts

A number of other reform initiatives undertaken by the Foundation were unsuccessful, such as passing a Medicaid block grant bill. The Center for Health Care Policy began laying the groundwork for a block grant bill before session, reaching out to a few key legislators, who unfortunately decided not to carry the bill once session began. Although the Foundation was able to gain some support for the proposal, and secure a legislative sponsor, there was not sufficient support for the bill. An opportunity for conservatives to coalesce around an alternative vision of Medicaid and offer a solution to the problem of ever-expanding entitlements was therefore missed. However, the Foundation did gain valuable knowledge about moving forward with such efforts in the future.

A bill that would give state employees the option of selecting a high deductible health plan with a health savings account (HSA) did not make it out of committee. Similarly, several bills designed to consolidate and close Texas’ 13 state supported living centers (SSLCs) did not gather enough support to move out of committee.

By refusing to expand Medicaid, Texas has emerged as a leader in the ongoing effort to push back against federal overreach in the nation’s health care system and reassert the constitutional separation of state and federal powers.

### Conclusion

Although many health care reform efforts supported by the Foundation this session were unsuccessful, the most important effort was to stop Medicaid expansion in Texas. The success of this effort will not only save Texas taxpayers tens of billions of dollars in the long term, it will slow the growth of the Medicaid entitlement and prevent 1.5 million low-income Texans from being trapped in a failing program.

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