



Holding the Line on Medicaid Expansion



The Issue

In the 83rd legislative session, state lawmakers came under intense pressure to expand Medicaid under the Affordable Care Act (ACA) but in the end refused 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 hoped to pull down billions in federal funding, which would have reimbursed the state at 100% of the cost of coverage for the expansion population until 2017, then gradually reduced the rate to 90% by 2020.

Proponents argued 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 claimed that Medicaid expansion would alleviate this tax burden by shifting the cost of covering the uninsured to the federal government.

Opponents of expansion, including the Texas Public Policy Foundation (TPPF), argued that previous Medicaid expansions in other states did not reduce uncompensated care costs or the uninsured rate, but instead exceeded cost and enrollment projections, increased uncompensated care costs, and had little or no effect on the uninsured rate. TPPF and others instead pushed for reform of the current Medicaid program, arguing that program spending is on an unsustainable trajectory and will soon overwhelm other budget priorities, such as education and infrastructure, if steps are not taken to control cost growth.

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 opposed the “Texas Solution” as nothing more than Medicaid expansion under the ACA disguised to look like conservative Medicaid reform.

During the debate, some called for Texas to expand Medicaid with a waiver similar to the waiver granted to Arkansas, which opted to cover the Medicaid expansion population by enrolling eligible individuals in private coverage through the health insurance exchange created by the ACA. Since Arkansas began its so-called “private option,” total cost overruns have exceeded \$7.5 million and could be as high as \$30 million to \$45 million by the end of 2014, depending on enrollment. The program exceeded monthly per person caps on spending, which were a requirement of the waiver, in January 2014—the first month of the program—and have exceeded the cap in every month since then.

The Facts

- According to the Congressional Budget Office (CBO), federal spending on Medicaid will more than double over the next decade, increasing from \$265 billion to \$572 billion. The CBO estimate confirms TPPF projections from 2010 that show Medicaid spending will double every decade on the state and federal level.
- Medicaid spending as a share of state budget has steadily increased, from about 20% in 2000 to nearly 30% in the 2014-15 All Funds budget (\$58.5 billion).
- In General Revenue (GR) spending, the 2014-15 budget is \$95.6 billion. Of this, about \$28.6 billion is for Medicaid (excluding an estimated \$1.5 billion shortfall in Medicaid funding). This represents 30% of the GR budget, up from 14% in 2001.
- 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.
- According to a Texas Medical Association poll, only 31% of Texas physicians would accept all new Medicaid patients in 2012, down from 67% in 2000.
- Total Medicaid enrollment in Texas is rising because of other provisions in the ACA. Enrollment is currently about 3.7 million and is expected to continue to rise in 2015.

Recommendations

- Lawmakers should resist calls to expand Medicaid under the ACA and instead focus on improving the existing program.
- Any consideration of a “private option” or a “Texas Solution” for Medicaid expansion should be evaluated in light of waiver programs for expansion in other states, especially Arkansas, Indiana, and Michigan.

Resources

Save Texas Medicaid: A Proposal for Fundamental Reform by James Capretta, Arlene Wohlgemuth, John Davidson, Texas Public Policy Foundation (Mar. 2013).

Preliminary Medicaid Enrollment by Month-April, Texas Health and Human Services Commission (accessed June 2014).

Texas Medicaid and CHIP in Perspective, 9th Ed., Texas Health and Human Services Commission (Jan. 2013).

Presentation to the House Appropriations Committee by Kyle Janek, Texas Health and Human Services Commission (8 Mar. 2013).

