

SUBJECT: Studying the health infrastructure impact of a Medicaid program reduction

COMMITTEE: Public Health — committee substitute recommended

VOTE: 9 ayes — Kolkhorst, Coleman, J. Davis, Gonzales, Hopson, Laubenberg, McReynolds, Truitt, Zerwas

0 nays

2 absent — Naishtat, S. King

WITNESSES: For — (*Registered, but did not testify*: Bryan Sperry, Children’s Hospital Association of Texas)

Against — None

On — Maureen Milligan, Texas Health and Human Services; (*Registered, but did not testify*: Dianne Longley, Texas Department of Insurance)

BACKGROUND: Medicaid is the federal-state health insurance program for the poor, elderly, and disabled. The Health and Human Services Commission (HHSC) administers the Medicaid program in Texas. Medicaid is an entitlement program that must provide benefits to all who meet the eligibility criteria. According to the base federal match rate for Medicaid in fiscal 2009, federal funds pay for over 59 cents of every dollar spent in Texas on Medicaid. The federal government mandates minimum populations that a state must cover to participate in the Medicaid program and has defined optional populations that a state may choose to cover and still receive federal matching funds.

DIGEST: CSHB 497 would require HHSC and the Texas Department of Insurance (TDI) to conduct a joint study on the effect on the Texas health care infrastructure and the availability and accessibility of Medicaid health care services if the state Medicaid program were abolished or federal funding were severely reduced. HHSC and TDI would:

- identify all available Texas health care resources that are not funded by Medicaid;

- identify which Medicaid populations would be most at risk of losing the services they receive through Medicaid; and
- determine the effect on local health care providers and local financing mechanisms that provided or supported care to people who could not afford health services.

By July 1, 2010, HHSC and TDI would have to submit a joint report presenting the study conclusions, including:

- a statewide plan for transitioning to a new health care delivery system if the state Medicaid program were abolished or federal funding were severely reduced; and
- the fiscal impact of continuing to provide health care services to Medicaid populations, including the fiscal impact of each phase of the transition plan.

The commissioners of HHSC and TDI could adopt the transition plan as a contingency plan for transitioning recipients of health care services from the state Medicaid program to a new health care delivery system.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2009.

**SUPPORTERS
SAY:**

Because of the rising cost of the Medicaid program, Texas should be prepared for substantial program changes. The study and transition plan required in CSHB 497 would prepare Texas for possible significant Medicaid program changes, including the abolishment of the Medicaid program as it exists today. The Texas Medicaid program is too expansive to address adequately the transition of such a large number of clients into a different health care delivery model without significant planning. The Medicaid caseload in September 2008 was 2.9 million clients of which over 2.1 million were children.

The Congressional Budget Office (CBO) stated in a December 2007 report, *The Long-term Budget Outlook*, that the rate of growth in the federal budget cannot be maintained and that health care spending is the largest contributor to growth in federal spending. The report further stated, "Without changes to federal law, federal spending on Medicare and Medicaid is on a path that cannot be sustained."

CSHB 497 could help lawmakers better understand the role of Medicaid in state health care delivery and to understand what health care gaps would be presented if the Medicaid program were to be abolished or reduced. Not only does the CBO project significant increases to Medicaid costs, but the office also concluded that higher Medicaid spending does not correlate with higher quality of care. In Texas, Medicaid appropriations already were \$39.6 billion in fiscal 2008-09, representing 24 percent of the state budget. The study could help the Legislature focus on ways that the Legislature could save money now by more efficiently delivering services and reducing provider payments for care needed as a result of medical errors.

The bill only would require a study of the effects of a major change to Medicaid at the federal level and would not pursue ways to replace the state Medicaid program. The bill would allow HHSC and TDI to consult with health advocacy groups, and nothing would prevent these agencies from consulting with other stakeholders when conducting the study.

The fiscal note indicates that the study could be absorbed within existing resources at HHSC and TDI, so there would be no significant cost. HHSC already has a significant amount of Medicaid data gathered for its *Texas Medicaid and CHIP in Perspective* publication, which would limit the amount of resources the agency required for study research.

OPPONENTS
SAY:

CSHB 497 further would stretch the resources at HHSC when the agency already must complete an unworkable number of major initiatives. There is no more imminent threat to Medicaid than to any other federal funding stream, such as federal highway supports, so the notion that Texas should devote the scarce resources of an overburdened agency to develop a contingency plan is not justified.

OTHER
OPPONENTS
SAY:

While CSHB 497 could be valuable in providing lawmakers with a better understanding of how Medicaid works, the bill should not make it merely optional that HHSC and TDI seek study input from health advocacy groups. Instead, it should be required that the study seek input from health advocacy groups as well as health care providers and other stakeholders. If charitable organizations and private providers would play an integral role in filling the service gaps left by cuts to the Medicaid program, the input and expertise of these organizations should be incorporated into a health infrastructure transition plan.

NOTES:

The committee substitute for HB 497 differs from the bill as filed by allowing HHSC and TDI to seek input from health advocacy groups, and by allowing, rather than requiring, HHSC to adopt the transition plan from the state Medicaid program to a new health care delivery system.

The bill as filed would have required TDI and HHSC to study the extent to which Medicaid had become a substitute for private health coverage or charity care, and if crowd-out had occurred, to recommend how to limit it and increase the number of private and charitable care providers.