

# One Voice Texas

## A Collaborative for Health & Human Services



### Healthcare: Medicaid Expansion

**Position Statement Approved by One Voice Texas: December 13, 2012**

#### Issue/Concern:

As necessitated by the United States Supreme Court's decision on the Affordable Care Act, the 83<sup>rd</sup> Texas Legislature must decide whether or not to implement, beginning in 2014, a Medicaid expansion up to 133% of Federal Poverty Level (FPL) for all eligible individuals. If Medicaid is expanded, all newly eligible individuals will be funded with 100% federal dollars from 2014-2016, after which federal funding will incrementally decrease to a low of 90%.

Currently, there are 1.8 million uninsured Texans who would gain health insurance coverage if the state were to expand Medicaid.<sup>1</sup> These people include the parents of children currently eligible for Medicaid, as well as childless adults and some disabled adults. Currently, disabled adults are only eligible if their incomes are below 74% of FPL, parents are only eligible up to roughly 26% of FPL, and childless adults are not eligible.

Healthcare for these expansion-eligible individuals is currently funded through many different, fragmented methods, including, but not limited to: county property taxes and state supplemental funds for indigent care programs; local property taxes for hospital districts and mental health mental retardation authorities; supplemental Disproportionate Share (DSH) and Upper Payment Limit (UPL) payments to hospitals via state funds and intergovernmental transfers (IGTs); state funds for limited health programs such as the Women's Health Program; hidden tax to people with commercial insurance to cover the cost of uncompensated care; and charity care, philanthropic dollars, community benefit dollars, and in-kind/pro bono services by physicians.

Beginning in 2014, DSH payments, an important source of supplemental hospital funding for Medicaid and uninsured patients, will be reduced regardless of whether or not Texas participates in the Medicaid expansion. Medicaid expansion would ensure that Texas avoids further strain on its hospitals.

While total Medicaid costs have increased over the past five years, this cost growth is primarily due to increased enrollment. On a per enrollee basis, the cost in the largest urban areas is now lower than it was five years ago.<sup>2</sup> Texas has actively taken steps to reduce Medicaid costs, including expanding managed care Medicaid, implementing dramatic changes in the detection and recovery of waste, fraud and abuse, and implementing a pilot program for dual Medicaid and Medicare eligibles. The 1115 Transformation Waiver is allowing Texas providers to build on these cost-savings and quality-enhancing reforms by implementing projects that not only result in better coordination of care, but in improved health outcomes and reduced spending on health complications.

However, further steps can be taken to improve the efficiency of Medicaid while delivering high quality healthcare to the individuals most in need. For example, providers should receive fair reimbursement for their Medicaid services, and the momentum in improving Medicaid and CHIP eligibility systems should be maintained to fully eliminate delays, backlogs, and erroneous denials. These and other measures to improve access to community care, women's health and primary care would ensure a healthier, more productive Texas.

#### Specific Policy Recommendation(s):

- Support the continued transformation of Medicaid in Texas into a system that provides quality, coordinated and cost-effective care to those most in need, while expanding Medicaid eligibility to low-income Texans currently served by safety net programs that are funded solely at the county and state levels without federal support.
- Continue to support the 1115 Transformation Waiver process initiatives developed by the Texas Health and Human Services Commission that maximize Medicaid federal matching funds.

- Build upon the performance improvements of 2010 in Medicaid and CHIP eligibility systems to fully eliminate delays, backlogs, and erroneous denials by assuring staffing levels, technical resources and processes are designed to meet or exceed federal processing standards.
- Improve access to care for Medicaid beneficiaries by ensuring that reimbursement rates are adequate to cover the costs of providing care.
- Support access to community care, women's health and primary care.

#### **How Will This Impact State Funding? What Can Be Accomplished?**

HHSC projects that over ten years, a Medicaid expansion would bring over \$100 billion to Texas in federal funds, covering an additional 1.8 million people.<sup>3</sup>

In the same time period, HHSC estimates that the expansion would cost the state \$15.5 billion in General Revenue funding. However, costs associated with other programs for low-income individuals, such as the Women's Health Program, would decrease with a Medicaid expansion, because many of those program participants would instead receive comprehensive benefits under Medicaid. At the same time, with the implementation of Medicaid reforms like the managed care expansion and the 1115 Transformation Waiver, improvements in the quality of care will reduce per enrollee costs.

The reduction in uninsured will also decrease the strain on counties and hospital districts providing indigent care. Instead, previously uncompensated care will become paid claims. The increased revenue will be important to hospitals, since the DSH payments that have historically buffered hospitals against uncompensated care will be significantly decreased beginning in 2014, whether or not Medicaid expansion is implemented.

#### **Supporting Facts/Research Resources:**

1. John Holahan, Matthew Buettgens, Caitlin Carrol, Stan Dorn. The Cost and Coverage Implications of ACA Medicaid Expansion: National and State-by-State Analysis. *The Urban Institute and the Kaiser Commission on Medicaid and the Uninsured*. November 2012. <http://www.urban.org/UploadedPDF/412707-The-Cost-and-Coverage-Implications-of-the-ACA-Medicaid-Expansion.pdf>
2. Texas Health and Human Services Commission. Medicaid Health Plan Financial Statistical Reports 2012. SFY 2008 to SFY 2012.
3. Tom Suehs. Texas Health and Human Services. *Presentation to the House Appropriations Subcommittee on Article II: Affordable Care Act*. 12 July 2012. <http://www.hhsc.state.tx.us/news/presentations/2012/071212-ACA-Presentation.pdf>

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