
September 21, 2012

Texas Health and Human Services Commission

Testimony on Texas HHSC LAR

The Center for Public Policy Priorities appreciates the opportunity to comment on the Legislative Appropriations request submission of the Texas Health and Human Services Commission for the 2014-2015 budget period. The Center for Public Policies (CPPP) is a nonpartisan, nonprofit 501(c)(3) policy institute established in 1985 and committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans. Improving access to health care for Texans has been at the core of our mission and activities since our founding.

Key Issues and Concerns

- **Supplemental Appropriations need for 2012-2013:** The center recognizes that the \$3.68 billion supplemental need for Medicaid and CHIP (per HHSC LAR Administrator's Statement, p. 3 of 9) is the single largest funding item needed to prevent unsustainable damage to access to care and to our health care safety net, given that it is substantially higher than the EI needed to fund expected Medicaid cost growth that was not allowed in the base budget under the LBB's budget instructions. Without the supplemental funding needed for the current 2012-2013 budget, Medicaid and CHIP programs cannot continue to operate in 2014-2015.
- **Provider Payment Rates.** We support reversal of the provider rate cuts included in the 2012-2013 budget. We note that in many cases non-physician providers have taken deeper cuts even than physicians. We are glad that some mitigation of the cuts will come from the 2013 temporary increase in selected primary care codes for selected provider types, but remain concerned that access for both children and seniors has been reduced by Texas' cuts. We are particularly concerned about access to critical and cost-effective services such as mental health and therapies (speech, physical, occupational) that are not typically provided by physicians and affect young and old Medicaid patients alike.
- **ACA Medicaid expansion.** We note from Commissioner Suehs' 8/1/2012 Senate presentation that HHSC now estimates the costs to the state budget of the now-optional Medicaid coverage opportunity for poor and near-poor adults is scored at \$1.3 billion GR for the first four years (2014-2017), with welcome mat enrollment of already-eligible children estimated by the agency at \$1.8 billion GR because that growth will be subject to the normal FMAP rate. HHSC estimates that those state funds will draw down \$28.6 billion in federal matching funds for Texas health care providers from 2014-2017.

When compared to the roughly \$5 billion in uncompensated care Texas hospitals expend annually, it seems clear that Texas has both the means and an overwhelming fiscal interest in allowing our uninsured adults to access this benefit.

- Texas hospitals provided \$4.9 billion in the single year 2008 in combined uncompensated charity care, bad debt, and Medicaid and local program payments that fell short of actual

costs. (Local and federal tax dollars were the biggest sources of offsets to reduce these losses.) Source: HHSC report, <http://www.hhsc.state.tx.us/reports/2011/Rider-40-0111.pdf>

- **Eligibility Systems and ACA systems preparation:** CPPP strongly supports E.I. #3 to allow funding to support the HHS benefits eligibility systems in keeping up with population growth and supporting the ongoing modernization of the system. This will not only save Texas staffing costs in the long term, but also provide Texans in need with efficient and dignified customer service. We hope you will carefully monitor this process and ensure that HHSC has the resources needed to convert Texas Medicaid eligibility business rules to the new national standards under ACA, which are based largely on IRS income rules. The HHSC system must also prepare to interface with the Federally-Facilitated Exchange which Texas will have at least in our early years of ACA implementation, and until the state makes a decision to create our own, homegrown health insurance exchange.
- **Medicaid Managed Care Access Issues:** While the center does not oppose Medicaid Managed Care expansion, we are concerned about unresolved problems with network adequacy, agency oversight, and eligibility policy glitches that are causing gaps in coverage both in STAR and STAR+PLUS. We hope that appropriations for the agency are adequate to support strong oversight and enforcement of health plan contracts, as well as quick action to identify and correct problems on the eligibility side that can leave eligible patients stranded without care due to no fault of their own.
- Errors of fact in Administrator's statement:
 - Page 2 of 9: States that the Transformation 1115 waiver could provide up to \$29 billion in federal funding over the waiver's 5-year life. However, CMS has stated that the \$29 billion cap is the All Funds total, not the FFP figure.
 - Page 4 of 9: Very few children at Medicaid income levels would be affected by the individual mandate, as the mandate does not apply to any households below the federal income tax filing threshold, which approximates the FPL.
 - Page 8 of 9: states that Medicaid consumes a quarter of our state budget. Medicaid appropriations for 2012-2013 equaled 19% of the state-dollar budget (compared to 42% for K-12 public education); had we not short-funded the Medicaid program by 5 months and reduced K-12 spending by \$5.3 billion, Medicaid's share would have been closer to 22% of the GR/GR-dedicated budget, and K-12 share would have been about 38%.
 - Also p. 8 of 9 states that Medicaid provides care for one in four Texas children. Actually, Texas is home to 7.36 million children (under age 19, the coverage age range for Medicaid and CHIP). Point-in-time kids Medicaid enrollment is currently hovering around 2.5-2.6 million each month, so clearly Medicaid alone is covering one in 3 Texas children, and with CHIP added, about 42% of Texas children are enrolled in public health coverage.

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For More Information

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About the Center

The Center for Public Policy Priorities is a nonpartisan, nonprofit policy institute committed to improving public policies to make a better Texas. You can learn more about the Center at CPPP.org.

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