



March 28, 2003

Contact: Anne Dunkelberg, Dunkelberg@cppp.org

No. 186

MEDICAID AND CHIP CUTS WOULD REDUCE 04-05 TEXAS HEALTH SPENDING BY AT LEAST \$10 BILLION:

Local Impact Would Be Severe

Reductions at two state agencies would cut health funding to local communities by \$10 billion in 2004-2005

On March 17, the Center for Public Policy Priorities released estimates of the local impact of \$9.3 billion in Medicaid spending cuts proposed in the HHSC and DHS agency budgets, and posted all that information on our web page. We have now added to that information county-by-county estimates of various proposed cuts to CHIP. Combined with the potential cuts to Medicaid, Medicaid and CHIP spending in Texas in 2004 and 2005 would be reduced by over \$10 billion dollars statewide. The bulk, over \$9.3 billion, of the loss would be due to Medicaid cuts. A reduction in spending of this magnitude would represent roughly a 5% reduction in total health care spending in Texas.

MEDICAID CUTS

The CPPP **Medicaid** analysis details the impact in each Texas county and includes the dollar impact of 8 different proposed Medicaid policy changes (cuts in eligibility, benefits and rates), as well as caseload and benefit cuts for 8 different affected groups. The county impact - sorted by Texas Senate and House District - can be viewed and printed at www.cppp.org.

2. cutting the eligibility cap to 150% of the federal poverty level (along with the 3 changes listed above), or
3. complete elimination of the program.

A spreadsheet detailing the county-level impact on CHIP enrollment and spending under each of the 3 scenarios is also available at www.cppp.org

CHIP Changes.

The **CHIP** spending analysis looks at the impact of 3 different cut-back scenarios which have been presented to the Legislature:

1. Reducing continuous eligibility from 12 to 6 months, imposing a 90-day wait for coverage to take effect, and increasing premiums and co-payments,

Revenue Cap Would Force Huge Cuts.

The Texas Health and Human Services Commission and Department of Human Services were directed to submit budget proposals which would be required in order to operate under the Comptroller's 2004-2005 revenue estimate. Despite growth in caseloads, population, and inflation, the revenue shortfall would limit agency funding

for 2004 and 2005 to more than 12.5% below the dollars they needed to support programs in the 2002-2003 budget period. Only through drastic reductions in health care services for poor Texas seniors, children, and disabled individuals could the agencies operate under the proposed funding caps.

The statewide dollar amounts and caseload reduction numbers used to model county-level impact are drawn from official HHSC and DHS and Legislative Budget Board budget documents. Agency estimates and assumptions will continue to change daily as the legislative budget process progresses, but these estimates accurately capture the best information available when the agencies first presented their budgets to the House and Senate budget committees, and they convey an accurate portrayal of the magnitude and scope of the cuts that would be unavoidable if these programs must operate under the revenue cap they have been given. We model the local impact of the cuts by allocating the official totals across the counties, according to February

2003 Medicaid enrollment in the affected client category.

All the dollar amounts provided include the federal matching dollars lost when state dollars are cut. For every state Medicaid dollar cut, another \$1.50 in federal funds is lost, and every CHIP dollar cut results in a loss of \$2.57 in federal matching funds.

HHSC Request Would Not Fully Restore Children’s Medicaid and CHIP Cuts.

Cuts are estimated based on the agencies’ estimated cost to restore those cuts. Because HHSC and DHS did not request restoration of certain cuts, even in their highest “Tier” funding requests, the actual dollars lost would be higher than presented here. For example, in both Children’s Medicaid and CHIP, HHSC assumed that even at their top level of requested funding, new policies would remain in place (i.e., repealing parts of Children’s Medicaid simplification, and in CHIP reducing continuous eligibility from 12 to 6 months, imposing a 90-day wait for coverage to take effect, and increasing premiums and co-payments).

Impact of Proposed Medicaid Cuts in Selected Texas Counties			
	Dollars lost 2004-2005	Caseload Reductions in 2005	Elderly and Disabled Losing Rx benefit
TEXAS TOTALS	\$9.34 Billion	441,010	488,183
Bexar County	\$688.6 million	32,182	38,396
Cameron, Hidalgo, Starr	\$1.09 Billion	56,809	46,168
Dallas County	\$736.8 million	38,839	37,015
El Paso County	\$457.6 million	22,888	24,397
Harris County	\$1.127 Billion	60,566	61,434
Lubbock	\$111.6 million	5,033	6,182
McLennan	\$116.1 million	4,927	5,975
Midland and Ector	\$115 million	5,872	5,734
Nueces	\$192 million	8,516	10,613
Tarrant County	\$413.2 million	20,521	20,559
Travis County	\$216.3 million	10,489	10,990
Webb County	\$182.3 million	9,830	7,868

Major statewide impacts if Medicaid and CHIP reductions occur include:

- \$9.3 billion in reduced Medicaid spending over the 2004-2005 period;
- Overall Medicaid enrollment reduction of 441,000 below what would have occurred in 2005 under current policies, including
 - o More than 19,000 aged or disabled Texans lose

Nursing Home coverage by 2005;

- o At least 60,000 aged or disabled would lose Community Care benefits to help them avoid nursing home care;
- o More than 334,000 children are kept out of Children’s Medicaid by delaying 12-month continuous

eligibility and reinstating bureaucratic barriers;

- o 17,000 fewer pregnant women will receive prenatal care and delivery services
- o Over 9,000 parents impoverished by medical bills would lose Medically Needy benefits.
- Among persons remaining eligible for programs but losing services, over 488,000 elderly or disabled clients who receive SSI and live on less than \$575 per month would lose all prescription drug benefits; and
- Another 145,000 very poor parents with dependent children (e.g., earning less than \$395 a month for a family of 3) would also lose prescription benefits.
- Proposed CHIP roll-backs would reduce 2005 enrollment by 170,000 (due to reducing the coverage period to 6 months, imposing higher premiums, and imposing a 90-day wait before coverage takes effect). If CHIP were eliminated 516,000 children would lose health coverage.
- A 33% reduction in payments to acute care providers, would reduce total remaining Medicaid spending statewide by about \$3.3 billion.
- **These are the direct spending reductions associated with the Medicaid and CHIP cuts. The additional lost economic multiplier effect of health care spending is not taken into account. For an estimate of the impact of Medicaid cuts on job loss, etc., go to <http://www.familiesusa.org/Calculator/USmap.htm>.**

What Will Happen Next, and What YOU Can Do.

The cuts described by DHS and HHSC will have to be made if the Legislature does not approve additional revenue for Medicaid and CHIP. For these 2 agencies alone, additional state dollars of roughly \$3.4 billion is needed to avoid cutting clients off of Medicaid and CHIP programs, or making deep rate cuts for health care providers. When the critical needs of other Health and Human Services agencies like Mental

Health and Mental Retardation, Protective and Regulatory Services, and Department of Health are added in, the additional state dollars needed total about \$4 billion to avoid cutting off care to clients currently being served.

As this Policy Page goes to press, neither the House Appropriations nor the Senate Finance Committee has voted on funding levels for Article II Health and Human Services Agencies. Votes are likely to occur within the next week, however. CPPP is hopeful that, with continued input from Texans across the state, the committees will choose to recommend additional funding for these programs to keep them whole. After the committee votes, there will be opportunities to change the amounts recommended on the House and Senate floors, but it is extremely difficult to raise the total dollars available for any item once the two chambers send the bill to the Conference Committee on the Budget. For this reason, readers should encourage elected officials to vote for adequate funding NOW.

It is important to realize that if the funding added in the House and Senate falls very far short of that \$4 billion target, serious cuts will occur for some populations and or providers of care. Your continued input to Legislators is critical, **along with your message that you will support them in seeking the additional revenue needed to forestall the human and economic damage these cuts would create.** Contacts with the Speaker of the House, Lieutenant Governor, and Governor are also important. Finally, don't forget to weigh in with your county and city officials. Remind them that your local tax base will have to absorb these economic losses, and your local health care providers will have to deal with the individuals who no longer are supported by federal and state funding.

To find out how to contact your State Representatives, Senator, and the Speaker of the House, Lieutenant Governor, and Governor, go to Texas Legislature Online at

www.capitol.state.tx.us. Contact information for these as well as local officials can be found at www.capwiz.com or www.congress.org .

You are encouraged to copy and distribute this edition of

THE POLICY PAGE

The CPPP is a 501(c)(3) non-profit, non-partisan policy research organization. Consider a donation to the center-- visit <http://www.cppp.org/order/support.html>