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## STATUS REPORT ON STATE FUNDS THAT COULD REDUCE THE IMPACT OF MEDICAID AND CHIP CUTS IN THE STATE BUDGET

### THE BIG PICTURE:

The Governor, Lt. Governor, and Comptroller have all in recent days identified about \$800 million in state dollars that could be used to reduce the size of Medicaid cuts approved by the Legislature for the 2004-2005 budget. Here are the essential facts:

- In our opinion, right now, without further legislation and while the legislature is in session, using General Appropriation Act, Article IX, Section 11.28, the Governor and LBB could spend up to \$372 in federal Medicaid Fiscal Relief to reduce Medicaid cuts. (See Policy Page #197 for more details).
- The Comptroller has raised questions about Section 11.28 and whether it can be used as we think. The Governor has asked the Attorney General for guidance on this issue. If the Attorney General says the money cannot be spend pursuant to Section 11.28, then further legislation will be required.
- Further legislation is definitely required to spend the remainder of the \$800 million for two reasons. First, legislation is required to free some of the money to be spent; and second, none of the money has yet been appropriated. (See Policy Page #197 for more details.)
- Here is the most important point: On July 31, the Governor announced that he, the Lt. Governor, and Speaker have reached agreement on a plan to spend just \$167 million. So even under the best case scenario, as of now, our State Leaders are not committed to spending more than \$167 million.

### THE HHSC PLAN:

The leadership plan is based on a recommendation from the Texas Health and Human Services Commission (HHSC) that \$167 million of the available funds be used to

- (1) reduce the size of Medicaid provider rate cuts (i.e., from 5% to 2.5%), and
- (2) avoid cutting community care hours of service to the aged and disabled by 15%.

However, the HHSC proposal to spend \$167 million to which the leaders have agreed:

- would ONLY partially restore Medicaid provider rate cuts and community care service hours,
- would restore funding for these two items ONLY in 2004 (no promises are made for 2005),
- would NOT restore mental health care, hearing aids, eyeglasses, or podiatry for elderly and disabled adults on Medicaid (see Policy Page #199),
- would NOT restore Mental Health benefits for children in CHIP, and
- would NOT restore any of the other significant cuts to health and human services (see Policy Page #193).

While CPPP agrees that restoration of rate cuts for providers and Community Care service hours are high priorities, the state should also devote a portion of the \$800 million to averting the disastrous and inhumane results that will accompany the elimination of mental health professional services, eyeglasses, hearing aids, and podiatry for adult Medicaid clients (estimated by HHSC to cost \$42.8 million). Even doing all this still leaves money to restore the CHIP mental health coverage, as proposed in HB 107 (1<sup>st</sup> Called Session) by Naishtat (estimated cost: \$8.2 million GR). The total biennial cost of restoring both these adult cuts and the CHIP mental health benefit would be \$51 million (or, roughly half that amount for 2004 alone).

### SHOULD WE SAVE THE MONEY?

Some have argued that we should "save" the money for a crisis or for caseload growth. The Medicaid/CHIP cuts are a crisis! The aged, disabled, and children, as well as our economy will all suffer from these cuts. As for caseloads, at the

beginning of the regular session, the CPPP expressed concern that the HHSC caseload projections were too high. Then, to balance the budget, the legislature arbitrarily lowered the projections by \$524 million. Actual caseloads will probably end up somewhere between the original projections that were too high, and the arbitrarily lowered projections that are too low. In which case, saving some of the money makes sense. **Out of \$800 million, however, we can spend more than \$167 million.** Before any restoration, planned Medicaid and CHIP cuts alone total more than \$950 million GR, and the addition of other (non-Medicaid) HHS cuts take that total much higher. Spending \$400 million on restorations will only reduce a small portion (a third or less) of the overall cuts to HHS systems in Texas — the impact will still be severe. The center believes that at least half of the \$800 million can be spent and still allow for appropriate reserves for any caseload-driven shortfall.

#### WHAT YOU CAN DO:

**Advocates for the poor, the elderly, the disabled, children, and the mentally ill, all those who care about Texas' health care safety net, and other concerned stakeholders should KEEP COMMUNICATING WITH YOUR OWN HOUSE AND SENATE MEMBERS AS WELL AS ALL THE INDIVIDUALS LISTED BELOW ABOUT USING THE FUNDS TO RESTORE MEDICAID AND CHIP CUTS.**

Let them know:

- More than \$167 million of the \$800 million should be spent to reduce the size of Medicaid and CHIP program cuts;
- Restoration of cuts to adult Medicaid benefits and CHIP mental health coverage must be included in the plan; and
- Give your own perspective and concerns about the unexamined impact of taking these benefits away from the elderly and disabled poor, the mentally ill, the chronically ill, the mentally retarded, the abused and neglected, victims of sexual and domestic violence, and children.

#### WHO TO CONTACT:

**Governor Rick Perry** (see <http://www.governor.state.tx.us>) Citizen's Opinion Hotline: (800) 252-9600; Fax: (512) 463-1849; Office of the Governor, P.O. Box 12428, Austin, Texas 78711-2428

**Your Own Representative and Senator** (see <http://www.capitol.state.tx.us>)

**Members of the LBB:** (see <http://www.capitol.state.tx.us>)

Lt. Gov. David Dewhurst, Chair

Senator Teel Bivins

Senator Bill Ratliff

Senator Chris Harris

Senator John Whitmire

P.O. Box 12068, Austin, TX 78711

Speaker Tom Craddick, Vice-Chair

Representative Talmadge Heflin

Representative Ron Wilson

Representative Fred Hill

Representative Vilma Luna

P. O. Box 2910, Austin, TX 78768

#### **Health and Human Service Chairs of Budget Committees:**

Senator Jane Nelson, HHS Workgroup Chair, Senate Finance Committee

Representative Arlene Wohlgemuth, HHS Subcommittee Chair, House Committee on Appropriations

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