



February 10, 2010

Texas Health and Human Services Commission

## PROPOSED BUDGET REDUCTIONS FOR CURRENT (2010-2011) BIENNIUM

The Center for Public Policy Priorities is a nonpartisan, nonprofit policy institute committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans. The center appreciates the evident efforts of agency officials to mitigate harm to clients in proposing these options. We will advocate with our elected officials for these cuts to be avoided. Our key observations related to Medicaid/CHIP and access to care by low-income Texas are summarized below.

**Loss of Federal Funds Nearly Twice the State GR “Saved.”** Medicaid (and CHIP) reimbursement cuts proposed would reduce state-dollar layouts for the current budget by \$98.6 million only by giving up \$174.9 million in federal dollars for our health care providers and local communities.

**Medicaid Reimbursement cuts are a Losing Proposition.** Many economists have noted that Medicaid cuts are penny-wise and pound-foolish, not only because of the immediate federal dollars lost to Texans, but also because of the shift of costs and loss of economic activity to local communities. Dr. Ray Perryman described the cascade of fiscal losses for Texas resulting from Medicaid and CHIP cuts in his 2009 testimony to the Texas Legislature, saying

*“After Texas reduced funding for such programs in the 2003 legislative session (thus foregoing federal matching funds at an attractive rate), my firm performed an analysis of the incremental effects of that decision. In short, every dollar in decreased funding resulted in \$3.67 of additional costs, mainly through higher insurance premiums (\$1.59), increases in local taxes and decreases in revenue (\$0.58), and out-of-pocket and other costs (\$1.50). Additionally, the short-term multiplier for health care in the state is about 3.25.”*

**Inadequate Rates Hurt Low-income Seniors, Children, People with Disabilities and Pregnant Women.** Texas does not automatically update Medicaid fees paid to doctors and other health care professionals, which means that these rates lose buying power. The Legislature has also let many years go by without any rate increases. In fact, rate cuts in 2003 reduced most fees below 1993 levels. **Rate cuts were the largest health care budget cuts the Legislature made in 2003—even larger than the CHIP cuts.**

Many doctors, dentists and other health providers take very few Medicaid and CHIP patients, or do not serve them at all, because they are paid Medicaid fees that are well below Medicare and commercial payment rates, and sometimes do not even cover their costs.

The Texas Medical Association has tracked physicians serving Medicaid patients for a number of years, and reports that **doctors in our state taking new Medicaid patients dropped from 75% in 1996 to 39% in 2006.** In 2007, new investments were made in Medicaid doctors’ fees for kids, and some additional smaller increases have been made across the board. The TMA survey for 2008 shows a reversal of the decline seen over the previous decade. In 2009, no increases were adopted by the Legislature to prevent

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the further erosion of those rates. Actually cutting rates at this time would represent a tremendous step backward in attempt to improve Medicaid participation by doctors and access to care for our most vulnerable citizens.

**CSHCN, MH Hospitals, Attendant Care.** Reductions in services to children with special health care needs, cutting psychiatric hospital beds, and reducing personal attendant care hours are all moves that are likely to simply shift costs to local governments and exacerbate some illnesses and disabilities.

CPPP will support use of the Rainy Day Fund and pursuit of new revenue sources to avoid such cuts, and to support ongoing updates to provider rates. Thank you for the opportunity to register these concerns.

Anne Dunkelberg, Associate Director, [dunkelberg@cppp.org](mailto:dunkelberg@cppp.org)

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