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Conservative legislators in Texas seek to opt out of Medicaid

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BY DAVE MONTGOMERY

dmontgomery@star-telegram.com

AUSTIN -- A push from conservative legislators for Texas to opt out of Medicaid is stirring alarm among healthcare providers and nursing homes, which say the potential loss of billions of federal dollars could drastically undercut efforts to provide healthcare for the poor.

The opt-out plan has quickly emerged as another high-profile topic for the 2011 Legislature, pushed by Gov. Rick Perry and a number of conservative lawmakers who believe that Texas can provide health coverage to the indigent more efficiently with a state-run plan free of federal mandates.

"We know how to deliver healthcare to more people in a less expensive way than what the federal government does," Perry said in Dallas last week while promoting his new book, *Fed Up!* He said states "need to stand up and say, 'We don't want your strings attached. We don't want you down here telling us how to run our business.'"

Perry's message reflects the anti-Washington mood that propelled him to a double-digit re-election victory this month and helped Republicans storm past Democrats to gain nearly two-thirds of the seats in the state House. Several leading conservatives in the Legislature are echoing Perry's idea.

"If we could opt out and design our own program, I've just got to believe we can do a lot more with a lot less," said state Rep. Phil King, R-Weatherford.

Healthcare advocates, however, are preparing to resist moves to pull out of the state-federal insurance program, which covers 3.1 million indigent beneficiaries, including 2.3 million children. The total cost of Medicaid for fiscal 2011 is \$24.7 billion, with the federal government paying \$16.6 billion, the Texas Health and Human Services Commission says.

"Unless our state leaders can come up with a financing plan to replace the current Medicaid structure that's even better than what we have now, I think it will ultimately end up backfiring and costing more in the long run," said Dr. Susan Bailey, a Fort Worth allergist and president of the Texas Medical Association.

Republican Rep. Mark Shelton, a Fort Worth pediatrician, said: "I think opting out of Medicaid without a viable alternative is not a good idea. We need to make sure ... the vulnerable people in our society -- the poor, children and the elderly -- are taken care of."

Hospitals fear impact

Associations representing hospitals and nursing homes are also weighing in.

"We don't want to reject it out of hand, but we have to look really carefully at what the proposed replacement would be," said John Hawkins, senior vice president of advocacy and public policy for the Texas Hospital Association. "You'd have a whole lot of services that needed to be provided with no real reimbursement for them."

The state's nearly 500 hospitals have a big stake in the issue, with Medicaid covering more than half the births in Texas. Additionally, federal law requires hospitals to provide emergency room treatment to anyone who needs it, including the indigent. More than \$7 billion in Medicaid payments went to hospitals last year, including \$4.5 billion in federal money.

Medicaid covers children, people with disabilities, pregnant women and the elderly. Nearly two-thirds of the state's 90,000 nursing home residents depend on Medicaid, said Tim Graves, president and CEO of the Texas Health Care Association.

"We certainly understand the need to look at options because the state budget is in such bad shape, but I don't understand how getting out of Medicaid would help," Graves said.

The loss of billions of federal Medicaid dollars could have a "devastating effect" on Texas healthcare, he said.

Wyoming study

Texas is one of several states entertaining the concept. A Wyoming Department of Health study, released in September, on the impact of a Medicaid opt-out said: "While some that lose Medicaid coverage under an opt-out scenario may find coverage as a result of health care reform, it is clear that coverage may not be affordable nor provide the services needed by many. There would also likely remain a significant number of individuals who would not be able to obtain coverage under the current health reform bills."

The study also said: "The strain that will ensue should Wyoming determine to opt-out of participating in Medicaid without a solid plan to replace it is truly immeasurable. Further, Wyoming residents will be paying Federal taxes for services that residents of this state will never benefit from."

Texas Health and Human Services is conducting a similar review. Findings are expected in December.

Indigent coverage

Fears that Texas would halt coverage for the indigent are "the furthest thing from the truth," said Republican Rep. John Zerwas, a Richmond physician who sponsored the law mandating the study. He said Texas would develop its own healthcare program, which would probably be run through Health and Human Services.

He also said that the loss of federal Medicaid dollars could be offset by a federal block grant that would give the state more flexibility to tailor a program specifically to Texas needs.

Perry has a long-standing request with the U.S. Health and Human Services Department for a Medicaid waiver that would enable Texas to create its own program, the Texas Health Opportunity Pool.

The program, which would be funded through federal and state sources, would provide subsidies to help low-income uninsured Texans buy private insurance or assist workers who cannot afford to share the cost of employer-provided insurance. Twenty-five percent of Texans are uninsured, a higher percentage than in any other state.

Others, however, fear that opting out of Medicaid could reduce healthcare access just as the growing population demands the opposite.

Moreover, experts worry that shutting the door on billions of federal dollars could hurt the economy and force already hard-pressed local governments to shoulder more of the load in providing indigent healthcare.

"You can't just pull \$17 billion out of our healthcare system and have everything be hunky-dory," said Anne Dunkelberg of the Center for Public Policy Priorities, an Austin-based think tank that advocates programs for low-income residents.

Dave Montgomery is the Star-Telegram's Austin bureau chief. 512-476-4294