

Medicaid Expansion in Texas

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Topline:

1. Medicaid and the related program Children's Health Insurance Program (CHIP) provide health insurance coverage for millions of families, children, pregnant women, adults without children, and people living with disabilities. (1)
2. Beginning in 2014, the Affordable Care Act provides states the authority to expand Medicaid eligibility (1). However, states had the ability to opt out of Medicaid expansion, and Texas elected to opt out.
3. States that opted into Medicaid Expansion have benefitted from the program.
4. Texas' decision to opt out is harmful to Texas in many ways:
 - It prevents millions of Texans from getting health insurance coverage. Texas ranks last among US states in health insurance coverage.
 - It reduces access to health care and hurts health outcomes.
 - It especially hurts rural residents and rural hospitals.
 - It hurts the Texas economy.
5. Texas still has the option to opt into Medicaid expansion, but as recently as 2021 Republicans in the Texas legislature have refused this logical and beneficial step.

Texas has the highest uninsured rate of any state in the US. This is in part because GOP leaders in the state have repeatedly elected to opt out of Medicaid expansion.

This decision is harmful to lower income families in the state, reduces access to health care, increases use of uncompensated emergency care, and costs our states billions of dollars in lost economic growth and tens of thousands of jobs.

Background:

1. Medicaid and CHIPS:

- a. These programs are administered by the Center for Medicaid and CHIP Services (CMCS) (Part of the Federal Government) (1)
- b. **Medicaid** was signed into law in 1965 alongside Medicare (1).

- All states, the District of Columbia, and the U.S. territories have Medicaid programs designed to provide health coverage for low-income people.
 - Although the Federal government establishes certain parameters for all states to follow, each state administers their Medicaid program differently, resulting in variations in Medicaid coverage across the country.
 - As of September 2021, Medicaid covers 77.9 million people.
- c. **CHIPS** (Children’s Health Insurance Program) was signed into law in 1997 (1)
- CHIPS provides federal matching funds to states so they can provide health coverage to children in families with incomes too high to qualify for Medicaid, but who can't afford private coverage.
 - All states have expanded children's coverage significantly through their CHIP programs, with nearly every state providing coverage for children up to at least 200 percent of the Federal Poverty Level (FPL).
 - As of 2018, 9.6 million children were enrolled in CHIP.

2. Medicaid Expansion option and Texas’ decision to opt out

- a. The Affordable Care Act (ACA) has led to the highest levels of health insurance coverage in US history. (2) A major part of this has been accomplished through increased eligibility for Medicaid.
- b. The Federal government pays 100% of the cost of Medicaid expansion through 2020, and 90% after 2020.
- c. To date, 38 states have elected to expand Medicaid as of 2021. However, 12 states have not, including Texas, which has the highest number and percentage of people without health insurance of any state in the country (2).
- d. Texas Governor Rick Perry explained the state’s reasons for opting out (9). The experience with Medicaid expansion shows these reasons to be completely invalid.
- Perry called Medicaid expansion, and the ACA insurance exchange, intrusions into the sovereignty of our state. However, Texans happily participate in other “intrusions”, including Medicare and Social Security.
 - Perry’s concern that expanding Medicaid would be harmful to Texas have proven unfounded, as the states that opted for expansion have experienced:
 - Increases in the percent of residents with health insurance coverage
 - Reductions in uncompensated care
 - Faster economic growth
 - Perry’s action was sharply criticized, and with good reason. By opting out of Medicaid expansion, billions of dollars of taxes paid by Texans go to provide

health insurance for people in other states. Meanwhile, Texans experience worse health care and less economic growth.

3. States that have opted into Medicaid expansion have benefitted, including some majority-Republican states.

- a. Over 400 studies have been conducted since 2014 to assess the impact of Medicaid expansion. The Kaiser Family Foundation has summarized these studies (3), and finds that Medicaid Expansion:
 - Significantly increased health insurance coverage rates.
 - Positively affected access to care, utilization of services, the affordability of care, and financial security among the low-income population.
 - Has had a positive impact on state economies
- b. Improved economic results (economic growth and job creation):
 - In Kentucky, the first state to release a post-expansion study with updated estimates on the impact of their Medicaid expansion, the estimated economic contribution is projected to be \$30.1 billion from 2014 to 2021. Their report also finds that there will be a net positive impact on their state budget of \$919.1 million and job growth of 12,000 jobs in state fiscal year 2014 and 40,000 jobs from state fiscal year 2014 to 2021. (4)
 - Many other states have commissioned independent studies to estimate the state-specific impacts of expanding Medicaid on their economy. The findings almost universally show job growth and positive economic impacts over time. (4)

4. Texas' decision to opt out is harmful to Texas in many ways:

- a. **It prevents over 600,000 Texans from getting health insurance coverage.**
 - According to analysis by the Kaiser Family Foundation, 1,800,000 Americans fall into the “coverage gap” because their states opted not to expand Medicaid. 662,000 of these, more than 1/3 of the total, are in Texas. (5)
 - Most of these uninsured Texans are in poor working families—that is, either they or a family member is employed but still living below the poverty line (5).
 - The US Census Bureau reports that as of 2019, Texas has the highest uninsured rate in the country, at 18.4%. No other state is over 14%. (see the Center for Policy Progress [State Scorecard](#), page 5 for data on all states).
- b. **It reduces access to health care.** According to the Kaiser Family Foundation, “If they remain uninsured, adults in the coverage gap are likely to face barriers to needed health services or, if they do require medical care, potentially serious financial

consequences.” (5)

c. It hurts rural residents and rural hospitals (6).

- Rural residents are less likely to have private health insurance, have less access to health care, and have worse health outcomes than their urban counterparts.
- Rural areas in states that implemented the Medicaid expansion experienced larger gains in coverage than those in non-expansion states and improved access to health care.
- Medicaid expansion has also improved the financial viability of rural hospitals and has reduced the amount of “uncompensated care”. This has helped to prevent some rural hospitals from closing in the states that opted for Medicaid expansion.
- The CEO of the Texas Organization of Rural and Community Hospitals has said that **because of Texas’ decision to not expand Medicaid, more rural hospitals will close.** (10)

d. It causes Texans to pay for benefits we don’t get.

- Texans are subsidizing Medicaid expansion in other states. Texas residents pay Federal taxes, which are then used to cover the cost of Medicaid expansion in the states that opt in. Because Texas did not opt in, that part of our tax payments is not coming back to us.
- Texas business leaders agree: "It's our money that we're sending to Washington, D.C., and we aren't getting it back," said Bill Hammond, CEO of the Texas Association of Business. "We pay for it with corporate income taxes, we pay for it with our personal income tax and we pay for it in the fact that our premiums are higher than they would be if everyone was insured." (7)
- By not opting in to Medicaid Expansion, Texas has lost \$100 billion in federal funds over the past decade, at a time when hospitals are losing \$5.5 billion a year for treating uninsured people. (7)

e. It hurts the Texas economy

- Analysis by Health and Human Services finds that Medicaid expansion adds to economic growth and job creation. For Texas, the negative economic impact from 2014 to 2023 is estimated at \$270 billion.
- Estimates developed for the Methodist Healthcare Ministries and Texas Impact show similar economic benefits (8). If Texas had expanded Medicaid, the estimated impact would have been:
 - An increase in economic output by \$67.9 billion between 2014 – 2017
 - An additional 231,000 jobs by 2016
- Ray Perryman, a Texas economist who has studied Medicaid expansion extensively, has said that even beyond the other positive benefits, such as helping people to be healthier and helping rural hospitals, you should expand

Medicaid because of the economics: “just look at the numbers. And you look at them, you say this is a no-brainer. We need to be doing this.” (11)

5. Texas can still opt into Medicaid expansion

- a. The Texas legislature has considered Medicaid expansion several times, most recently in the 2021 session. The vote to expand failed by a vote of 68 to 80, largely on partisan lines. Only one Republican voted for it. (10)
- b. That Republican legislator, Lyle Larson of San Antonio, summed up the issue well (10):

All major medical groups in Texas ask the lege to increase federal healthcare dollars coming to Texas.

Unfortunately, we are stuck in a decade old narrative that has forced the closing of many rural hospitals and less access to physician care.

Additional Information:

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4. Health and Human Services – “The Economic Impact of Medicaid Expansion” – March 2015, https://aspe.hhs.gov/system/files/pdf/139231/ib_MedicaidExpansion.pdf
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10. Texas Public Radio – “Texas Matters: Rural Hospitals in Crisis with no Medicaid Expansion”, April 23, 2021, <https://www.tpr.org/podcast/texas-matters/2021-04-23/texas-matters-rural-hospitals-in-crisis-with-no-medicaid-expansion>
11. NPR, “Texas loses billions to treat the poor by not expanding Medicaid, advocates say”, May 29, 2015, https://www.npr.org/2015/05/29/410470081/texas-didn-t-expand-medicaid-advocates-say-money-is-being-left-on-the-table?utm_medium=RSS&utm_campaign=healthcare