

1 of 45 DOCUMENTS

Healthcare Finance, Tax & Law Weekly

January 5, 2011

MEDICARE AND MEDICAID; Medicaid to Consume 50% of Texas State Budget Within Next 30 Years

SECTION: EXPANDED REPORTING; Pg. 6

LENGTH: 616 words

Texas' Medicaid program is in a state of financial crisis, according to long-term caseload and cost models published by the Texas Public Policy Foundation (see also Medicare and Medicaid).

"Even before the U.S. Congress substantially expanded Medicaid as part of ObamaCare, the Medicaid program was financially unsustainable," said Arlene Wohlgemuth, Director of TPPF's Center for Health Care Policy. "These new projections make clear that Medicaid will bankrupt Texas - and every other state - unless major structural changes are made."

The Foundation commissioned Cato Institute Senior Fellow Dr. Jagadeesh Gokhale to develop 30-year caseload and cost projections for Texas' Medicaid program so that Texas policymakers could understand the extent of Texas' crisis. Dr. Gokhale's findings, "Final Notice: Medicaid Crisis," are available on the Foundation's website, www.TexasPolicy.com.

Prior to the passage of ObamaCare, Texas' Medicaid spending was projected to grow by \$44 billion in General Revenue and \$112 billion in All Funds between 2014 and 2023. That means Medicaid will absorb every penny of new state revenue during those 10 years if general revenue grows at the 4.3% annual rate that it has over the last decade.

Furthermore, the Medicaid expansion required by ObamaCare will increase that obligation by at least \$31.2 billion in General Revenue during that decade, and possibly as much as \$38.6 billion if the U.S. Congress reduces the enhanced federal cost sharing rate for newly eligible individuals to the current rate.

"Over the next three decades, the amount of state tax revenue Medicaid will consume will increase at least 900 percent," Wohlgemuth said. "By then, one of every three dollars that Texans pay in state taxes will be obligated to this one federal program."

As Medicaid spending surges, it will represent a dramatically larger share of Texas' state budget. In the 2008-09 biennium, Medicaid represented 28.2 percent of the All Funds budget. Before ObamaCare, that was projected to increase to 32 percent within 10 years, and to 39.3 percent by 2040-41. However, adding ObamaCare's expansion of Medicaid eligibility will increase Medicaid's share of the All Funds budget to 45.9 percent within 10 years, and to 49.4 percent by 2040-41 - consuming more than \$460 billion during that biennium.

"Everyone needs to be aware of the problem that all states will face from the out-of-control growth of the Medicaid program," Wohlgemuth said. "We are working very hard with our colleagues in other states to find a solution that provides states with greater flexibility and cost certainty, and that returns to them the federal dollars their residents have paid in for the program."

The Honorable Arlene Wohlgemuth is Executive Director and Director of the Center for Health Care Policy at the Texas Public Policy Foundation, a non-profit, free-market research institute based in Austin. She served 10 years in the Texas House of Representatives, specializing in health care issues.

The Texas Public Policy Foundation is a non-profit free-market research institute based in Austin.

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Keywords: Finance, Financial, Government, Health Policy, House of Representatives, Investing, Investment, Legal Issues, Medicaid, Medicare and Medicaid, Politics, Texas Public Policy Foundation. This article was prepared by Healthcare Finance, Tax & Law Weekly editors from staff and other reports. Copyright 2011, Healthcare Finance, Tax & Law Weekly via NewsRx.com.

LOAD-DATE: December 30, 2010

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newsletter

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