

## Report Charts Path for Texas Medicaid Reform

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As many states struggle to find ways to reform their Medicaid systems without breaking the bank, the Texas Public Policy Foundation has provided some guidance for the Lone Star state.

The think tank urges Texas to move some of the 3.3 million people on Medicaid into the private health insurance market. The plan does not move the state's current 820,000 elderly and disabled people from the program, allowing them to maintain their level of benefits and eligibility, but maintains this reform will help the state avert a budget crisis thanks to future enrollees.

### Costs Soaring in Texas, Elsewhere

Medicaid costs in Texas are growing at 9 percent annually, the report noted, and Obamacare is projected to exacerbate the problem. The report suggests Texas can lead Medicaid reform efforts "in a creative and bold way" by organizing the individual insurance market through a Web portal, letting insurers develop customized plans while setting deductible amounts and out-of-pocket costs, explains Arlene Wohlgemuth, executive director at TPPF and one of the coauthors of the report.

"It will be very simple. Low-income Texans will enroll in the new subsidy program. The subsidy they qualify for will be sent directly an insurance company for the plan they choose," Wohlgemuth said. "They may choose from any insurance offered in the state of Texas—however, an enhanced subsidy will be offered for choosing a Health Savings Account or high-deductible plan."

Since much of the state's population lacks experience in purchasing private health insurance, the plan, published in February, includes a provision certifying insurance agents as counselors to assist with this process.

### Obamacare Worsened Problem

Medicaid costs were already on the rise in Texas, and Obama's health care law has worsened the problem. According to calculations performed for TPPF by Cato Institute senior fellow Jagadeesh Gokhale, Texas's Medicaid caseload will roughly double between 2014 and 2015, and the program's costs will increase by 59.5 percent in the first decade.

"Until Medicaid is fundamentally and dramatically changed, it will continue to consume an ever-larger portion of states' budgets," Wohlgemuth said. "Among the many problems that plague the Medicaid system, the biggest is third-party payment. The fact that Medicaid clients pay absolutely nothing for their health care removes the vital price signals that encourage quality improvements, price reductions, and the proper distribution of resources."

The TPPF proposal aims to shrink this problem by moving away from third-party payment, which Wohlgemuth maintains will increase quality of care and access to it while giving the Medicaid population more responsibility.

"This is not a problem unique to Texas. Medicaid is breaking state budgets across the nation," says Wohlgemuth. "The question is not whether you reform Medicaid. The question is whether you do it before or after the program falls apart under cost burdens. Tweaking the program will never achieve the necessary reforms."

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### Internet Info:

"Medicaid Reform: Constructive Alternatives to a Failed Program," Texas Public Policy Foundation:

<http://www.texaspolicy.com/pdf/2011-02-RR04-MedicaidReform-ConstructiveAlternativestoFailedProgram-CHC-arw-bm-sh.pdf>

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