


Craddick, Zerwas address policy crowd on energy, Medicaid opt-out

JAN 14

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1/14/2011 4:24 PM 

The future of Medicaid and Texas' booming energy market were among panel topics during Day Two of the Texas Public Policy Foundation's Ninth Annual Policy Orientation in downtown Austin.

Craddick on energy policy

Speaking in place of Sen. Troy Fraser (R-Horseshoe Bay) was former House Speaker Rep. Tom Craddick (R-Midland) at a forum titled "Energy Policy at a Crossroads: Mandate or Markets?"

Though he represents oil-rich Midland, Craddick joked he is hoping for \$2/barrel oil soon. But that's not going to be the case, with over \$100/barrel oil, the offshore drilling moratorium continuing through this summer, and slowing domestic production.

The former Speaker said the Barnett Shale oil and gas field in North Texas, as much it has been a boon to the state, has reached some organized opposition. Craddick said drilling in suburban areas and pipelines through areas of dense population has resulted in some outcry in the media, raising questions about whether drilling leads to unsafe air quality, rising cancer rates, risks of explosion, etc.

However, he said, Texas should continue to drill aggressively, as it's a centerpiece of the economy. Even the \$9.2 billion Rainy Day Fund -- the saving grace of the \$4.2 billion shortfall the 82nd Legislature just inherited -- is fueled by oil and gas revenues.

"Where did that money come from? Oil and gas," he said, of the fund.

He added that by the next biennium, the Rainy Day Fund will grow by an estimated \$1.5 billion.

Alternative energy cannot be ignored

Following Craddick was Dale Klein, a U.S. Nuclear Regulatory Commissioner, Stephen Hayward of the American Enterprise Institute and Paul L. Sadler, executive director of the Wind Coalition.

Sadler said wind power cannot be ignored as part of the overall equation of the energy market in Texas. Coal makes up for 42 percent of statewide electric production capacity, he said, followed by natural gas at 38 percent and wind at 11.

Answering criticisms that wind energy is "too intermittent" and not stable enough to reliably feed Texas' electric grid, Sadler said that weather conditions often vary around the state. With enough turbines across the Lone Star State, wind energy would become more reliable.

And then there's the question of subsidies for alternative energies. Sadler said they're no different than for coal and natural gas.

"I hear constantly that wind can't exist without subsidies," he said. "Every single source receives a subsidy as an incentive ... if you want to get rid of subsidies, let's line them up and get rid of all of them."

He added that the new CREZ transmission lines are not a subsidy for greater wind capacity, but benefit other sources of electric production as well.

Hayward said subsidies go against the spirit of free market economics, but should be phased out gradually as many providers currently depend on them. He did not predict wind and solar would do well without subsidies.

Klein addressed the topic of nuclear power -- noting its recent popularity in wake of high oil prices and a presidential Administration antagonistic toward new drilling. He said

three new sites for nuclear reactors are being looked at in Texas, each of which are expected to run for about a century if built.

Zerwas, Suehs talk Medicaid opt-out

Another panel, "A Healthy Debate: Should Texas Opt to Opt-Out of Medicaid?" was pretty much a review of the financial pros and cons of Texas creating its own framework of indigent and low-income health insurance.

Rep. John Zerwas, the Republican who authored a bill yesterday to create a state insurance exchange market perscribed by "ObamaCare," gave a grim prognosis. With or without ObamaCare, rising state health care costs are forcing legislators to do some soul-searching about the direction of government.

"It's [a question] that gives us a lot of pause, and leads us to the question of 'can we continue this way?'" Zerwas said.

In 2000, health and human services made for 20 percent of general revenue, or \$5.6 billion. In 2010, it made up for \$12 billion, or 28 percent of total general revenue.

Co-panelist Dr. Jagadeesh Gokhale of the libertarian CATO Institute warned that by 2020-21, 29 percent of general revenue would go toward Medicaid with ObamaCare on the books. If it is repealed, that number is only 5 percent less -- 24 percent of revenue in 2020-21.

"ObamaCare makes an already bad situation much worse," Gokhale said.

Opting out of Medicaid or staying in are both losing scenarios, Zerwas said, echoing a recent report by HHS and the Texas Department of Insurance.

In 2011, Medicaid expenditures will surpass \$30 billion -- up from \$11 billion in 2000, and which far exceeds available tax revenue. And that's without ObamaCare opening the

door for mandatory acceptance of new clients, and way before the 2019 deadline when states are expected to shoulder a greater share of the cost of administering ObamaCare.

"Expansion only increases this problem," Zerwas said.

The U.S. Congressional Budget Office, Zerwas added, estimates that even if Texas' economy grows by 9 percent per year, Medicaid funding would be "unsustainable" unless new sources of funding are found.

Zerwas said federal rules often prohibit cost-cutting measures in the Medicaid system.

Joining Zerwas and Gokhale was Commissioner Tom Suehs of the Texas Department of Health and Human Services.

Suehs said 15 percent of personal health spending in Texas comes from Medicaid -- including a large share of children and the elderly. Texas can continue to afford coverage through 2014, he said. But after that date, it gets tricky.

If Texas opts out of Medicaid, the state loses \$15 billion in federal funds. If Texas stays in, the number of people using Medicaid will jump significantly.

"It's a no-win," he said.

Suehs advised lawmakers revert Medicaid "back to a safety net program, moving people toward independence, not requiring dependence on the government."

Suehs added that he believes the federal government should bear 100 percent of the cost of treating illegal immigrants -- a cost often shouldered by county indigent care dollars and Medicaid.

Arguing for keeping Medicaid around was (not surprisingly) Anne Dunkelberg of the Center for Public Policy Priorities.

"An adult conversation cannot be had when cutting Medicaid is the solution," she said.

