Expanding healthcare coverage in Texas

to adults ages 19-64 who earn less than 138% of the Federal Poverty Level, at a federal/state cost match of $90/$10, **via § 1115 Expansion Waiver or a State Plan Amendment** under the **Affordable Care Act**

Senator Nathan Johnson

Why is Medicaid Expansion right for Texas?

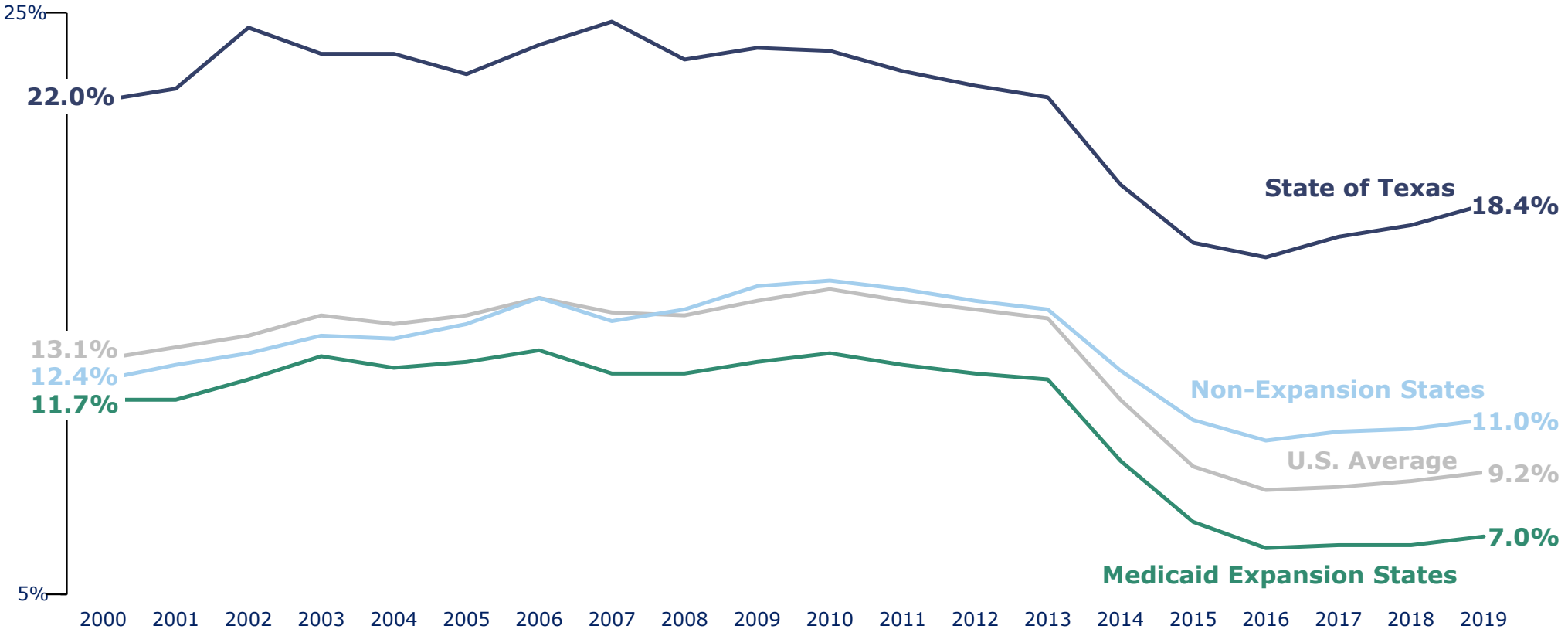
It works for Texans and their families. Across the nation, expansion has proven to improve public health, increase family financial stability, decrease unnecessary ER visits, reduce smoking rates, stabilize urban and rural health systems, and much more.

It has a positive effect on the state budget. State savings + revenue from an ACA 90/10 expansion add up to *more than* the state's 10% cost share, while the economic stimulus adds $billions in dynamic revenue. Without an ACA expansion, Texas reaps none of these gains, and faces the loss of $billions in federal funding.

It boosts the economy. An ACA 90/10 expansion would bring home billions of Texas tax dollars and improve the health of the Texas workforce, resulting in increased productivity, job creation, and overall economic growth.

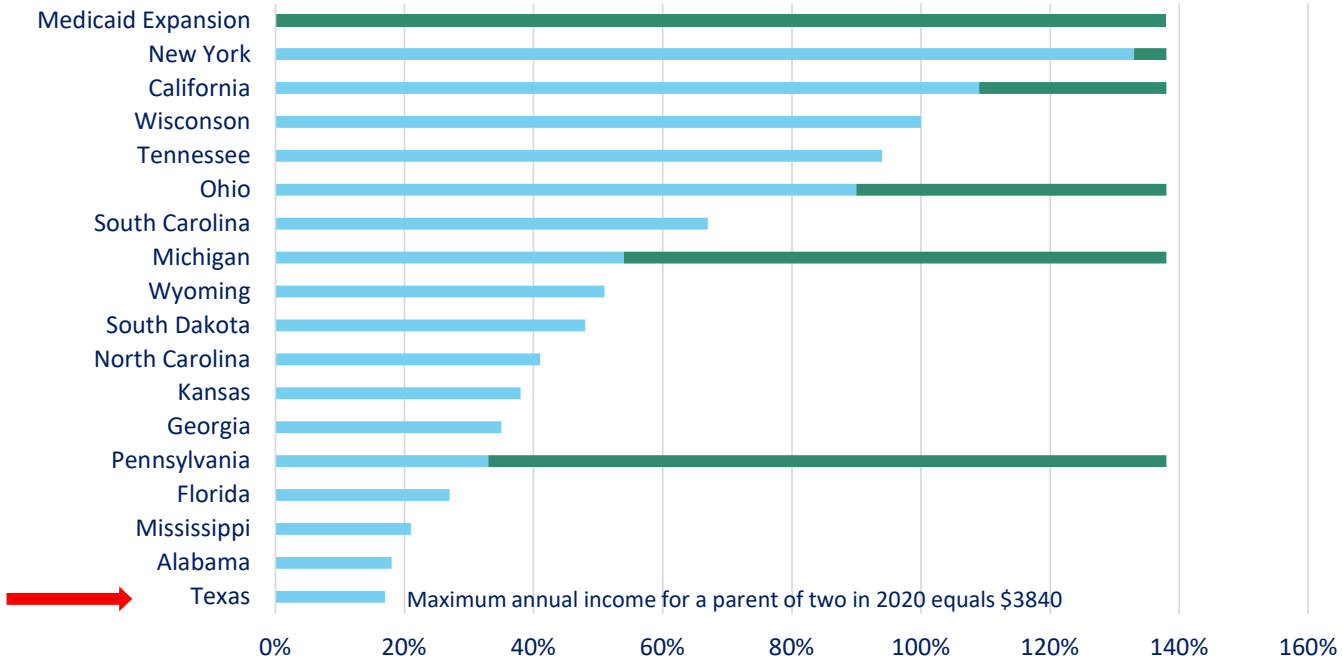
Texas has the highest uninsured rate in the nation

Percent of total population with no health insurance coverage, 2000 – 2019



Source: Census Bureau; Health Insurance Historical Tables - HIB Series (2000 to 2007) and Health Insurance Coverage in The United States (2008 to 2019)
*Medicaid expansion and non-expansion states are based off of 2019 expansion status; Non-expansion states are: AL, FL, GA, ID, KS, ME, MS, MO, NE, NC, OK, SC, SD, TN, TX, UT, WI, WY

Eligibility income levels - various states



Federal law allows states to extend Medicaid coverage to 138% of the federal poverty level. In 2020, this equals $29,973/year for a family of three and $17,608 for an adult with no children.

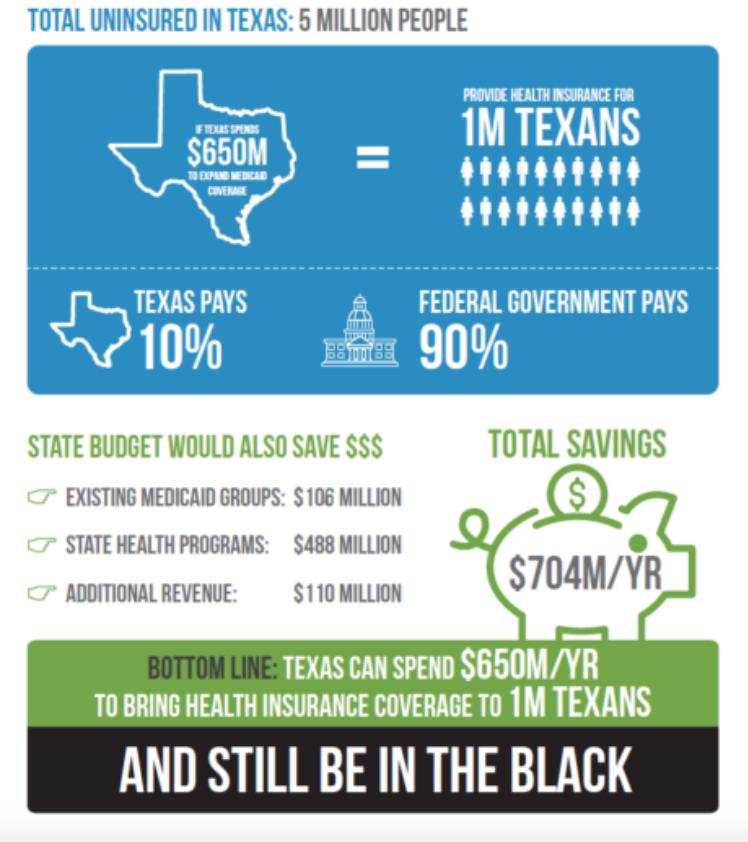
ACA 90/10 coverage expansion is cash-flow positive for the budget cycle.



savings + revenue > cost

+ dynamic revenue. Economic stimulus generates $2.5B in state and $2B in local revenue.

Static fiscal analysis of ACA 90/10 coverage expansion



Source: "*Impact Of Medicaid Expansion On The State Budget In Texas*", September 2020
https://www.episcopalhealth.org/report-type/medicaid-expansion-in-texas/

Dynamic fiscal analysis of ACA coverage expansion

Fiscal Benefits of Accessing Available Federal Matching Funds for Health Insurance Expansion
(in Billions of 2020 Dollars)

	2022-23	2021-30	2020
Local Sales Taxes	$0.451	$2.437	$0.216
Local Property Taxes	$1.514	$8.186	$0.725
Other Local Taxes	$0.029	$0.157	$0.014
Total Local	**$1.994**	**$10.781**	**$0.955**
State of Texas	**$2.473**	**$13.359**	**$1.185**

Note: Dynamic fiscal benefits based on the increase in economic activity associated with accessing available federal matching funds to expand health insurance coverage and The Perryman Group's estimates of related tax increases. Effects in 2022-23 and 2021-30 if health insurance expansion is implemented in 2021; effects in 2020 if expansion had been implemented previously.
Source: The Perryman Group

Total net dynamic fiscal benefits during the 2022-23 biennium:

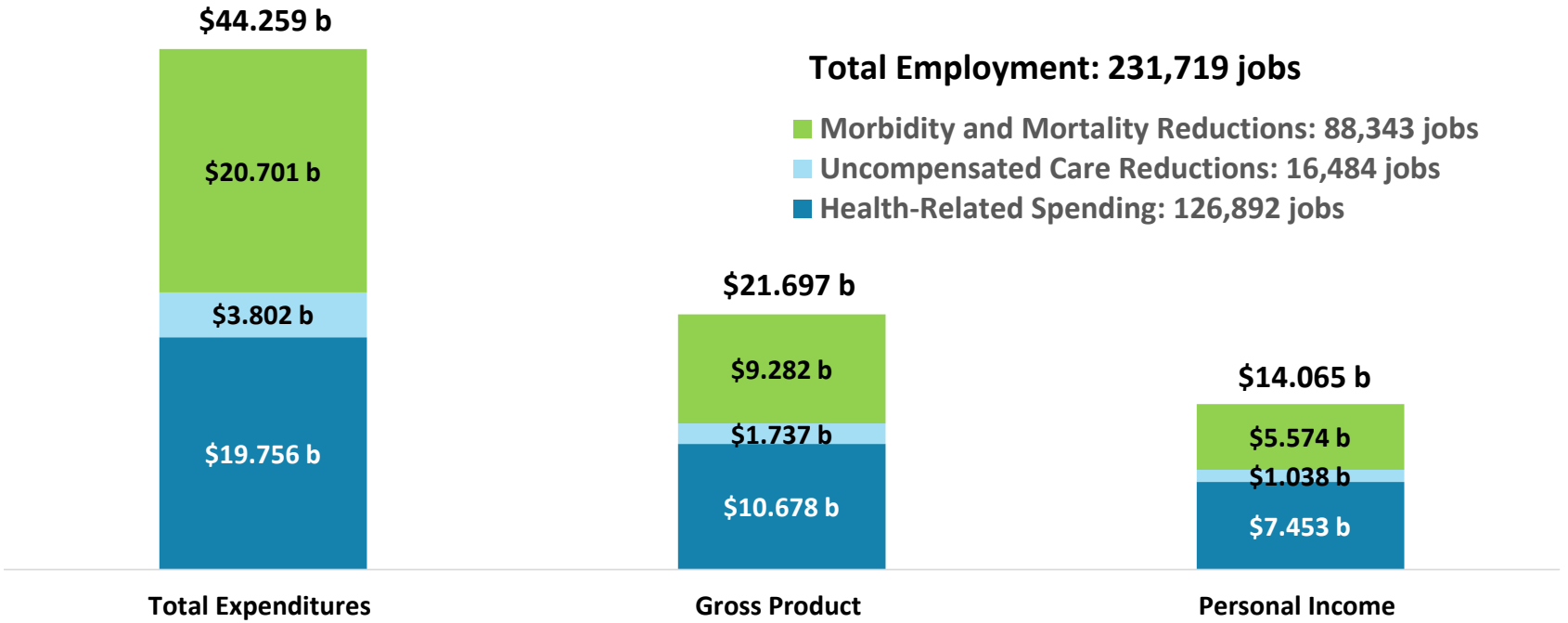
- **$2.5 billion to the State**
- **$2.0 billion to local government entities**

Other economic benefits expected during the 2022-23 biennium include an increase of **$45.3 billion in gross product**, and the addition of **461,700 job-years of employment**.

The cost of inaction

Economic stimulus from an ACA 90/10 coverage expansion in 2020 ***could have*** provided the following:

The Impact of Accessing Available Federal Matching Funds for Health Insurance Expansion on Business Activity in Texas: 2020 Results if Expansion were in Place



Note: Values expressed in billions of 2020 dollars.

Source: It Just Makes Sense: Economic and Fiscal Benefits to Texas of Accessing Additional Federal Funds for Health Insurance Expansion, The Perryman Group, 2020

There is no “alternative” to an ACA expansion

- **An ACA $90/$10 Medicaid expansion is the only fiscally viable path.**
  - Only an ACA expansion draws down federal Medicaid dollars at $90/$10.
  - Hypothetical alternatives draw federal Medicaid dollars at $60/$40, relying on property-tax-funded § 1115 *non-expansion* waivers.
  - Because the match rate is lower, and because they do not achieve the savings of an ACA expansion, alternatives would receive a negative fiscal note. And then they would fail.
- **Alternatives fail to acknowledge the scope and scale of the problem – and of the solution.** ACA Medicaid expansion would cover nearly a million people, most of whom work or are seeking employment, yet are living in poverty. Alternatives ignore most of them. Expansion, in contrast, covers more people and generates rather than depletes state and local revenue.

The new, last-minute section 1115 *non-expansion* waiver does not address the uninsured crisis in Texas.

What it does:

- In short, it is a partial extension of the status quo. It can, however, work as a complement to Medicaid expansion.
  - Preserves federal funding for uncompensated care reimbursement, through continued draw of federal Medicaid funding – at $60-$40 match. Texas will continue to need this.
  - Replaces some of the expiring DSRIP funding, partially through as-yet-undefined and unapproved programs.

What the non-expansion waiver *does not do*, that Medicaid expansion *would do*:

- Provide health insurance to anyone
- Draw federal funds at a $90-$10 match
- Generate additional billions in state and local tax revenues
- Stabilize rural and urban health systems
- Increase family financial stability
- Reduce unnecessary ER visits

Additional benefits to be realized through an ACA $90/$10 section 1115 *expansion* waiver:

- Engage participants in making healthcare decisions (through health savings accounts)
- Provide a pathway to private or employer-sponsored health insurance
- Incentivize healthy behaviors
- Provide work search and job training
- Increase physician participation in Medicaid

Medicaid myths, misunderstandings, and misinformation

"Medicaid expansion is too expensive and will bankrupt Texas."

- False. To the contrary, projected savings from Medicaid expansion combined with revenue from *existing* health plan taxes equal or exceed costs. Even on a static basis, expansion is *net revenue positive*.
- On a dynamic basis, economic stimulus from expansion is expected to generate $2.5B in state revenue and $2B in local revenue *in the first biennium*, helping balance budgets and relieving pressure on local property taxes.
- As a percentage of the total state budget, state spending on Medicaid has decreased over the past five years.

"Federal funding winds down to zero."

- No it doesn't. By statute, federal funding for Medicaid expansion is fixed in statute at a 90-10 match, down from the initial match of 1005. It does not decrease.

"Medicaid is a broken system" and "Expansion states have Medicaid budget problems."

- To the contrary, state Medicaid programs have proven to be efficient and cost effective, and to serve well the needs of participants. Per beneficiary, Medicaid outperforms both Medicare and private insurance on a fiscal basis. All state systems – transportation, public education, and healthcare – can and must be continually improved.
- Medicaid *expansion* has had neutral or positive effects on state budgets, improved health, increased family financial stability, and stimulated state and local economies.
- Isolated incidences of budget strains in state Medicaid programs, are *not* associated with ACA 90-10 expansion programs (see above). Expansion helps the budget (and people).

Medicaid myths, misunderstandings, and misinformation

Expansion causes a woodwork effect – enrollment of adults who were previously eligible but not previously enrolled in Medicaid.

- False prediction. Observing and analyzing other states, health experts and economists have concluded that the woodwork effect has been negligible.
- If and to the extent increased awareness from expansion results in additional enrollment of (already eligible) children, (i) that's a good thing, and (ii) a recent study confirms that Texas, like other states, will see a net beneficial financial state budget even with the additional cost of covering these children.

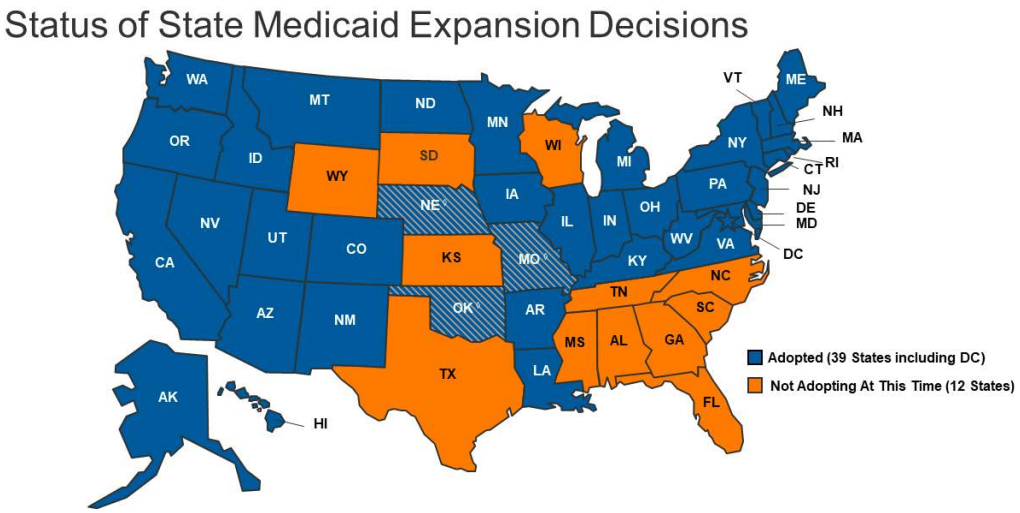
"Expansion will increase the federal deficit."

- No it won't. The federal funding match is paid for largely by moving traditional uncompensated care funding for hospitals into this program (note, Texas uncompensated care funding is in jeopardy).
- In 2015, the CBO determined that repealing the ACA would **increase** the federal deficit by **~$137 billion** over the next 10 years.

"Expansion increases ER visits."

- False. Although in California "pent-up demand" *initially* increased ER visits, ER and hospitalization rates returned to normal levels after one year.
- In fact, studies show decreased reliance on the ER among patients who gained expansion coverage, and a shift in ER use toward visits for higher acuity conditions.

Politics and the future of Medicaid expansion



- ***38 states and D.C.*** have opted for expansion (either through SPA or 1115 waiver). ***So far*.**
- ***Federal support for MedEx is here to stay.***
  - **SCoTUS topples ACA?** From a jurisprudential perspective, extremely unlikely. Were it to happen…
  - **Three-quarters of the U.S. Congress,** representing 228,000,000 people and **53,000,000 expansion enrollees**, will not deplete their own state resources nor increase the rate of uninsured residents in their home states.

SB 117: *Live Well Texas*

§ 1115 Expansion Waiver Program Highlights

1. **Expands health insurance coverage.** Provides health insurance coverage for at least 1.5 million Texas citizens age 19-64 (pre-COVID numbers), who earn less than 138% of the federal poverty level ($1,467/month for an individual or $3,013/month for a family of four), at a $90-$10 federal funding match.

2. **Promotes individual responsibility and transition to employment.** Participants make decisions about healthcare based on cost and quality, use and contribute to a health savings account, receive incentives for healthy behavior modifications, are required to avail of work search and job training, and benefit from a plan-supported financial pathway to private or employer-sponsored health insurance.

3. **Offers enhanced benefits,** including vision and dental services, for individuals who make consistent contributions to their health savings accounts.

SB 117: *Live Well Texas*

§ 1115 Expansion Waiver Program Highlights

4 **Addresses Social Determinants of Health (SDoH).** Authorizes MCOs to invest in managing "upstream" cost factors like housing, nutrition and food insecurity, transportation, and interpersonal violence, to produce better health and wellness and resulting "downstream" savings.

5 **Encourages physician participation** through Medicaid-Medicare reimbursement rate parity and incorporating value-based payments from MCOs.

6 **Leverages the strength of the private section and Texas' MCO (managed care) system.** Texas' MCO system has proven cost-effective and able to foster private sector innovation to improve participant health while reducing medical costs.

7 **Provides and escape hatch / self-destruct mechanism.** The program terminates if the federal government takes away the 90/10 match, or if the costs of the program exceed its benefits.