

Testimony before Article II Subcommittee, House Committee on Appropriations Health and Human Services Commission

February 23, 2017

The Center for Public Policy Priorities appreciates the opportunity to testify on the House Appropriations Committee's filed appropriations bill. At CPPP, we believe in a Texas that offers everyone the chance to compete and succeed in life. Legislative advocacy is one important way we use data and analysis to enable Texans of all backgrounds to reach their full potential.

The Center appreciates the House's thoughtful approach to the state budget for 2018-2019. In particular, we appreciate the inclusion of the full base funding for Medicaid (i.e., including the enrollment growth costs allowed under the budget instructions), the attention to potential reversal of pediatric therapy rate and policy cuts, and the open mind House leadership has shown toward use of a portion of the Economic Stabilization Funds.

My testimony today focuses on the big-picture threats to Texas Medicaid at the state and federal level. These concerns do not in any way minimize the critical issues other advocates have brought to you today.

Senate's Budget Proposes Deep Under-funding of Texas Medicaid

- The Texas House and Senate are at odds, with the Senate proposing deep budget cuts and rejecting use of the Economic Stabilization ("Rainy Day") Fund.
 - Senate budget shorts Medicaid by at least \$1.9 billion state dollars, which will more than double with loss of related federal matching dollars.
 - Senate budget calls for a 1.5% across-the-board additional cut to the entire state budget, (only K-12 formula funding exempt). This would require another \$1.058 billion additional state dollars to be cut from the budget.
 - An equal distribution of this cut across the budget (with K-12 formula exempt) would call for nearly \$490 million in state dollars to be cut from health and Human Services.
- Remember that cutting "just" \$150 million GR over 2016-2017 biennium for kids' Medicaid therapy rates has created serious hardships for children, families, and community-based providers of early childhood services.
- Under-funding Medicaid by \$1.9 billion GR (or more) **would be the largest Medicaid cut in over 25 years (much larger than the disastrous 2003 cuts)**, creating grave concern for the children, seniors, Texans with disabilities, and expectant mothers already relying on Medicaid, as well as the tens of thousands of Texans with disabilities and serious medical needs who are on waiting lists for community and waiver services.
- A Senate Finance Committee workgroup has listed cutting adults on Medicaid to 3 prescriptions per month as a cost-cutting measure.

These damaging cuts are unwise and unnecessary.

- The Rainy Day Fund was created precisely to avoid cuts like these, and should be used this session to avoid drastic cuts to health care that Texans need.
- **Tax cuts and diversions enacted in 2013 and 2015 resulted in the 2017 Legislature having \$10 billion less in General Revenueⁱ than we would otherwise have had.** The Legislature could use \$4.4 billion from the ESF and still leave a healthy \$7.5 billion balance.

Congressional Threats to Health Care are the most serious in decades:

Last Thursday evening, U.S. House Republicans released an outline for their ACA Repeal and radical restructuring of Medicaid-CHIP. We won't have a real bill until next week at earliest, until then we don't know:

- What is the dollars and cents impact: How much do they want to cut Medicaid? (*Summer 2016 bill by Secretary Price and Speaker Ryan would have reduced Texas Medicaid federal funds below current levels by second year.*)
- How many of the newly insured under the ACA will lose coverage?

High-level concerns with the outline:

ACA Repeal

- NO systemic way to meet the needs of low-to-moderate income families. (No mechanism to make coverage affordable for those for whom a (non-income-based) one-size-fits-all tax credit will not cover the costs of insurance;
- The only adjustment to tax credit value is for age, so a family making \$100,000 a year will get the same tax credit for the purchase of insurance as one making \$30,000 a year.
- Proposes high deductible insurance paired with Health Savings Accounts, but NO mention of providing funding for the HSAs of the working poor. Theoretical access to HSAs is of no value if there is no money to go in the HSA.

End Medicaid as We Know It:

- States choosing a Medicaid Block Grant could discontinue coverage of children, pregnant women, and the seniors and disabled adults who are above the SSI income limit (\$735 per month cap).
- Appears Texas would lose several billion dollars a year in current federal Medicaid funding, critical to run the program, and keep hospital doors open.
 - a. "Per Capita Cap" variation on Block Grant does NOT eliminate potential huge Medicaid funding losses for Texas.
 - b. Proposals may entice states with 2 years of higher funding, after which the cuts start and increase each year.
- No proposal to reach the remaining uninsured at all.
 - a. Over 200,000 Texans are on waiting lists for Community based services.
 - b. Many Texas adults who are gravely ill are excluded from BOTH Texas Medicaid and the ACA marketplace today, but could have been covered under Medicaid Expansion.
 - To get disability-related Medicaid, a person must either be unable to do any paid work, or within 12 months of death. This requirement leaves hundreds of thousands of Texans uninsured who have serious conditions like MS, cancer, or schizophrenia. See [this brief](#) for details.

Thank you for the opportunity to speak. Any questions may be directed to Anne Dunkelberg, Associate Director, CPPP; dunkelberg@cppp.org.

ⁱ Contributing to the \$10 billion loss of state revenues: \$1.3 billion franchise tax cut in 2013; \$2.6 billion franchise tax cut in 2015; \$5 billion diversion of sales tax revenue to the Highway Fund that starts in fiscal 2018 (which ended up being \$4.7 billion

in the BRE); \$1.35 billion cut to local school taxes [that has to be made up with state GR]; \$350 million in miscellaneous fee & tax cuts enacted in 2015.