Texas Medicaid Spending in Context

The 84th Legislative Session is now well underway, with committees appointed and holding hearings on budget and other important policy issues. In both House and Senate budget hearings, you may have heard legislators surprised to hear how much Texas Medicaid spending has grown. When we talk about increased Medicaid spending, we have to keep in mind two things:

- Caseload growth
- Medical inflation

Usually the information presented by the Legislative Budget Board or a state agency looks like the figure below:

Figure 8.4 from Health and Human Services Commission, *Texas Medicaid and CHIP in Perspective*, Tenth Edition, February 2015. [http://www.hhsc.state.tx.us/medicaid/about/PB/PinkBook.pdf](http://www.hhsc.state.tx.us/medicaid/about/PB/PinkBook.pdf)

Much of the growth above is a result of caseload growth, with more Texans—about 75 percent of them children—being eligible and enrolled for the health care coverage and services paid for by Medicaid.

The last major expansions in Texas Medicaid eligibility took place in two rounds. The first was in 1986-1991, in response to Congressional mandates to include low-income pregnant women and children. A decade later, in 2001, the Legislature approved simplifying children’s Medicaid applications to make them more like the Children’s Health Insurance Program (CHIP’s) successful process. After the red-tape barriers for eligible children were reduced starting in January 2002, children’s enrollment was able to grow and is now estimated to include about 84 percent of eligible children.

Major eligibility changes have not been made in the past decade; rather, most of the recent growth is due to a Texas economy with too many jobs with no (or unaffordable) employer-sponsored health insurance benefits. This is especially true of the jobs created since the Great Recession, beginning in late 2008.
Besides client growth, another important factor to take into account when looking at budget trends over a long period of time is inflation. Just as Texas General Revenue spending is currently lower than in 2002-03 after adjusting for overall population growth and inflation, Medicaid spending per beneficiary in Texas is lower when adjusted for medical inflation:
The Texas Legislature has aggressively pursued Medicaid cost containment over the last 15 years, and has achieved results. Population growth, health care inflation, and declining affordability of employer-sponsored health benefits are the drivers of Texas Medicaid spending, which makes up 23 percent of Texas’ General Revenue budget for 2014-2015.

For more information or to request an interview, please contact Oliver Bernstein at bernstein@cppp.org or 512.823.2875.

About CPPP
The Center for Public Policy Priorities is an independent public policy organization that uses research, analysis and advocacy to promote solutions that enable Texans of all backgrounds to reach their full potential. Learn more at CPPP.org.

Join us across the Web
Twitter: @CPPP_TX
Facebook: Facebook.com/bettertexas