

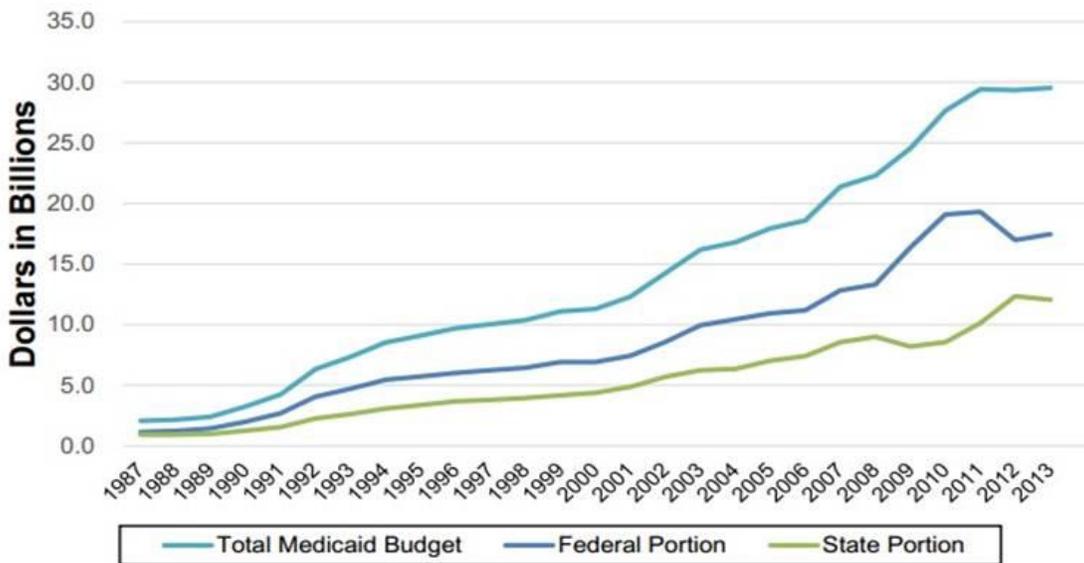
Texas Medicaid Spending in Context

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: Texas Medicaid Annual Budget Growth Rates



Source: HHSC, Financial Services, HHS System Forecasting.

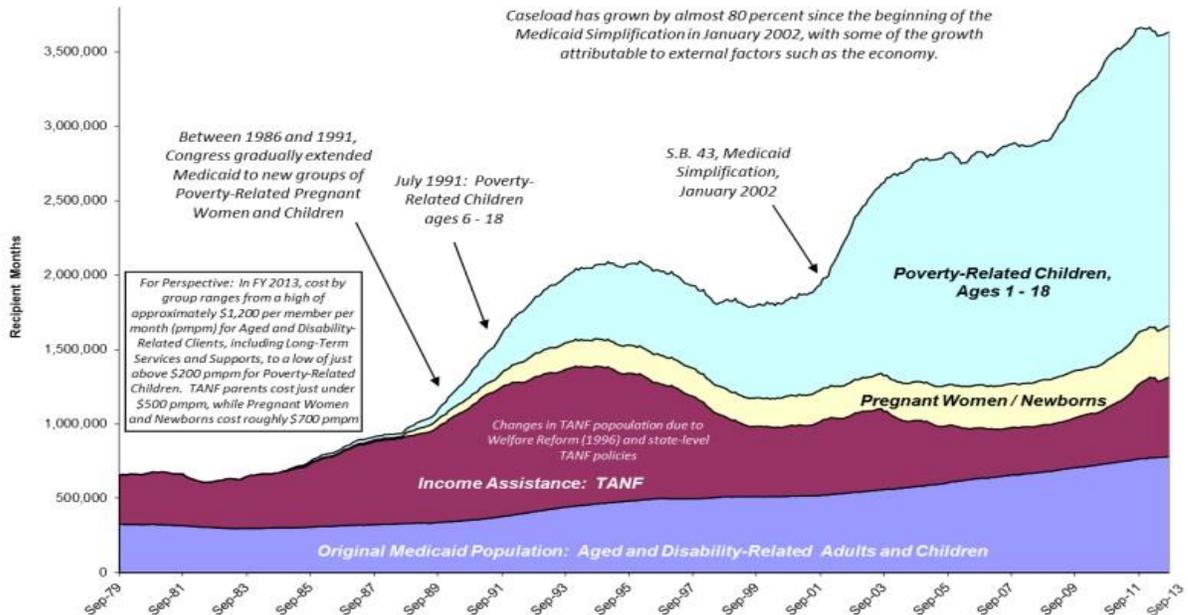
Figure 8.4 from Health and Human Services Commission, *Texas Medicaid and CHIP in Perspective*, Tenth Edition, February 2015. <http://www.hhsc.state.tx.us/medicaid/about/PB/PinkBook.pdf>

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.

**Figure 2.1: Medicaid Caseload by Group
September 1979–August 2013**

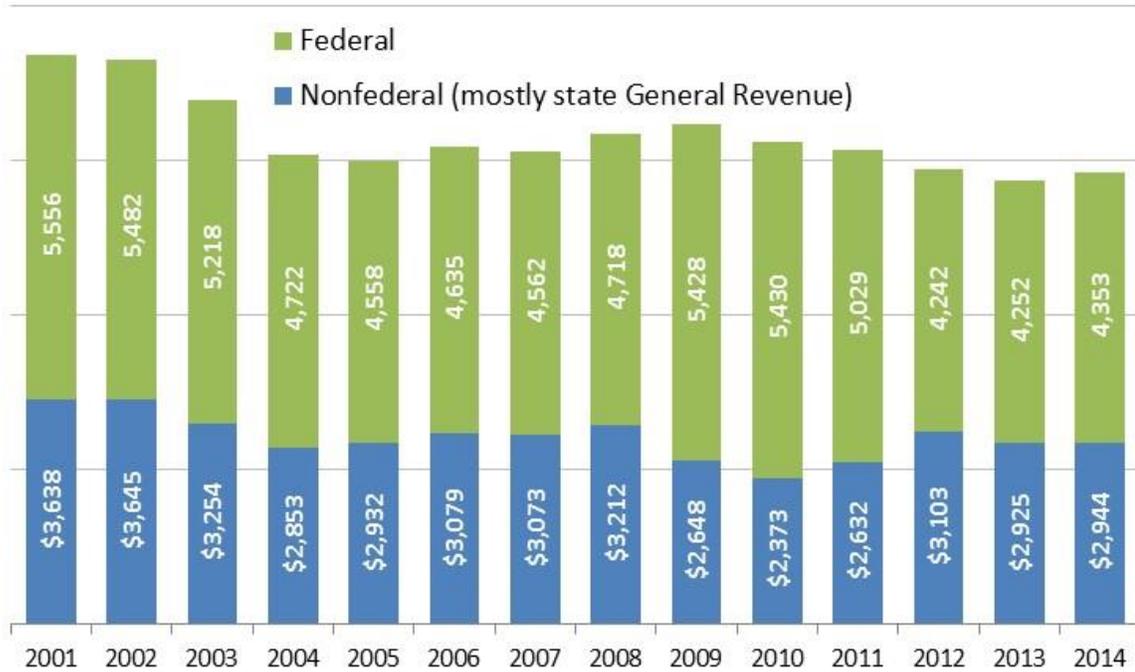


Source: HHSC, Financial Services, HHS System Forecasting.

Figure 2.1 from Health and Human Services Commission, *Texas Medicaid and CHIP in Perspective*, Tenth Edition, February 2015.
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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:

Texas Medicaid Per-Recipient Costs Lower Today than in 2001



Sources: Health and Human Services Commission, Texas Medicaid History Report by Federal Fiscal Year (spending excludes Disproportionate Share Hospital, Upper Payment Limit, Uncompensated Care, and DSRIP [Delivery System Improvement Program] funds); Medicaid recipient count is average monthly acute care clients by state fiscal year. Inflation is from U.S. Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers, South Urban area, Item: Medical care (not seasonally adjusted monthly figures, averaged to state fiscal year).

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.

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