

Texas Medicaid in Perspective

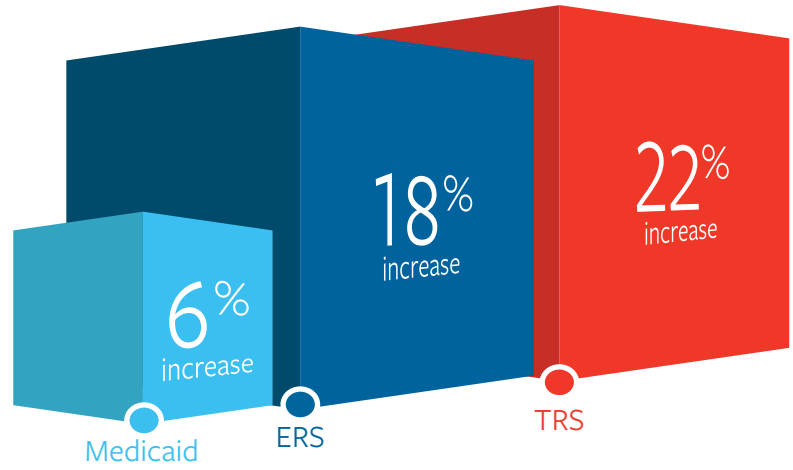
Texas Medicaid, operated in partnership with the federal government, serves primarily low-income pregnant women and children but also individuals with disabilities and older adults.

More than 4 million Texans — 3.09 million of whom are children — receive health care services through Texas Medicaid.

Texas Medicaid's aggressive use of risk-based managed care and other cost containment initiatives have kept the program's cost growth far under that of other state health care programs, such as that for the state employees and teacher retirement systems. An estimated 93 percent of Texas Medicaid enrollees will receive services through a managed care plan by the 2018-19 biennium.

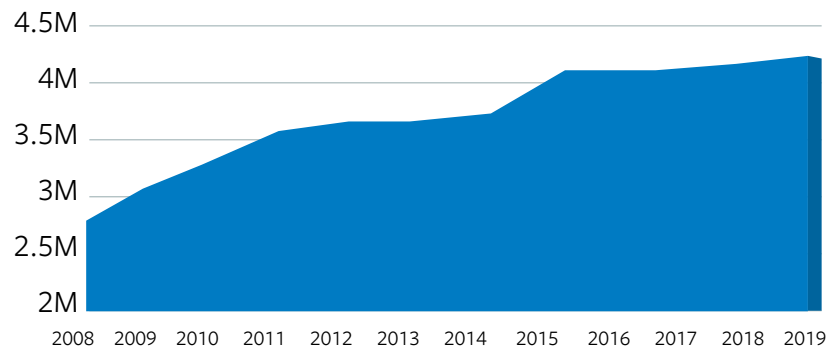
Enrollment in Texas Medicaid has been increasing. However, this enrollment growth is due almost exclusively to population growth and demographic factors, not federal coverage mandates or the state's choice to increase eligibility for the program. With a total state population of 28 million, nearly 1 in 4 Texas children and 1 in 9 Texans over the age of 65 live in poverty. Nonetheless, increases in Medicaid spending remain modest. In fact, per member per month costs for Medicaid enrollees grew just 10 percent from 2008 to 2015, according to the Texas Health and Human Services Commission.

Projected Growth in Costs for Medicaid, ERS and TRS (2016-17 to 2018-19)



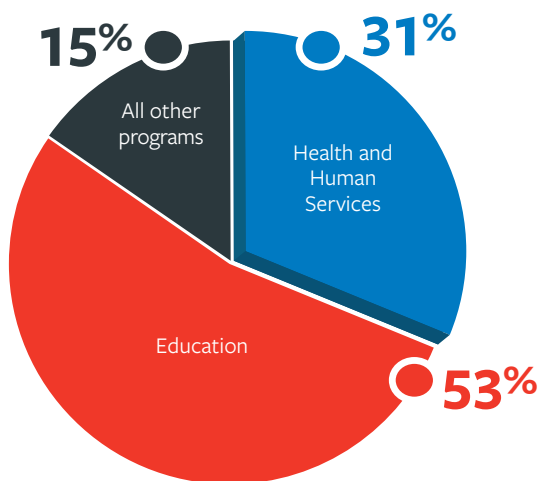
Source: Legislative Budget Board, 2017

Medicaid Caseload (2008-2019)



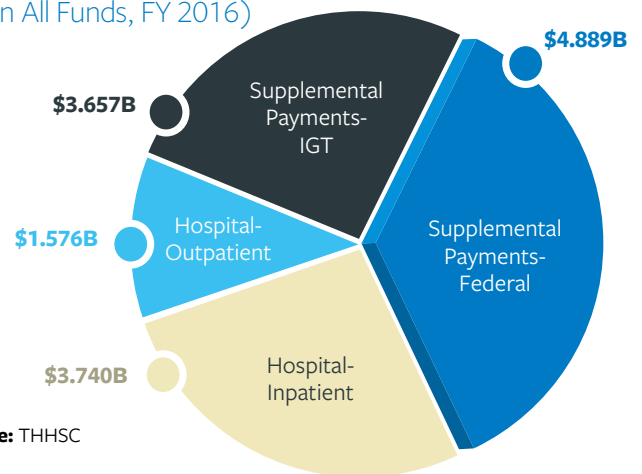
Source: THHSC

State General Revenue Spending (2014-15)



Estimated Texas Medicaid Hospital Payments and Supplemental Payments

(\$13.862 Billion All Funds, FY 2016)



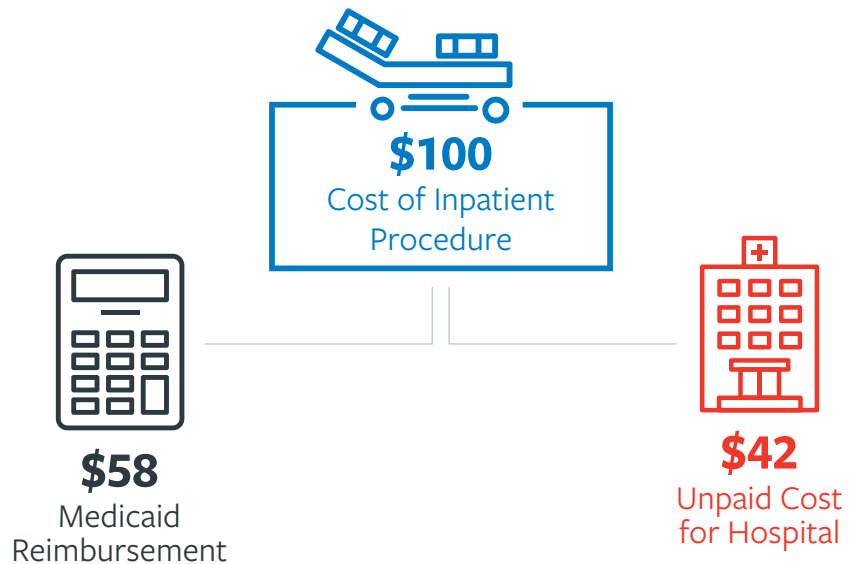
Source: THHSC

State general revenue spending on Texas Medicaid is less than state spending for public education.

Local taxes (IGTs) constitute almost as much of hospital payments as inpatient reimbursement.

As lawmakers craft the state's budget for 2018-19, Texas hospitals advocate for Medicaid funding that supports fair payment for health care services provided and promotes access to timely, appropriate care for program enrollees.

Currently, Texas hospitals are underpaid for providing care for Texas Medicaid enrollees: **payment covers, on average, just 58 percent of the costs of inpatient hospital care.** For example, a hospital would be paid \$58 for performing an appendectomy with a cost of \$100. The remaining \$42 in costs are borne by the hospital. On the outpatient side, most general acute care hospitals are reimbursed approximately 72 percent of costs.



This underpayment results in:



Limited access for Texas Medicaid enrollees to timely, appropriate, community-based health care services and increased reliance on hospital emergency departments for care that could be provided in less costly settings.



Higher premiums for private health insurance, whether provided through Texas employers or on the individual market. When health insurance is more expensive, fewer employers can offer it as an employee benefit, which makes it harder for Texas businesses to compete for the best employees. It also means more Texans go without health insurance, further compounding the financial challenges for Texas hospitals that must provide care for all, regardless of their ability to pay.



Heavy reliance on the part of hospitals on supplemental payments (e.g. disproportionate share hospital program payments and uncompensated care payments) that are decreasing over time or remaining stagnant and require local property taxpayer contributions to support.