



LEAGUE OF WOMEN VOTERS OF TEXAS

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MEDICAID: A WISE INVESTMENT OF STATE DOLLARS

January 2007

The League of Women Voters of Texas (LWV-TX) supports an increase in state funding for Medicaid programs. Medicaid is a joint state and federally funded health care program which serves the poorest Texans. A portion of the Medicaid program is paid for by the federal government and is known as the Federal Medical Assistance Percentage (FMAP). State dollars spent on Medicaid result in federal dollars being received by the state. It benefits the state of Texas in many ways to participate to the fullest in the Medicaid program.

Texas has many poor residents who are unable to afford health care and health insurance. In 2004 one in four Texans (5.6 million) was uninsured. Three million more Texans would be uninsured if it were not for Medicaid and the Children's Health Insurance Program.(CHIP)¹ Medicaid programs provide an important role in providing health care to certain targeted groups such as young children and the elderly.

LWV-TX believes that providing health care for targeted groups under Medicaid is vitally important to the overall health of the state. The following Medicaid programs need full funding from the state of Texas:

- **Health care for children under the age of 19 in low income families.** The cuts in reimbursement rates to Medicaid health care programs in 2003 were not restored in the 2005 legislative session. As a result, health care providers now take fewer Medicaid clients. Children without access to health care cost the state in the long run.
- **Health care for the elderly and disabled.** In Texas Medicaid pays for nearly 70% of those in nursing homes. In addition, other community care "waiver" programs that provide care for those living in the community have had limits placed on the number of persons they can serve. As a result there are long waiting lists. Community care programs need to be expanded and nursing home provider rates need to be increased.
- **Health care for women.** The Medicaid "waiver" program provides medical check-ups and family planning services to poor women ages 18 to 44. Care includes screenings (but not treatment) for diabetes, breast and cervical cancer and other at-risk assessments.
- **Health care for the seriously mentally ill.** As a result of current regulations and insufficient funding of Medicaid, many mentally ill people in Texas end up in prisons and other inappropriate settings. Texas needs to reform and improve state Medicaid services for individuals with mental illness.

The portion of the Medicaid program paid by FMAP is determined annually for each state by a formula that compares the state's average per capita income level with the national average. By law, the FMAP cannot be lower than 50 percent nor greater than 83 percent. The wealthier states have a smaller share of their costs reimbursed. The federal government also shares in the state's expenditures for administration of the Medicaid program. Most administrative costs are matched at 50 per cent for all states.²

ADVOCACY PAPER

Texas has historically a lower per capita income level compared with the national average and hence has a higher FMAP than other states. The FMAP for Texas for FY 2007 is 60.77 per cent.³ The corresponding formula for CHIP is titled the “Enhanced Federal Medical Assistance Percentage,” which for FY 2007 is 72.55 per cent. In 2006 Texas drew down \$1.54 in federal matching funds for every state dollar it spent on Medicaid and \$2.63 for every state dollar it spent on CHIP.⁴ The matching program for 2007 is nearly the same as for 2006.

It is counter-productive to cut back on state funding for Medicaid services. Cutbacks deprive the state of federal dollars. In addition to not providing basic and preventive care, the cost of medical care is increased.

Medicaid provides the largest source of federal funds in the Texas state budget. It provides five times as much as federal highway funds and over two times as much as federal public education funding.⁵ According to the Center for Public Policy Priorities, Texas economist Ray Perryman has estimated that for every \$1 in state tax revenue cut from Medicaid and CHIP, local taxes go up 51 cents, local health care providers lose 53 cents in uncompensated care, state tax revenue falls by 47 cents; and the state loses \$2.81 in federal funds. Other negative effects when the state cuts Medicaid dollars for health care include increases in health insurance premiums and other health care costs and decreases in retail sales.

**Published by the League of Women Voters of Texas
1212 Guadalupe #107, Austin, Texas 78701
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www.lwvtexas.org
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January 2007**

¹ Anne Dunkelberg, “Texas Health Care: What Has Happened and What Work Remains,” (Center for Public Policy Priorities, June 2006) page 2, http://www.cppp.org/files/3/HlthCare_FINAL.pdf

² Historical and Projected Trends in Medicaid, <http://aspe.hhs.gov/health/reports/06/trendsinmedicaid>, p.30
Office of Assistant Secretary of Planning and Evaluation(ASPE), U.S. Department of Health and Human Services

³ Texas Medicaid Policy Summit: Where We Are and Where We’re Going (November 2006)
http://www.hhsc.state.tx.us/news/presentations/111606_MedicaidPolicy.ppt, slide 3 ;
Department of Health and Human Services: federal Register/ vol.70, no 229/Wednesday, November 30, 2005/ Notices 71856-7

⁴ Anne Dunkelberg, “Texas Health Care: What Has Happened and What Work Remains,” (Center for Public Policy Priorities, June 2006) p.15

⁵ Dunkelberg, p.15