



# TEXAS LEGISLATIVE STUDY GROUP

An Official Caucus of the Texas House of Representatives

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## Everything's Bigger in Texas and Our Medicaid Should Be, Too *Medicaid Expansion in Texas*

### What is Medicaid?

Medicaid is a state-federally funded program meant to provide healthcare coverage to low-income populations. While the federal program sets some provisions and requirements on the states, for the most part, states are given authority within the federal regulation to implement Medicaid to fit the needs of their state. Texas Medicaid began contracting with Managed Care plans in 1993, and today nearly all enrollees are served by Medicaid Health Maintenance HMOs. The various programs of Texas Medicaid Care include:

- STAR for children and pregnant women
- STAR PLUS for individuals with a disability, individuals over 65, and women with breast or cervical cancer
- MMP for dual eligibility in Medicaid and Medicare
- STAR Kids for children and youth under 20 with a disability
- STAR Health for children in conservatorship with Department of Family and Protective Services
- Dental coverage for children and some individuals enrolled in Medicaid

*In 2018, Medicaid in Texas had 4,021,667 individuals enrolled in the various programs while simultaneously having the highest uninsured rate in the nation.*

### What is Medicaid Expansion?

When the Affordable Care Act (ACA) was first passed in 2010, it was intended to increase healthcare access for the US population in two ways: first, by offering and subsidizing private health plans through the marketplace, and second, by expanding Medicaid to cover those with incomes up to 138% of the federal poverty level. The ACA mandated that all states were required to expand Medicaid, but a 2012 Supreme Court ruling allowed states to make that decision ([Texas Tribune](#)).

Following the Supreme Court decision, states have the option to expand their Medicaid programs to cover individuals who earn up to 138% of the federal poverty rate. The expansion would cover over 1 million uninsured Texans below this level. As of right now, **Texas is one of only 14 states who have refused to accept Medicaid expansion** despite the fact that the program would make about 28% of the state's 4.8 million uninsured residents eligible for Medicaid ([CPPP](#)).

### Medicaid in Texas, or Lack Thereof

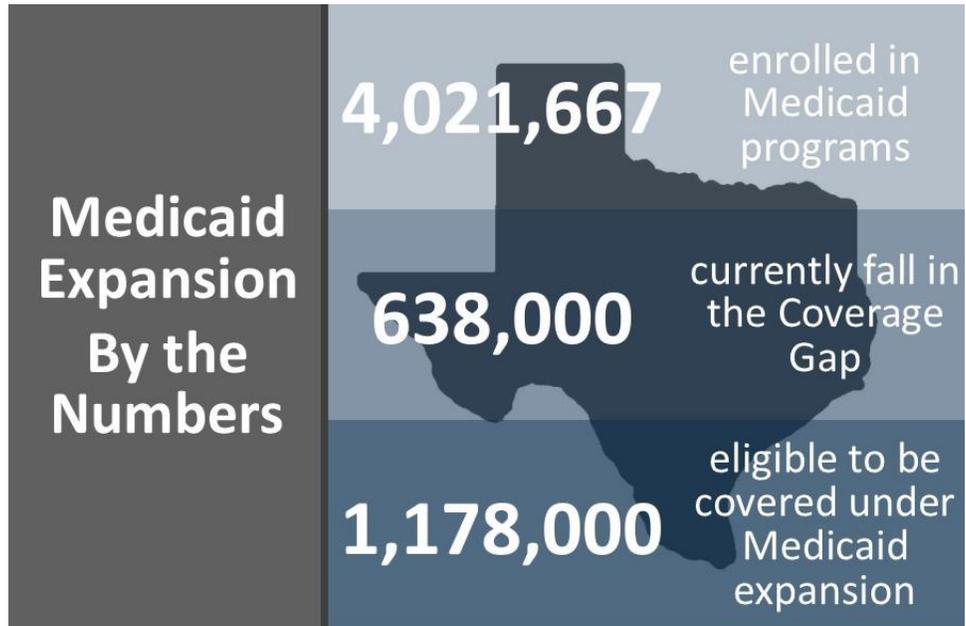
The Texas Medicaid system, even without expansion, has one of the most restrictive eligibility standards for coverage of parents in the nation. Other non-expansion states, like Florida, Georgia, and Kansas, are less restrictive. Only Alabama has a **lower income cap for parents than Texas**. As a result, fewer than 150,000 Texas parents are enrolled in Medicaid, and in most families in which the kids are eligible for Medicaid (about 3.2 million children), the parents themselves are left without access to affordable healthcare.



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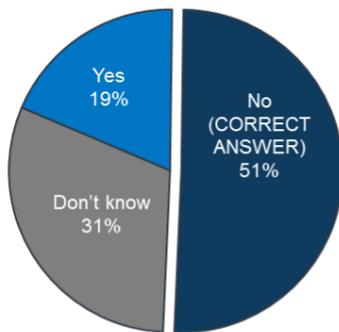
*Refusing to Expand Medicaid is Hurting Texas Taxpayers.* Individuals who do not have healthcare coverage tend to over-utilize emergency rooms for routine and minor care, the bill for which is footed by the taxpayer. For example, Parkland Hospital is Dallas County's public hospital. This means that as a hospital district, it is primarily funded (about a third) by a special property tax on the county's residents. In fiscal year 2017, the hospital provided around \$880 million in uncompensated care ([Texas Tribune](#)). Because the hospital's biggest funders are the taxpayers who live within the hospital district, Dallas County residents are essentially subsidizing the states' refusal to expand Medicaid. Rerouting those taxpayer dollars to Medicaid expansion would be a much more efficient use of this money.



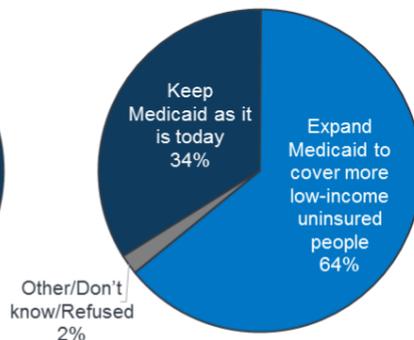
For states that accepted Medicaid expansion early, the federal government paid 100% of the cost for newly eligible enrollees for a period of time. Currently, that incentive has been decreased to 90%. **The longer Texas waits to expand, the more money lawmakers will be leaving behind for other states to use, while denying valuable healthcare to our fellow Texans.**

Figure 9  
**Half of Texans Know Texas Has Not Expanded Medicaid; Two in Three Say It Should**

As you may know, under the health care law, states have the option of expanding their Medicaid program to cover more low-income uninsured adults. As far as you know, has Texas expanded its Medicaid program, or not?



For states that expand Medicaid to cover more low-income uninsured adults, the federal government pays at least 90 percent of the costs of expansion. Do you think Texas should... ?<sup>1</sup>



<sup>1</sup> Respondents who said "Yes" to the first question were read "Though not everyone is aware, Texas has not expanded Medicaid under the health care law." before receiving the second question.  
SOURCE: KFF/Episcopal Health Foundation *Texas Health Policy Survey* (conducted March 28-May 8, 2018)



## Coverage Gap

Medicaid provides crucial services, but a wide gap exists between those adult Texans who cannot afford health insurance and those that would otherwise be covered if our state accepted new federal health care funds. **638,000 Texans fall in that coverage gap.** Medicaid, as currently implemented by Texas, covers individuals with incomes up to 14% of the federal poverty level. That is equal to \$292.83 per month for a two-parent household of 4. \$292.83 would not even cover just a month's worth of low-cost groceries for this family -- not including rent, gas, childcare, utilities, and other necessities. Texas families are struggling to provide basic needs and cannot afford to buy care off the Health

Insurance Marketplace. Expansion would provide vital health insurance for this family of 4 whose income is up to \$2,886.50 per month. **Almost 20% of all Texans were uninsured in 2018.** Expanding Medicaid would allow those



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4.8 million individuals the access to preventative care, perinatal care, and acute care, among other necessary services.

## Medicaid Legislation – 86<sup>th</sup> Legislature

### Ballot Option -- Let the People Vote!

**HJR 40** by Rep. Celia Israel, **HJR 46** by Rep. John Bucy/Rep. Ryan Guillen, **HJR 92** by Rep. Ron Reynolds, **SJR 34** by Sen. Nathan Johnson are all constitutional amendments, allowing voters to weigh in. *\*Nebraska, Utah, and Idaho were all able to expand Medicaid through the ballot option.*

### Medicaid Expansion

**HB 565** by Rep. Garnet Coleman, **HB 590** by Rep. Celia Israel, **HB 840** by Rep. John Bucy, **HB 1395** by Rep. Ron Reynolds, **HB 1913** by Rep. Jon Rosenthal, **HB 2308** by Rep. Michelle Beckley, **SB 327** by Sen. Carol Alvarado/Sen. Boris Miles, **SB 524** by Sen. Nathan Johnson, and **SB 1321** by Sen. Boris Miles would all expand Medicaid in Texas.

### County by County Medicaid Expansion Option

**HB 816** by Rep. Diego Bernal and **HB 1210** by Rep. Michelle Beckley would allow individual counties to expand Medicaid.

## Texas Medicaid 1115 Transformation Waiver

The 1115 Waiver was originally intended as a way for states to innovate and experiment with various programs with an eventual move to Medicaid expansion in mind. In theory, it would have allowed states funding to formulate best practices and lay a preparatory groundwork in anticipation of the expansion. When the Waiver was granted to Texas, it was with the underlying assumption that Texas would then take the Medicaid Expansion. Texas, however, has been using the 1115 waiver to shore up reimbursements to hospitals for Medicaid and the uninsured, and to fund hundreds of local and regional healthcare projects, but not by providing additional Medicaid coverage to adults. Today, the state faces the reality that much of the 1115 funds will be phased out by the federal government with an end date of September 2022.

Medicaid expansion, or another equally sound solution, would be a solid pillar to take the place of the 1115 funds. **Without it, however, Texas could be left with a shortfall of substantial uncovered medical costs after the 1115 waiver expires.** Consequently, our abysmal numbers of Texans with accessible healthcare would drop even further.

Currently, Texas safety-net hospitals rely on these funds to help cover the costs of their uninsured patients ([Texas Tribune](#)). When the money vanishes, the obstetrics departments will be the first to feel the strain. Rural areas, that have already had an increasing number of hospitals close due to shrinking funds, will be disproportionately affected -- rural mothers and children, in particular.

## 1115 Waiver Legislation – 86<sup>th</sup> Legislature

**HB 767** by Rep. Sarah Davis would require a review of the 1115 waiver program to determine steps moving forward.

## Ramifications of the Lawsuit Invalidating ACA

Following the Texas lawsuit in which a federal judge ruled that the ACA's individual mandate to purchase healthcare was unconstitutional, the case will most likely make its way to the U.S. Supreme Court for a final verdict. The law will continue to be in effect until further court decisions are made. If the ACA is deemed



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unconstitutional, 17 million Americans could lose their health insurance. The ACA is particularly vital for individuals with pre-existing conditions and that population would be at significant risk.

To prepare for this possibility, Rep. Coleman has introduced HB 565 to codify many of the ACA provisions into state law to protect Texans regardless of what happens to the federal healthcare system in the future.

## **Pre-Existing Conditions Legislation – 86<sup>th</sup> Legislature**

**HB 565** by Rep. Garnet Coleman, **HB 1645** by Rep. Michelle Beckley, and **SB 145** by Sen. José Rodríguez all provide protections for individuals with pre-existing conditions in health insurance.

## **The Texas Solution**

HB 3791 (83R) filed by Rep. John Zerwas in 2013 had a majority bipartisan support, and Rep. Coleman signed on as co-author. It was supported by 20 Texas Chambers of Commerce, the Texas Conference of Urban Counties, and the Texas Association of Business -- due to job creation and lack of insurance responsibility on companies. However, the most conservative Republicans at the time withheld support, and eventually Governor Perry withdrew his support. The bill died in the Calendars Committee.

*Let's Make a Deal, Texas!* - Other states have reached a deal with the federal government for a Medicaid plan that makes sense for their populations' specific needs. Texas should be able to do the same ([Austin Statesman](#)).

## **Extensive Healthcare Coverage Legislation - HB 565 (86R)**

**HB 565** by Rep. Coleman would expand Medicaid to draw down federal funds as provided through the ACA, covering over 1.1 million Texans at or below 100% of the federal poverty line who are currently uninsured. In addition, it encodes the ACA standards into Texas legislation ensuring that Texans are protected from any recursive changes to the federal health care system.

**HB 565** creates medical assistance programs through public-private hybrid marketplaces to cover low-income individuals at or below 133% of the federal poverty line. Thereby protecting Texas from any federal changes to the ACA while simultaneously significantly reducing Texas' current coverage gap. This public-private hybrid would be cost neutral to the state while simultaneously receiving federal funds for the programs. Health insurance companies would be given incentives to participate and comply with state regulations as currently laid out federally through the ACA.

**HB 565** protects individuals with mental health and/or substance abuse disorders by ensuring their health coverage is appropriately managing their care to the same level and quality of care as any acute medical condition would be. Preventative care and pre-existing conditions are required to be covered under this medical assistance program as well.

**HB 565** addresses many of our current healthcare coverage issues and provides coverage for at-risk populations who are currently failed by our healthcare coverage system. This legislation allows flexibility for usage of federal funds through Medicaid expansion in addition to allowing Texas to implement the program to best serve our population within guidelines that protect our most vulnerable.