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Testimony: Senate Finance Committee
Senate Bill 1, Proposed funding for Texas Health and Human Services Commission
Proposed Medicaid Funding Cuts

The Center for Public Policy Priorities appreciates the opportunity to testify on the Senate Finance Committee's filed appropriations bill, SB 1. At CPHP, we believe in a Texas that offers everyone the chance to compete and succeed in life. Legislative advocacy is one important way we use data and analysis to enable Texans of all backgrounds to reach their full potential.

SB 1 as Filed Proposes Deep Under-funding of Texas Medicaid

At CPHP, we are concerned about **what the Senate budget is signaling** by the substantial under-funding of Medicaid in the filed version of SB 1.

The HHSC Exceptional Item Number 1 Maintain Current Funding for Client Services was scored in September 2016 at \$1.746 billion of General Revenue for 2018–2019. The updated score for HHSC Exceptional Item number 1 presented to this committee based on SB 1 as filed is \$3.142 billion GR for the biennium. In other words, the E.I. increased by \$1.4 billion GR (to \$3.1 billion GR), despite the HHSC agency having reduced its overall request (base plus E.I.) by \$1.9 billion GR.

SB 1 takes 3 unprecedented steps in its Medicaid funding:

- 1) It does not assume funding of an estimated \$1.2 billion GR needed for the current 2016–2017 supplemental bill, which results in short-funding of the next biennium's base by the same amount (\$1.2 plus \$1.2 billion);
- 2) It does not include the Legislative Budget Board-estimated allowed base funding for Medicaid enrollment growth per budget instructions (i.e., the Medicaid enrollment growth of over \$700 million GR); and
- 3) It requires an additional 1.5% GR cut (added by Article IX Sec. 15.05. Budget Reduction), which would require a \$400 million or more GR cut for Medicaid-CHIP.

Remember that cutting “just” \$150 million GR over the current biennium for kids' Medicaid therapy rates and access policies has created serious hardships for children, families, and community-based providers of early childhood services.

If this approach signals an intention to under-fund Medicaid by \$1.9 billion GR (and that is before considering the E.I. request for Medicaid COST increases), **it would be the largest**

Medicaid cut in my over 25 years of tracking the Texas Medicaid budget (much larger than the disastrous 2003 cuts), and we would be gravely concerned for the impact on children, seniors, Texans with disabilities, and expectant mothers already relying on Medicaid, as well as the tens of thousands of Texans with disabilities and serious medical needs who are on waiting lists for community and waiver services.

Beyond funding current services in Medicaid, Texas will ultimately need to enable HHSC to cover inflation and price increases for medical and long term services and supports. We are concerned about the impact of abandoning E.I.s for critical needs such as long term care and mental health waiting lists, psychiatric hospital needs, family planning and attendant wages, to name just a few.

We are also concerned about the message from Executive Commissioner Smith describing the possibility of eliminating “optional” Medicaid coverage groups and benefits under federal law. Virtually all of the disastrous 2003 Legislative cuts to Medicaid and CHIP were subsequently reversed, and the lack of restoration of the medically needy spend-down program continues to increase the Charity Care load of Texas Hospitals.

These damaging cuts are unwise and unnecessary. The Rainy Day Fund was created precisely to avoid cuts like these, and should be used this session to avoid drastic cuts to health care that Texans need. Because of tax cuts and diversions enacted in 2013 and 2015, the 2017 Legislature has \$10 billion less in General Revenueⁱ than we would otherwise have had. The Legislature could use \$4.4 billion from the ESF and still not go below the \$7.5 billion sufficient balance target adopted.

Details of Medicaid High-Level Concerns in SB 1 Proposal:

- The Senate filed budget does not allow for the expected \$1.2 billion GR needed to cover Medicaid costs in the current 16–17 budget:
 - The standard use of lower enrollment and cost per person estimates in Texas budgets over the last 20 years allows for a smaller balanced budget to be passed in one session, but virtually guarantees a supplemental will be required in the next.
 - We cannot recall a chamber ever before filing a budget that did not take into account documented supplemental appropriation needs.
 - It appears the Senate has selectively chosen not to assume the coverage of supplemental needs for Medicaid; the proposed budget does account for other supplemental needs (for education, CPS/Foster Care, general government, and state employee benefits).
- Because the Senate does not assume the \$1.2 billion GR needed for 2016–17, the base

budget for 18–19 is “also” short by that amount.

- In addition, the Senate proposed budget did not include over \$700 million GR that the LBB includes in the base budget, per the leadership’s budget instructions, to cover the cost of expected Medicaid enrollment growth.
- The Senate budget also includes a rider (Article IX, Sec. 15.05. Budget Reduction) directing 1.5% across-the-board additional cuts to the entire state budget, with only the Foundation School Program (K-12 formula funding) exempt.
 - An equal distribution of this cut across the budget (with the Foundation School Program exempt) would call for nearly \$490 million GR cut in Article II.
 - If the Senate decides to shield CPS or any other program, it will require either an increase in cuts somewhere else, or a reduction in the targeted 1.5% cut (\$1.058 billion GR cut).

Thank you for the opportunity to testify. Any questions may be directed to Anne Dunkelberg, Associate Director, CPPP, dunkelberg@cphp.org.

i Contributing to the \$10 billion loss of state revenues: \$1.3 billion franchise tax cut in 2013; \$2.6 billion franchise tax cut in 2015; \$5 billion diversion of sales tax revenue to the Highway Fund that starts in fiscal 2018 (which ended up being \$4.7 billion in the BRE); \$1.35 billion cut to local school taxes [that has to be made up with state GR]; \$350 million in miscellaneous fee and tax cuts enacted in 2015.