



June 26, 2017

Dear Senator John Cornyn and Senator Ted Cruz,

Texas leads this country in successfully privatizing its Medicaid Program. The undersigned members of the Texas Association of Community Health Plans are private Texas insurers providing Medicaid health coverage to more than one million Texans. Our companies, also known by Medicaid regulators as Managed Care Organizations (MCOs), focus clinical and administrative management strategies on healthcare quality improvement and cost containment.

This Medicaid-funded insurance through Texas companies enables thousands of Texas doctors, nurses, and health care professionals to care for our most vulnerable citizens. We are honored that the success of Texas Medicaid Managed Care has led healthcare leaders from other states to visit us to learn from our track record of achieving significant savings by using private sector models and incentives. As an example, between FY2010 and FY2015, Texas Medicaid MCOs saved the state \$3.8 billion and are expected to save another \$3.3 billion through 2018 when compared to traditional fee-for-service Medicaid.

As our Senators, you are uniquely positioned to apply lessons from Texas' Medicaid public-private partnerships and pragmatic fiscal success in a new or revised national healthcare bill. Texas MCOs strongly support reforms that enhance the state's Medicaid program and encourage innovative solutions with the triple aim of accountable care, better health, and lowered costs. Current efforts in the House and Senate to craft meaningful reform, however, fall short of these goals. If Congress eliminates Medicaid's current financing mechanism and replaces it with a block grant or per capita funding model, Texans will lose jobs, experience worse health outcomes, and shoulder a disproportionate burden on our state and county budgets.

Why should Texas taxpayers shoulder extra costs under the House and Senate plans? Our managed care model in Texas has resulted in annual per capita growth in Medicaid spending at 1 percent over the 15-year period of FY 2002-2016. At essentially a flat growth rate, Texas Medicaid per capita inflation is unheard of elsewhere in this country. The combination of our MCOs' great success in cost containment and limits by the State of Texas on Medicaid eligibility to only the most vulnerable populations will mean those states with higher cost trends or coverage for more populations (including the Medicaid expansion group) will have long term benefits in the calculation of the per capita cap contemplated in the Senate's bill.

Our state's past and current accomplishments to actively manage costs could hurt Texas in the future with the Senate and House formulas for a per capita cap or block grant that would not take into account startling and unpredictable rises in prescription costs that will certainly continue to happen, costly medical technology advances, and unforeseen epidemics that often plague states with temperate climates. Also, to achieve our state's low cost trend has meant physicians, hospitals and other providers have foregone rate increases. The new healthcare legislation will need to acknowledge the need for states such as Texas to address the currently unsustainable cost containment on provider rates. For these reasons, the House proposal using the consumer price medical index, or the Senate's even more stringent use of the consumer price urban index, will not adequately compensate Texas for its future Medicaid expenditures.



These shortfalls in federal funding from the House and Senate bills could force Texas to make difficult choices in the future, which include:

- 1) increasing state and local taxes to meet demand;
- 2) reducing the scope of benefits and services;
- 3) restricting eligibility for coverage for Medicaid enrollee categories;
- 4) paying Medicaid MCOs premium rates that are not actuarially sound; and
- 5) decreasing payments made to providers.

Shortfalls also will jeopardize the viability of health care providers that depend on Medicaid payments to deliver care for these populations—rural hospitals and clinics, nursing homes and safety net hospitals. Texas can't afford to lose these providers, or the services and jobs they provide our communities.

We—your cost-saving Texas MCOs—are united in our opposition to the current Medicaid proposals developed by the House and the Senate. Any proposal to truly reform this crucial coverage must improve access to quality health care without compromising the integrity and mission of the Medicaid program. Please call on us: we stand ready to offer our Texas expertise to craft long-term solutions that reform Medicaid in a meaningful way.

Sincerely,

Jeff Ingrum
Baylor/Scott&White Health Plan

Greg Gieseeman
Community First Health Plans

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