



OFFICE OF THE GOVERNOR

RICK PERRY
GOVERNOR

September 16, 2013

Kyle Janek, M.D.
Executive Commissioner
Texas Health and Human Services Commission (HHSC)
4900 North Lamar Boulevard, 4th Floor
Austin, Texas 78751-3247

Dear Commissioner Janek:

I am writing to direct HHSC to develop and seek a Medicaid Reform Waiver that will enable Texas to operate a more cost-effective, efficient and flexible Medicaid program for individuals who are currently eligible for Medicaid.

As you know, the Texas Legislature firmly rejected any expansion of our state's Medicaid program under the auspices of the Patient Protection and Affordable Care Act (Obamacare) during the 83rd Legislative Session. Despite the fact that President Obama has said, "we can't simply put more people into a broken system that doesn't work," that is precisely what Medicaid expansion under Obamacare strives to accomplish. Seemingly, the president and his administration are content to simply throw money at a problem and hope that any problems will resolve themselves.

My response, and the response of the Texas Legislature, has been crystal clear: Texas will not expand Medicaid under Obamacare.

While Medicaid serves as a safety net for those individuals most in need, the current trajectory of the program is unsustainable. From 1990 to 2010, national Medicaid expenditures (both state and federal funds) rose from \$73.7 billion to \$401.4 billion, an increase of 445 percent. Over the same period of time, the national Medicaid caseload rose from 22.8 million individuals to 53.6 million, an increase of 135 percent. Recent data from the Congressional Budget Office (CBO) shows that national Medicaid expenditures from 2012 to 2023 will total well over \$8 trillion, with the federal government projected to spend \$4.8 trillion. States, meanwhile, will dole out well over \$3 trillion in Medicaid expenditures during that period.

The fact is, Medicaid is broken, unsustainable and in dire need of fundamental reform. Without reform, states will see other critical priorities crowded out and will face choices between raising taxes on individuals and businesses and cutting services in core functions of government.

The waiver application should in no way seek to expand Medicaid eligibility as envisioned by Obamacare. Rather, it should propose practical reforms that will enable our state to provide a safety net for Texans in a fiscally responsible manner. In developing this waiver proposal, our

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goal must be to create more efficient health care coverage options for low-income individuals who are eligible for Medicaid services in Texas, as provided by the Texas Medicaid state plan.

The waiver should request federal Medicaid funds through a block grant and should give Texas the flexibility to transform our program into one that encourages personal responsibility, reduces dependence on the government, reigns in program cost growth and efficiently improves coordination of care. Specifically, the waiver should seek to:

- reduce the need to gain federal approval for changes to the state Medicaid plan;
- allow asset and resource testing;
- allow six-month eligibility with active renewal;
- encourage personal responsibility through expanded wellness and cost-sharing initiatives that include copayments, deductibles, premium payments, missed appointment fees or other cost-sharing initiatives;
- promote flexible spending accounts or other similar initiatives;
- allow for customized benefit plans; and
- incent private sector alternatives.

These critical reforms will produce a more innovative and efficient program, enable existing state and federal dollars to go further and improve access and outcomes for recipients. Texas will continue to meet the needs of our citizens through these kinds of state-based solutions, rather than subject Texans to the pervasive overreach of Obamacare on so many aspects of health care.

I look forward to working with you as HHSC develops this waiver and pursues these common sense reforms for our state.

Sincerely,

A handwritten signature in black ink that reads "RICK PERRY". The letters are written in a cursive, slightly slanted style.

Rick Perry
Governor

RP:kkp