



Written by [Brian Koenig](#) on June 10, 2011

Texas House Approves Sweeping Medicaid Reform Package

As state and federal deficits continue to climb and as entitlement spending maintains a sharp upward curve, Texas legislators passed a sweeping reform package on Wednesday that would transform the state's Medicaid program. The measure would work to privatize Medicaid in South Texas and permit the development of healthcare cooperatives, a form of mutual insurance that helps members get access to medical care on preferential terms.



The bill [passed](#) the Texas House on a Republican 91-47 vote, a 142-page measure that the Legislative Budget Board claims could save the state \$467 million, two-thirds of which coming from Medicaid savings. Republicans in the Texas state legislature stress that Medicaid cuts are imperative to address the [\\$27 billion shortfall](#) in the state budget and that the new reform package could play a crucial role in balancing the budget. Rep. John Zerwas (R-Simonton, pictured at left), the author of the bill, said, "It's a big bill and it tries to do a lot of things, it really is transformative."

A couple items on the bill include: requiring Medicaid patients to make co-payments; transferring individuals from the State Kids Insurance Program into the Children's Health Insurance Program; and requiring the Department of Health and Human Services to create doctor incentive programs designed to pay on performance and reduce non-urgent emergency room visits.

Naturally, with the emotional sentiment that piggybacks entitlement reform, opposition should be expected, and representatives in South Texas are particularly concerned. Texas Democrats argue that privatization could decrease the amount of doctors willing to accept Medicaid, as it may result in lower reimbursement rates. The assertion is that lower reimbursement rates mean fewer doctors to accept Medicaid, which in turn will decrease the quality and availability of medical care for the poor.

Rep. Zerwas counters that similar forms of the program are already being administered effectively in other areas of the state, and that managed private care, particularly in areas such as the Rio Grande Valley, the state's largest Medicaid service area, would cut costs immensely — *without* compromising quality and availability.

The emergence of [Healthcare co-ops](#), a major component of the bill, are an alternative to the traditional



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form of publicly-funded healthcare. For the first time, doctors, hospitals, and insurance companies — private sector entities — would be able to work cooperatively to tame spiking healthcare costs.

A report [provided](#) by the Ohio Cooperative Development Center explains how healthcare co-ops function:

This option allows small entities, employers, hospitals or individuals to come together as a large entity to increase bargaining powers and offer more services at a lower cost. A cooperative is a democratic model that allows every member to have a say in how the cooperative operates. Every member has one vote, no matter how large or small. A cooperative is member-owned, which means that members can buy into the cooperative and receive dividends if it is profitable. Cooperatives have a member elected Board of Directors chosen from the membership; therefore, the Board of Directors is held accountable to the members. This board is responsible for hiring and overseeing the management which sees to the day-to-day operations. This democratic and self-governing model is the basis of every cooperative structure.

In a September 2009 interview with John King of CNN, Bill Oemichen, President of the Cooperative Network, [laid out](#) the advantage of not just the lower costs healthcare co-ops provide, but also the higher value and quality of care: “Where co-ops are, they tend to be very, very high quality because it is the consumer who owns them, that is making sure that their health care provider is a quality health care provider.” Oemichen asserted that of the members of the Farmers’ Health Cooperative, 85 percent reported a decrease in premiums or similar premiums to what they had been paying before. Further, 65 percent of those who switched from a traditional health insurance plan [reported](#) better benefits and superior service.

A key component to addressing the astronomical costs of Medicaid, and its progressive incline, is the transfer of ownership from the government to consumers, as Sen. Chuck Grassley (R-Iowa) [told](#) a group of reporters in June 2009, “If it’s all done entirely within the private sector, you know, it doesn’t seem to me it’s got the faults that you have ... by having the government institute something.”

The long-term financial viability of healthcare co-ops and other pieces of the legislation could significantly decrease healthcare costs, not to mention, lessen the pain of insurance premiums. Texas lawmakers could be taking a step in the right direction.

The new Texas bill could be a positive agent in the fight against rising Medicaid costs, and if the results Rep. Zerwas and Texas House Republicans tout are realized, it could revolutionize the framework of entitlement programs, through the competitive forces that privatization inflicts on its government adversaries.



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