DEFEND FORGOTTEN AMERICA

How Texas Has Become a National Model for Medicaid Transparency, Fiscal Responsibility, and Protecting Taxpayers

Any attempt to reform the Medicaid system must recognize that there are vast differences between how these programs are functioning today in each state.

Thanks to the laboratory of democracy in 50 different states, we can compare what is working and what is not, as well as what states have been responsible stewards of federal taxpayer dollars and what states have not. Unfortunately, too often policy analysts in Washington DC fail to recognize these important differences about how these programs are implemented in real communities. As a result, they oddly malign Republican governors and legislatures, failing to recognize how conservative Medicaid policies diverge from progressive ones. For example, a recent analysis from the Committee for a Responsible Federal Budget (CRFB) attempted to tie Texas' Medicaid program to Illinois. That comparison ignores fundamental differences in how the two states structure and finance their programs. While Illinois is one of the most expensive and least efficient programs in the country, Texas leadership has taken a deliberate and disciplined approach to managing Medicaid spending, focusing on being responsible with federal taxpayer dollars and keeping state and local taxes on people low.

In fact, Texas' unique success stories on fiscal responsibility and transparency should be seen as a model that can be replicated in other states. Despite heavy pressure from Democrats and DC bureaucrats, Texas has not expanded Medicaid. Instead, Texas kept property taxes low by setting up an innovative local hospital tax structure referred to as Local Provider Participation Funds (LPPFs). These LPPFs allowed counties and cities to reduce their property tax spend on indigent care, yet simultaneously access the federal support the Trump Administration makes available through supplemental payments. Preventing property tax increasing is a hallmark of the success story.

FISCAL RESPONSIBILITY IN MEDICAID POLICY

While most states, including Illinois, have expanded Medicaid eligibility under the Affordable Care Act, Texas policymakers have chosen a different path that emphasizes long-term fiscal sustainability and responsible stewardship of taxpayer dollars. Although the federal government finances most expansion costs, states must still fund the remaining share and assume responsibility for future program growth.

COST OF ILLINOIS MEDICAID EXPANSION VS. TEXAS SAVINGS

	ILLINOIS	TEXAS
Medicaid Members	2.9 Million	4.4 Million
Expansion	Yes	No
Non-Expansion Cost/Savings	**-$6,535 Million**	**$18,900 Million**

While Illinois relies heavily on Medicaid expansion through the Affordable Care Act and financing mechanisms designed to maximize federal spending, Texas leaders have instead prioritized a more targeted Medicaid program while strengthening financing mechanisms that leverage federal dollars through locally generated public funds. This approach reflects a clear commitment by state leadership to manage Medicaid responsibly while continuing to support hospitals and health systems that serve Medicaid patients.

INDEPENDENT VALIDATION FROM MACPAC

To counter fraud and wasteful spending, sunlight is the best disinfectant. Texas has developed one of the most transparent and fiscally disciplined Medicaid financing systems in the country. Through extensive public reporting, detailed documentation of payment programs, and a financing structure that relies heavily on local funding solutions, Texas demonstrates that Medicaid programs can support health care providers while maintaining accountability to taxpayers. An independent analysis by the Medicaid and CHIP Payment and Access Commission (MACPAC) highlights Texas as an example of how states can improve transparency in Medicaid financing.

MACPAC is a nonpartisan federal agency that advises Congress on Medicaid and CHIP policy. In its June 2024 Report to Congress, the Commission examined transparency in Medicaid financing and highlighted Texas' reporting framework as an example of how states can provide meaningful visibility into Medicaid payment structures.

> *MACPAC Report to Congress (June 2024):*
> **"Experts highlighted new financing transparency requirements in Texas that could be a model for other states to follow. Since 2019, the Texas state legislature has required the state Medicaid agency to collect provider-level information on mandatory payments and all uses for those funds."**

MACPAC explains that these reporting requirements allow policymakers and researchers to analyze both the gross Medicaid payments made to providers and the net payments providers ultimately receive after accounting for financing costs, providing a clearer understanding of how Medicaid financing works in practice.

TRANSPARENCY THAT FEW STATES MATCH

Texas provides unusually detailed public information about Medicaid payment programs. The Texas Health and Human Services Commission (HHSC) publicly posts information that allows providers, policymakers, and the public to review:

- Supplemental Medicaid payment programs
- Payment methodologies and program structures
- Payment amounts received by hospitals
- Reports identifying the sources of the nonfederal share of Medicaid payments
- Documentation related to federal program approval and oversight

Texas also posts communications related to federal review of Medicaid payment programs, including questions from the Centers for Medicare and Medicaid Services (CMS) and the state's responses. This transparency allows stakeholders to see how payment programs are reviewed and how the state represents providers during federal approval processes.

Other states have also made meaningful progress on transparency. Florida, for example, publishes substantial information about its Medicaid payment programs and financing structures. However, Texas stands out primarily because it provides particularly detailed information about how payments are calculated and how the nonfederal share of Medicaid funding is generated.

USING LOCAL FUNDS TO PROTECT TEXAS TAXPAYERS

Because Medicaid requires states to finance a portion of program costs using public revenue, those costs must ultimately be paid by taxpayers. Texas' local funding structure allows communities and health systems to contribute funds that draw federal Medicaid matching dollars. This approach reduces the need for the state to finance Medicaid payments through broader statewide tax increases.

In Texas, property taxes are one of the primary sources of public revenue available to local governments. Without mechanisms that allow locally generated public funds to support Medicaid payments, the state would likely face greater pressure to raise additional revenue to finance Medicaid spending. In practice, this could translate into higher property taxes or other broad-based tax increases to fund the state share of Medicaid.

By allowing local communities to help finance Medicaid payments and leverage federal matching funds, Texas has developed a model that supports hospitals and health systems while helping shield taxpayers from broader tax increases.

TRANSPARENCY COMPARISON

TRANSPARENCY AREA	TEXAS PRACTICE	COMMON PRACTICE
Provider-level payment visibility	Public reporting allows stakeholders to see how much individual hospitals receive in supplemental Medicaid payments	Often only aggregate payment totals are published
Payment calculation methodology	Detailed methodologies for directed payments and supplemental payments are publicly posted	Methodologies may be summarized but calculations are not always published
Sources of the nonfederal share	Public reporting identifies the sources of local governmental funds used to finance Medicaid payments	Sources of the nonfederal share are often reported in aggregate or not publicly detailed

TRANSPARENCY AREA	TEXAS PRACTICE	COMMON PRACTICE
Reporting on financing contributions	Texas reporting allows analysis of provider contributions and funding sources tied to Medicaid payments	Provider-level financing contributions are rarely publicly available
Federal program review transparency	CMS questions and state responses related to Medicaid payment programs are frequently posted publicly	CMS correspondence is rarely publicly posted
Legislative reporting requirements	State law requires detailed reporting on Medicaid financing and local funds	Many states do not have statutory reporting requirements at this level of detail
Public access to program documentation	Extensive waiver documents, payment protocols, and reports are available online	Documentation may be available but often scattered or limited

WHY THE TEXAS MODEL MATTERS

Medicaid programs nationwide face increasing financial pressure. Policymakers are seeking ways to maintain access to care while ensuring responsible stewardship of public funds.

Texas demonstrates that states can:

- Provide strong transparency into Medicaid financing
- Use locally generated public funds to support providers
- Maintain oversight and public accountability for Medicaid spending
- Reduce pressure on taxpayers to finance Medicaid through broader tax increases

As policymakers evaluate Medicaid financing reforms, the Texas model offers a clear example of how transparency and fiscal responsibility can support a sustainable Medicaid program.