



Physicians Caring for Texans

March 6, 2025

The Honorable Tony Gonzales
2239 Rayburn House Office Building
United States House of Representatives
Washington, DC 20515

Dear Representative Gonzales:

As the president of the Texas Medical Association (TMA), I am writing to express deep concerns over potential federal legislative changes to the Medicaid program. Since millions of Americans nationwide and thousands of constituents within the 23rd Congressional district of Texas rely on Medicaid as their primary source of health insurance coverage, we are concerned draconian cuts to this program will hurt patient access to care and further contribute to the challenging business climate affecting physicians, especially our members in private practice. While rooting out fraud, waste, and abuse and searching for targeted improvements to enhance program efficiency are laudable goals, my colleagues and I worry the policy proposals Congress is examining the budget reconciliation process threatens to significantly weaken Medicaid, creating fiscal challenges for states, and limiting access to essential health care services for the most vulnerable patients.

On Tuesday, Feb. 25, House Concurrent Budget Resolution 14, which outlines Congress' budget blueprint for the 2025 Fiscal Year, passed the U.S. House of Representatives.¹ It is expected the U.S. Senate will pass an identical budget resolution enabling federal lawmakers to utilize "budget reconciliation," or a fast-track Congressional procedure that allows certain tax, spending, and debt limit legislation to avoid a filibuster and pass with simple majorities in both chambers. Within this budget resolution are instructions for Congressional committees to identify and alter policies related to revenue, spending, and debt. Most alarming are instructions for the House Energy and Commerce Committee, which has direct and broad jurisdiction over Medicaid, to identify policies that save \$880 billion. While Congressional Republicans, in coordination with the Trump Administration, are still deliberating the exact nature of the policy proposals to achieve these spending reduction targets, it is widely expected that Medicaid will have to undergo a substantial overhaul to achieve those targets. Policies such as the implementation of per capita caps, mandatory work requirements for "able bodied" Americans, or reductions in the Federal Medical Assistance Percentage (FMAP) (i.e., the amount the federal government reimburses each state for Medicaid), are just some of the drastic changes under Congressional consideration.

¹ <https://www.congress.gov/119/bills/hconres/14/BILLS-119hconres14rh.pdf>.

All these proposals represent real threats to physician practices and the patients we treat. Of note, Medicaid is the largest payer for maternal health care in the United States,² covering 35.3 percent of White, 35.1 percent of Hispanic, 22.1 percent of Black, and 7.6 percent of births for other racial categories, respectively,³ in 2021. In 2023, Medicaid covered nearly 4 in 10 children, making it a substantially important payer for pediatric practices across the country.⁴ Nationally, Medicaid covers more than 1 in 3 Americans with disabilities⁵ and 5 in 8 nursing home residents.⁶

The close to 80 million Americans enrolled in Medicaid⁷ – over 144,000 in the 23rd Congressional district⁸ – rely on its coverage to live and work. Medicaid is the largest payer of mental health and substance use services in the United States⁹ and research shows Medicaid coverage is associated with lower rates of opioid-related deaths,¹⁰ as well as other mental health conditions such as depression.¹¹ Medicaid coverage is also associated with better control of chronic health conditions, such as diabetes,¹² and earlier diagnoses of cancer,¹³ enabling more timely and less costly treatment. Due to better overall health of beneficiaries, Medicaid coverage is also associated with higher rates of employment¹⁴ and better job performance.¹⁵

In addition to harming patients, drastic cuts to Medicaid also would jeopardize our state budget and economy. Texas receives 65 percent of its total Medicaid funding from the federal government,¹⁶ and shifting that obligation – over \$38 billion in 2023 – from the federal government to the state would overwhelm our state budget, forcing higher taxes and cuts to other priorities like education, law enforcement, and public infrastructure projects. Funding cuts would also jeopardize the viability of physician practices and other health care providers in Texas and

² <https://www.cms.gov/cms-guide-medical-technology-companies-and-other-interested-parties/payment#:~:text=Medicare%20is%20the%20single%20largest,services%20in%20the%20United%20States.>

³ <https://www.medicaid.gov/medicaid/benefits/downloads/2024-maternal-health-at-a-glance.pdf>.

⁴ <https://www.kff.org/other/state-indicator/children-0-18/?currentTimeframe=0&sortModel=%7B%22colld%22:%22Location%22,%22sort%22:%22asc%22%7D>.

⁵ <https://www.kff.org/medicaid/issue-brief/5-key-facts-about-medicaid-coverage-for-people-with-disabilities/>.

⁶ <https://www.kff.org/other/state-indicator/distribution-of-certified-nursing-facilities-by-primary-payer-source/?currentTimeframe=0&sortModel=%7B%22colld%22:%22Location%22,%22sort%22:%22asc%22%7D>.

⁷ <https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html>.

⁸ <https://www.communityplans.net/district-medicaid-population/>.

⁹ <https://www.macpac.gov/topic/behavioral-health/>.

¹⁰ https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2758476#google_vignette.

¹¹ https://www.milbank.org/wp-content/uploads/mq/volume-96/march-2018/BALCKER_et_al-March-2018.pdf.

¹² <https://diabetesjournals.org/care/article/43/5/1094/35689/The-Impact-of-Medicaid-Expansion-on-Diabetes>.

¹³ [https://www.ajpmonline.org/article/S0749-3797\(20\)30314-7/abstract](https://www.ajpmonline.org/article/S0749-3797(20)30314-7/abstract) ; [https://www.ajpmonline.org/article/S0749-3797\(22\)00325-7/abstract](https://www.ajpmonline.org/article/S0749-3797(22)00325-7/abstract).

¹⁴ <https://ajph.aphapublications.org/doi/10.2105/AJPH.2018.304536>; <https://link.springer.com/epdf/10.1186/s12913-022-07599-x>.

¹⁵ <https://link.springer.com/article/10.1007/s11606-018-4736-8>.

¹⁶ <https://www.macpac.gov/wp-content/uploads/2024/12/EXHIBIT-16.-Medicaid-Spending-by-State-Category-and-Source-of-Funds-FY-2023.pdf>.

the economic activity they generate. Physicians in Texas inject \$117.9 billion into the state economy, supporting 670,172 jobs, and generating \$3.5 billion in state and local tax revenue for our communities.¹⁷ Cuts to Medicaid also threaten additional hospital closures, particularly in rural areas. Twenty-five of Texas's rural hospitals have closed since 2005, and a recent analysis found 50 percent of the remaining 159 rural hospitals are at risk of closing.¹⁸

Furthermore, Medicaid cuts cannot be viewed discretely or in isolation. Medicaid rates are generally well below Medicare rates. In 2019, *Medicaid* fee-for-service (FFS) payments for physician services were nearly 30 percent below Medicare payment levels.¹⁹ Yet, Medicare rates are well below commercial rates and falling further behind. Effective January 1, Medicare physicians received another 2.83 percent payment reduction, and, over the last five years, the Medicare conversion factor has fallen by 10 percent.²⁰ Medicare rates are even more insufficient when considering the growing gap between payments and the cost of running a medical practice. When adjusted for inflation in practice costs, Medicare physician payment has declined 33 percent between 2001 and 2025.²¹ In several states, Medicaid rates are also tied directly to Medicare rates, which means Medicare cuts directly result in Medicaid cuts. Physician practices across the country are already facing closure or forced consolidation due to increased financial pressures.²²

My colleagues and I with TMA are alarmed by the threat of potentially widescale Medicaid eligibility reforms and deep funding cuts that correspond with the recent House budget blueprint and forthcoming reconciliation legislation. The TMA recognizes the tremendous fiscal challenges facing the United States; however, we encourage you to work to find other policy proposals that do not threaten access to care for our most vulnerable patients. If Congress does proceed with changes to the Medicaid program, we urge you to exercise appropriate caution and restraint, understanding that sweeping policy proposals such as the ones currently expected to be under consideration will carry innumerable unintended consequences that cannot be easily reversed with American lives hanging in the balance.

Should you have any questions, please do not hesitate to contact me by phone at 512-370-1409 or email Robert.Bennett@texmed.org, and I will be happy to lend my expertise.

Sincerely,

¹⁷ The Economic Impact of Physicians in Texas, IQVIA, 2018.

¹⁸ https://ruralhospitals.chqpr.org/downloads/Rural_Hospitals_at_Risk_of_Closing.pdf.

¹⁹ <https://www.commonwealthfund.org/blog/2022/how-differences-medicaid-medicare-and-commercial-health-insurance-payment-rates-impact>.

²⁰ <https://fixmedicarenow.org/sites/default/files/2025-02/25-1245686-Medicare-chart-2-03.pdf>.

²¹ https://fixmedicarenow.org/sites/default/files/2025-01/Medicare%20Gap%20Chart_2025.pdf.

²² <https://www.ama-assn.org/practice-management/private-practices/3-top-reasons-why-doctors-are-selling-their-practices>.

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A handwritten signature in black ink, appearing to read "G. Ray Callas". The signature is fluid and cursive, with the first name "G. Ray" and the last name "Callas" clearly distinguishable.

G. Ray Callas, MD
President
Texas Medical Association