

SUBJECT: Children's health insurance pilot program

COMMITTEE: Public Health — favorable, with amendment

VOTE: 8 ayes — Berlanga, Hirschi, Coleman, Glaze, Janek, Maxey, McDonald, Rodriguez

0 nays

1 absent — Delisi

WITNESSES: For — Clift Price, M.D., Texas Pediatric Society; Lisa McGiffert, Consumers Union

Against — None

On — David R. Smith, M.D., Texas Department of Health

DIGEST: HB 997, as amended, would require the Texas Department of Health to establish a pilot health insurance program for children under age 13 who are ineligible for Medicaid. The department would be required to adopt rules establishing eligibility criteria and sliding fee schedule.

The department could provide the program through local schools and model the program after the Florida "Healthy Kids Corporation" program. The State Medicaid office would be authorized to develop a waiver from federal Medicaid regulations to authorize the pilot program using existing federal, state or local funds or private funds. The program would have to include sliding scale cost-sharing by the family, to the extent possible, and could not include any new state funds.

The act would take effect September 1, 1995, and expire September 1, 1999. Implementation could be delayed until federal approval was granted if the Texas Department of Health determined a waiver or authorization from a federal agency was required.

SUPPORTERS
SAY:

HB 997 would help meet the tremendous need for health coverage for Texas children in a fashion that would maximize existing public and private expenditures and resources. The pilot program's success could be fostered by using the Florida "Healthy Kids Corporation" as a model — a program that provides access to health insurance through school districts. HB 997 would not create a mandated program; it would initiate the planning and development of a cost-effective pilot project in which local and private participation would be voluntary.

Healthy children become the healthy, productive adults the state needs for its future. Texas has the highest percentage of uninsured children in the nation (23.8 percent in Texas) and the second highest number of uninsured children (1.3 million in Texas; 1.9 million in California). Lack of health insurance hinders children from obtaining needed health care, which can result in stunted growth, disabilities, learning and behavioral problems and a poor quality of life. Uninsured children often receive medical care in public hospital emergency rooms, the most expensive access point for services.

Uncertainties in the state-federal Medicaid program impel the state to act now. Congress could dismantle or severely reduce Medicaid program funding or operations, increasing the need for health coverage for children in low-income families. Congress could also cap federal matching funds. HB 997 would set up an experimental health insurance alternative that, through waivers from various Medicaid requirements, could expand health insurance coverage by leveraging currently unmatched state, local and private spending to bring more matching federal dollars to Texas before federal funding is capped. Officials from the Department of Health predict that, with legislative approval, they could develop waiver applications by September.

A health insurance program would be affordable because children are generally less expensive to insure than adults and uninsured children are not necessarily sicker than insured children. School districts offer a ready-made, sizeable pool of potential insureds with a mix of health care risks that can handle the costs of children with medical problems. Florida has not experienced a disproportionate share of sicker kids enrolling in the program, and both insurers and communities have benefited from increased

coverage levels. The initial Florida pilot program has been expanded to 10 sites, and at least 16 more counties want to participate.

Funding uncertainties should not inhibit the state from developing and testing initiatives successful in other states in meeting a crucial need. More than 20 other states are developing similar programs. However, funding uncertainties require granting the Texas Department of Health adequate flexibility to design a program within state budgetary constraints and to match private and local funding however possible. Article 11, the "wish list" in the House appropriations bill committee report, contains sufficient funding to meet the fiscal note.

**OPPONENTS
SAY:**

HB 997 would give too little direction to the Texas Department of Health regarding development and implementation of the proposed pilot program. Left uncertain would be whether sufficient state, local or private funding will be available, whether Medicaid waivers or authorization would be denied and whether the Medicaid program may be soon drastically changed by Congress.

Insuring uninsured children, particularly in poorer communities, could be costly for families and the government. Uninsured children are more likely than others to be unhealthy, often coming from families denied insurance due to medical conditions or poorer families with fewer caretaking resources and access to medical services.

The LBB has estimated that for 1996-97 the pilot program could cost the state \$300,000 for program development, design and marketing. No estimates were given regarding health insurance premium costs and administration costs that would have to be drawn from sources such as other state-funded programs, matching federal funds, cost-sharing by participating families, private foundation funds or local contributions.

Local and private funding sources may not be interested in or available to support the program. The Florida program was initiated with federal and private foundation grant money in addition to state funding. Some say the federal Health Care Financing Administration is not likely to support another health insurance pilot program. The Florida program also requires

local communities and participating families to share in financing costs, with the ultimate goal of having the program totally locally funded.

The bill suggests that pilot program funding may include additional federal Medicaid matching dollars, but the Medicaid program may be radically changed by Congress, making matching federal funds unavailable. There is no guarantee that a federal waiver or authorization would allow Texas to utilize Medicaid funds for such a pilot program.

The bill contains few program specifics, such as how the location for the pilot project would be selected, what role the public schools would play, what additional eligibility criteria would be established for coverage (such as family income and availability of insurance from other sources), what the health benefit levels would be and how private insurers, consumer advocates, health professionals and the Texas Department of Insurance might be involved in program implementation and monitoring.

NOTES:

The committee amendment would authorize the state Medicaid program to develop a waiver for a pilot program in one area of the state that would provide health insurance for uninsured children by using existing federal, state or local funds and private funds. The amendment also stipulates that the pilot program would be required to include sliding scale cost-sharing by the family and could not include any new state funds.