

SUBJECT: Expanded eligibility and outreach for Children's Health Insurance Program

COMMITTEE: Human Services — committee substitute recommended

VOTE: 8 ayes — Rose, S. King, J. Davis, Eissler, Herrero, Hughes, Naishtat,
Pierson

1 nay — Parker

WITNESSES: For — (*Registered, but did not testify*: Jay Barksdale, Greater Dallas Chamber; Stephen Brown, Houston Area Urban League; Miryam Bujanda, Methodist Healthcare Ministries; Randal Ellis, One Voice; Robert K. Feather, Cook Children's Health Care System; Christie Garbe, Travis County Healthcare District; John Hawkins, Texas Hospital Association; Caroline O'Connor, Texas State Employees Union; Megan Rodman; Joel Romo, American Heart Association; Denise Rose, Texas Children's Hospital; Tim Schauer, Memorial Hermann Healthcare System; Bryan Sperry, Children's Hospital Association of Texas; Paco Velez, San Antonio Food Bank)

Against — None

BACKGROUND: During the 1999 regular session, the 76th Legislature enacted, SB 445 by Moncrief, which established the Texas Children's Health Insurance Program (CHIP) to provide primary and preventive health care to low-income, uninsured children whose family income and assets are too high to qualify for Medicaid coverage. CHIP is administered by the Health and Human Services Commission (HHSC), and enrollment is limited to appropriated funds. A federal block grant is allocated for Texas CHIP spending, and the federal government provides more than 70 cents of every dollar spent on CHIP.

In 1999, eligibility for CHIP was granted to children under the age of 19 whose family's gross income was at or below 200 percent of the Federal Poverty Level (FPL). The income calculation included income disregards for Medicaid-allowable expenses, including child care, child support, and work-related expenses. After initial eligibility determination, a child remained eligible for CHIP benefits for 12 months. A child leaving another health plan waited 90 days to receive services under CHIP.

The 78th Legislature in 2003 made eligibility requirement and program changes to CHIP. The continuous eligibility period was reduced from 12 to six months. Income disregards were eliminated so that eligibility is now calculated using gross family income. The 90-day waiting period was extended to all children who apply for CHIP, regardless of their previous insurance history. Also, an assets test was implemented for applicants with incomes above 150 percent of the federal poverty level. Applicants cannot have more than \$5,000 in assets, with exclusions for a primary vehicle worth up to \$15,000 and for subsequent vehicles worth up to \$4,650.

DIGEST:

CSHB 109 would establish CHIP income eligibility levels using net family income rather than gross family income. The definition of net family income would allow a reduction for child-care expenses, in accordance with Medicaid standards. HHSC would continue income verification unless the applicant's reported income exceeded eligibility levels. CSHB 109 would extend the time that a child remained eligible for CHIP benefits to a period not to exceed 12 months.

CSHB 109 would limit the 90-day waiting period to children who had health insurance during the 90 days prior to applying for CHIP coverage. The wait period would extend for 90 days after the last date on which a child was insured under a health benefits plan.

CSHB 109 would increase the family allowable asset limit to \$10,000. The calculation of allowable assets could not include:

- the value of one vehicle exempted by HHSC rule based on its use;
- the value of a second or subsequent vehicle exempted by HHSC rule worth \$18,000 or less or modified for a household member with a disability; or
- if no vehicle qualified for exemption based on its use, then the first \$18,000 of the value of the highest-valued, non-exempt vehicle or the first \$7,500 of value of any additional vehicle.

The bill also would require HHSC to conduct community outreach promoting knowledge of and enrollment in child health programs. The outreach campaign would include efforts involving school-based clinics and a toll-free number through which families could obtain information about health coverage for their children. HHSC would contract with community organizations to implement the campaign. HHSC could direct

the Department of State Health Services to direct all or part of the outreach campaign.

CSHB 109 would take immediate effect, if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

**SUPPORTERS
SAY:**

CSHB 109 would provide more Texas children with vital health coverage. As of February 2007, CHIP served 325,479 children out of nearly 1.4 million Texas children lacking health coverage. Out of that 1.4 million, about 700,000 children are eligible but not currently enrolled in either CHIP or Children's Medicaid. Texas has never enrolled enough children in CHIP to spend the full federal block grant, and that leaves federal dollars unspent each year on the health care of Texas children. That also leaves more uninsured families no choice but to seek care at local emergency rooms, which is more costly and at the expense of taxpayers.

The HHSC has estimated that the caseload impact of the 2003 CHIP policy changes have resulted in an enrollment decline of 40,000 with the addition of a three-month waiting period and income disregards elimination, a decline of 78,000 with the change from 12- to six-month eligibility, and a decline of 34,000 with the addition of the assets test. The CHIP program also saw a decline in enrollment attributed to performance problems with the private vendor, the Texas Access Alliance (TAA), that took over processing of CHIP eligibility in early 2006. Each of the proposed policy changes in CSHB 109 would increase the availability of much-needed CHIP benefits to Texas' uninsured children. Also, a new community outreach and education campaign and toll-free informational number would help ensure that more families learn about CHIP so that the health care needs of all eligible children are covered.

Period of eligibility. Extending the CHIP eligibility period from six to 12 months would ensure children in need received continuous health care coverage. The state has experienced 14 months of poor performance from the CHIP eligibility system with no guarantee that performance suddenly will improve. Case studies demonstrate that many families have submitted all the required materials to re-enroll and verify income at six months, but because of processing errors, children have been disenrolled from CHIP and gone months without health-care coverage. A heartbreaking example of the repercussions of such processing issues includes the recent death of

a boy with Stage 4 cancer who was disenrolled from CHIP in error and went four months without health coverage and critical treatment.

The difference in cost that may be incurred by a small number of children maintaining benefits when they are no longer CHIP eligible is not worth the tragic outcomes associated with disenrolling eligible children in critical need. Increasing eligibility to 12 months would decrease the CHIP application-processing workload by half and subsequently lead to decreased error rates.

In addition, the cost savings associated with verifying eligibility at six months as opposed to 12 is not as great as it might seem. Administrative costs are higher when verifying eligibility twice a year. Also, because Texas receives more than 10 cents less for every dollar spent on Children's Medicaid than on CHIP, it is more cost effective to serve a child on CHIP than on Children's Medicaid. Verifying eligibility at six months causes the state to move those identified as qualifying for Children's Medicaid more quickly to that program than if eligibility were determined at 12 months. Historically, more children have moved from CHIP to Medicaid each enrollment period than from Medicaid to CHIP. Finally, the majority of children leaving CHIP are uninsured, ultimately growing the population of children with poorer health outcomes and increased needs for emergency care.

Assets test. CSHB 109 would align the asset limits on the assets test for determining CHIP eligibility with values that are more reasonable for a fiscally responsible family at 150 to 200 percent of the federal poverty level. The current assets test limits were based on the food stamp standards that were created for populations at 100 percent or less of the poverty level. A higher-income family making prudent decisions to have a safety net in case of household crisis or to save for a child's college education can risk losing CHIP coverage due to the low assets test limits. The easiest place for families to save such funds is in a standard savings account, which is subject to the test. CSHB 109 wisely would keep the assets test because of its role in preventing abuse of the system, yet would recognize that people at 150 to 200 percent of the federal poverty level should have more flexibility to save in a responsible fashion and maintain reliable vehicles to get to work and transport their families.

Income calculation. CSHB 109 appropriately would add an income disregard for child-care expenses. Such a disregard is available in the

Medicaid program. In 2007, a family of four at 200 percent of the federal poverty level has an income of \$41,300. Private insurance is cost prohibitive at this income level. Many families do not qualify for CHIP because they have incomes slightly above this level yet need child care in order to hold jobs and support their families. Child care is a large expense that effectively can leave a family's disposable income as the same or less than that of other families who qualify for CHIP. These families should not be denied CHIP benefits for addressing their child-care needs while they participate in the work force.

Ninety-day wait period. CSHB 109 would give families much-needed health-care coverage during the first 90 days following the establishment of eligibility. The original policy was intended to avoid "crowd out" of private health care benefits to prevent people from opting to use CHIP rather than private or employer health insurance. The 2003 change made Texas the only state that has required all children to wait 90 days for coverage. This wait period prevents coverage for children who have never been insured as well as for newborns in need of infant care. Denying these children benefits in no way addresses the issue of "crowd out" and only risks having a child not receive appropriate health care.

**OPPONENTS
SAY:**

The CHIP reforms implemented in 2003 were sound public policy. While Texas has yet to use fully its federal CHIP funding, caseloads will continue to rise under the current eligibility requirements and eventually reach the funding ceiling. Since the time will come when CHIP funding is limited, it is prudent now to retain policies that will ensure that CHIP benefits are used only as a safety net for those most in need.

Period of eligibility. The eligibility period should not be extended to 12 months. Maintaining the six-month eligibility period would provide the best stewardship of state funds because a family's financial circumstances can change drastically over the course of a year. While not all federal CHIP funds have yet been used, sound policies need to be established now that will ensure that only the most needy receive benefits when caseloads exceed the amount of benefit funds available.

Remaining CHIP application-processing issues will be addressed in the short term. Timeliness rates have improved in processing CHIP applications. The contract for processing CHIP eligibility through TAA will end in November 2007, and the state should not make a decision this session that factors in the performance of a contractor with whom the

contract has been cancelled. Recertifying eligibility at six months would ensure the state's limited resources were used only for those truly eligible for benefits.

Assets test. As a safety-net program, CHIP should not be open for abuse by families trying to protect their assets while relying on the government for assistance with health care. In addition, a family that experiences a short-term loss of income should not receive CHIP funds if they have large amounts of assets that could pay for necessary health-care costs. These sorts of situations unfairly burden all taxpayers, including people receiving CHIP benefits. In addition, there are a variety of programs that save for practical purposes and are exempted from the assets test, including certain retirement accounts, prepaid burial funds, and certain savings funds for higher education. Setting the assets test limit at \$5,000 decreases abuse of the system while allowing a family to save a reasonable amount of additional funds for critical expenses.

Income calculation. In 2007, a family of four making \$41,300 annually would be eligible for CHIP. A variety of private health-care options would be affordable for a family above this income level if a consumer were willing to do the research for a plan best-suited to that family's needs. The continuation of the use of gross family income would be the fairest means of determining eligibility.

Ninety-day wait period. The current 90-day wait for all CHIP applicants to receive benefits should be maintained. This meets the designed purpose of avoiding "crowd out" in a variety of ways, even if someone has not had insurance in the past 90 days. People should be encouraged to be self-sufficient rather than to use public assistance. The 90-day wait period provides a family an opportunity to obtain a reasonable private insurance option. In addition, many public and private sector employers also have 30- to 90-day wait periods for health insurance coverage. If CHIP eliminated the 90-day wait, such individuals might opt to obtain CHIP to receive immediate benefits rather than wait for their employer insurance to take effect. The 90-day waiting period will discourage those with available private coverage from taking public slots. This will leave more funding available for the neediest individuals without employer coverage options available as caseloads approach CHIP funding limits.

OTHER
OPPONENTS
SAY:

While CSHB 109 would make progress toward providing Texas children with more health benefits, it would not ensure coverage of the maximum number of children in need of health care. More children in need could be served through the elimination of the assets test. CHIP policy in the majority of states recognizes the variety of reasons that families still in need of health coverage may maintain a reasonable amount of assets. Texas and Oregon are the only states that have implemented assets tests.

While it does prevent some abuse, the assets test, regardless of how high limits are set, causes children in need to lose CHIP coverage. The mere threat of losing coverage is a disincentive for families to make the responsible decision to save. A family should not be punished for trying to save for college or for a better home for their children. If an uninsured child gets sick or has an emergency, then paying for unexpected medical expenses could wipe out the limited assets a family has accrued. Also, in certain circumstances a family's assets may appear inflated yet not truly be reflective of the family's circumstances. For example, one family lost CHIP coverage because the assets test was conducted at a time that they had deposited an insurance check from the destruction of their home in a hurricane.

In addition, all income disregards in alignment with those allowable in Medicaid should be restored. This would allow families to deduct child support payments and work-related expenses up to \$120 per month in the income calculation. These are reasonable deductions, without which a family's disposable income could seem inflated.

The ultimate goal of the CHIP program should be to provide as many uninsured children with health benefits as possible, and restoring all the 1999 program policies, including income disregards in accordance with Medicaid, and eliminating the assets test would help enroll more children.

NOTES:

HB 109 as filed would have allowed a reduction for offsets for work expenses in the net family income calculation. The original bill also would have eliminated the assets test. HB 109 as filed would not have required verification of income at each re-enrollment period.

The LBB estimates implementation of the CHIP eligibility changes in CSHB 109 would cost \$78 million in general revenue and general revenue-related funds for the fiscal 2008-09 biennium, with a \$101.1 million cost for each fiscal biennium thereafter. This assumes an increase

of average monthly caseloads by 68,537 in fiscal 2008 and 102,224 in fiscal 2009.

CSHB 1 contains Art. 2, HHSC, Rider 61 that would appropriate, contingent upon enactment of HB 109 or similar legislation, an additional \$89.5 million in general revenue-related funds and \$253.2 million in all funds to CHIP.

The companion bill, SB 81 by Van de Putte, has been referred to the Senate Health and Human Services Committee.

HB 1261 by Martinez, HB 2454 by Guillen, and HB 3538 by Garcia are duplicates of HB 109 as filed. HB 1261 was left pending in the House Human Services Committee, and HB 2454 and HB 3538 were referred to the House Human Services Committee. Twenty-seven additional bills related to CHIP eligibility changes were heard and left pending in the Human Services Committee on March 1.

HB 109 originally was set on the Major State Calendar for March 19, but was returned to committee on a point of order.