SUBJECT: Regional or local health care programs for employees of small employers

COMMITTEE: Public Health — favorable, without amendment

VOTE: 7 ayes — Delisi, Jackson, Cohen, Gonzales, S. King, Olivo, Truitt

1 nay — Laubenberg

1 absent — Coleman

SENATE VOTE: On final passage, May 10 — 31-0

WITNESSES: (*On original version of House companion bill, HB 882 by Naishtat*:)
For — John Hawkins, Texas Hospital Association; John Holcomb, Texas Medical Association, Primary Care Coalition; Jose Rodriguez, Texas Border Coalition; (*Registered, but did not testify:* Miryam Bujanda, Methodist Healthcare Ministries; Cindy Gunn, Memorial Hermann Healthcare System; Jill Johnson, Texans Care for Children; Joe Lovelace, Texas Council of Community MHMR Centers; Carrie Martin, Lonestar Circle of Care; Carol Miller, Texas Chapter of the National Association of Social Workers; Gabriela Moreno, CHRISTUS Health; Steve Svadlenak, Texas Association of Public and Nonprofit Hospitals)

Against — None

On — Barbara Maxwell, Texas Association of Health Plans; (*Registered, but did not testify:* Olga Rodriguez, Health and Human Services Commission)

(*On committee substitute for HB 882:*)
For — Ann Kitchen, Indigent Care Collaboration of Central Texas; Karen Love, Harris County Healthcare Alliance; (*Registered, but did not testify:* Tom Banning, Texas Academy of Family Physicians; Ed Berger, SETON Family of Hospitals; José Camacho, Texas Association of Community Health Centers, Inc.; Anne Dunkelberg, Center for Public Policy Priorities; Clarke Heidrick; Gerald Hill, SETON Family of Hospitals)

Against — None

On — Barbara Breier, University of Texas Medical Branch; Dianne Longley, Texas Department of Insurance

DIGEST:

SB 922 would create Health and Safety Code, ch. 75 governing regional or local health care programs for employees of employers with 50 or fewer employees. The purpose of this chapter would be to:

- improve the health of employees and their families by increasing access to health care and reducing the number of uninsured;
- reduce employee reliance on state-funded entitlement programs such as Medicaid;
- contribute to economic development by helping small businesses remain competitive with a healthy workforce and health care benefits that would attract employees; and
- encourage innovative solutions for providing and funding health care services and benefits.

Establishment of regional and local health care programs. County commissioners courts could establish a local health care program operating in one county or a regional health care program operating in two or more counties. A regional or local health care program could provide health care services or benefits to employees of participating small employers and their dependents within the participation area. The programs could be governed either by commissioners courts or by a joint council, tax-exempt nonprofit entity, or other entity established by or operated under contract with the commissioners court.

Program requirements. Regional or local health care programs could develop another type of program to accomplish the purposes of Health and Safety Code, ch. 75. A program would be required, to the extent practicable, to:

- reduce the number of individuals without health benefit plan coverage within the boundaries of the participating area;
- address rising health care costs and reduce the cost of health care services or benefit plan coverage in the area;
- promote preventive care and reduce the incidence of preventable health conditions;
- promote efficient and collaborative delivery of health care services;

- serve as a model for the innovative use of health information technology to promote efficient delivery of health care services, reduce health care costs, and improve community health; and
- provide fair payment rates for health care providers.

Program funding. The state could establish a health opportunity pool in accordance with federal waiver requirements. Regional or local health care programs could apply for funding from the health opportunity pool. To be eligible for funding, the programs would have to comply with requirements imposed by the federal waiver program, including any requirement that health care benefits or services be provided in accordance with statewide eligibility criteria.

The governing body of the regional or local health care program would establish program participation criteria, including the requirement for participating individuals to pay a share of the premium. The governing body also could accept gifts, grants, or donations from any source to operate and provide benefits under the program. The program could apply for health opportunity pool funding and demonstration grant funds offered by HHSC.

Health benefit plan coverage. A regional or local health care program could provide health care benefits by purchasing or facilitating the purchase of health benefit plan coverage from a health benefit plan issuer. The governing body could form one or more private purchasing cooperatives or health group cooperatives under Insurance Code, ch. 1501, subchapter B. An insurer could issue a group accident and health insurance policy and a health maintenance organization (HMO) could issue a health care plan to cover employees and their dependants.

To the extent authorized by federal law, the governing body could establish self-funded health benefit plans or facilitate the provision of health benefit coverage through health savings accounts and high-deductible health plans. A governing body operating a regional or local health care program would not be subject to regulation by the Texas Department of Insurance.

Health care services. A regional or local health care program could contract with health care providers within the boundaries of the participating county or counties to provide health care services directly to the employees and their dependents. Any individual who received state

premium assistance could buy into the health benefit plan. The program could require that participating employees and dependents obtain health care services only from health care providers that contracted to provide those services under the program.

Demonstration projects. The executive commissioner of HHSC could establish a grant program to support the initial establishment and operation of one or more regional or local health care programs as demonstration projects. The commission would establish performance objectives for a grant recipient and would monitor the recipient's performance.

By December 1, 2008, HHSC would have to complete a review of each regional or local health care program in the demonstration project and submit a report to the governor, the lieutenant governor, and the speaker of the House that included an evaluation of the success of the programs and the commission's recommendations for further legislation. The authority for HHSC to provide demonstration project funding would expire September 1, 2009.

Effective date. The bill 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:

SB 922 would institute a program in Texas that has proven successful in other states in reducing the rate of uninsured people. According to the U.S. Census Bureau, Texas had the highest rate of uninsured in 2005, and 66 percent of the uninsured were employed.

In 2004, 75 percent of Texas' small businesses did not offer health insurance. The primary reason employers cited for not offering insurance was the high cost. In 2005, the average cost for a small employer to provide health insurance was $4,605 per employee per year. For those employees to whom coverage was offered, the average employee contribution required for family coverage was $3,170. Many employees cannot afford this expense when struggling to pay for other basic necessities for their family.

SB 922 would reduce the expense of insurance for both employers and employees by applying contributions from gifts, grants, or donations. This type of arrangement aptly has been named a three-share assistance approach because it relies on funding from public, private, and non-profit

community sources as well as the small business and its employees. This added assistance would allow for a significant reduction in the number of uninsured working for small businesses.

The bill would implement recommendations from other three-share programs to capitalize on the experience of out-of-state programs that have operated since 1999. Among these recommendations, SB 922 would allow counties the flexibility to determine how to design a program that would best meet local needs and provide a truly affordable health care option. The state grant program and creation of the Texas Health Opportunity Pool would provide an initial source of funding that would encourage counties to participate in such an arrangement. The House-passed version of HB 1 by Chisum already has included riders to provide the grant funds for the demonstration projects proposed in SB 922. Such demonstration projects were recommended by the Legislative Budget Board in its *Effectiveness and Efficiency Report* (2007).

Small business health care cooperatives are not as effective as a three-share program because such cooperatives alone do not provide the incentive of subsidizing program costs with gifts, grants, or donations. Because of the benefits that the three-share program would provide, once this program was established, all parties would contribute to maintain the benefits. The cumulative effect of fewer uninsured people relying on indigent care would lead to slower increases in the cost of health care.

OPPONENTS SAY:

Three-share models make an incorrect assumption that people who join the program now will continue to contribute proportionally to the program in the future. As health care costs increase, businesses and individuals could become unwilling to shoulder an appropriate share of program costs. If these parties refused to increase their level of contribution to align with cost trends, too much of the financial burden could fall on state government.

In 2003, the 78th Legislature enacted SB 10 by Averitt, which allowed the formation of small business health care cooperatives to gain affordable, group-rate health care. Not enough time has elapsed to determine if this viable option can address the needs of uninsured employees of small businesses. SB 922 would discourage self-reliance among small businesses when Texas has only recently implemented the small business health care cooperative that encourages the appropriate parties to pay their share to receive benefits.

NOTES:

The Legislative Budget Board estimates a cost $1.05 million in general revenue-related funds in fiscal 2008 based on an HHSC estimate that the commission would provide seven grants of $150,000 each for demonstration projects.

A contingency rider in the House-passed version of HB 1 by Chisum, in Article 11 for HHSC would appropriate $4,000,000 of general revenue in fiscal 2008 and $5,800,000 in fiscal 2009 for initial start-up and operation of multi-county regional health care demonstration projects, contingent upon the enactment of HB 882 or SB 922, or similar legislation.

The companion bill, HB 882 by Naishtat, was reported favorably, as substituted, by the Public Health Committee on April 19.