

SUBJECT: Children's health benefits program for state employee dependents

COMMITTEE: Pensions and Investments — favorable, without amendment

VOTE: 6 ayes — Greenberg, Tillery, Bonnen, Clark, Rangel, Salinas
0 nays
3 absent — George, Telford, Williams

SENATE VOTE: On final passage, April 22 — voice vote

WITNESSES: (*On House companion bill, HB 3007:*)
For — Ted Melina Raab, Texas State Employees Union

Against — None

BACKGROUND: The Children's Health Insurance Plan (CHIP) is a federal initiative (Title 21 of the Social Security Act), enacted in the Balanced Budget Act of 1997, under which Texas is eligible to receive an average of about \$423 million per year over the next 10 years if the state establishes a health insurance program that meets federal criteria and contributes matching funds averaging about \$151 million per year.

States may provide CHIP coverage to infants in families with incomes up to 235 percent of the federal poverty level (FPL) and to children aged 1 to 18 in families with incomes up to 200 percent of poverty. To deliver health-care services under CHIP, states either may expand their Medicaid programs or use a benefits package that is the same as or actuarially equivalent to either the Federal Employee Health Benefit Plan, a state employee health-benefit plan (in Texas, Health Select), or the state's largest commercial health-maintenance organization plan (in Texas, NYLCare). The state also may use a combination of approaches, such as expanding Medicaid to include certain segments of the population while using a separate plan for other low-income Texans.

For fiscal 1999, the FPL for a family of four is about \$16,800. A family of four would be at 150 percent of the FPL if their income was about \$25,200 or at 200 percent of the FPL if their income was \$33,600.

State employees and their dependents are not eligible under federal rules for CHIP coverage. The Employee Retirement System (ERS) is the trustee of the Texas Employees Uniform Group Insurance Benefits program, which provides health benefits to state employees. The Texas State College and University Employees Uniform Insurance Benefits program provides health benefits to employees of the University of Texas System and the Texas A&M System.

The ERS benefits programs pay for 50 percent of the cost of coverage for each dependent child, and the UT and Texas A&M system plans cover 80 percent of the cost of each dependent child.

DIGEST:

SB 1351 would authorize ERS and the UT and Texas A&M Systems to use appropriations for employer contributions to fund at least 80 percent of the cost of basic coverage for children who are dependents of state employees and who would otherwise be eligible for CHIP.

ERS, UT, and A&M would have to notify employees of this option and the application procedures. Employees seeking state coverage for their children under this plan would have to apply to and be screened by the Texas Department of Human Services (DHS) or other agency as designated by the Health and Human Services Commission. Applications would have to be made at the time of initial employment or during open enrollment periods.

ERS, UT, and A&M could continue coverage of a child until the next open enrollment period without regard to the child's change in status, or they could adopt rules requiring employees to report changes in status and authorizing the termination of coverage upon receipt of such a report. ERS, UT, and A&M also could require an employee to reapply for dependent child coverage during each open enrollment period.

The bill would take effect September 1, 1999, and would not apply to the purchase of coverage before fiscal 2001.

SUPPORTERS
SAY:

SB 1351 would make more equitable the availability of health insurance benefits to children of low-income families by giving low-income state employees whose children otherwise would qualify for CHIP extra help in purchasing health benefits through the state. ERS estimates that over 20,000 state employees have family incomes low enough to qualify their children for CHIP coverage.

The dependents of all other employees in the state of Texas — including school district, city and federal government employees — are eligible for CHIP if their family incomes are low enough to meet CHIP requirements. Since children of the lowest-paid state employees are denied CHIP coverage under federal law, SB 1351 would help fill this gap.

Even though state benefits generally are better than most employers in the private market, the state wage scale is so low that many employees cannot afford to buy coverage for their dependents. A family of four, with two or three children, living on \$33,600 a year usually does not have sufficient income to pay \$2,064 per child per year, which is the average annual cost for dependent coverage through state health benefits.

Covering young children is especially important because a healthy childhood is the foundation for a healthy, productive adulthood. The bill would cost the state relatively little money and would ensure that the state is doing its fair share in reducing the number of uninsured children in Texas by helping its own lowest-paid employees. SB 1351 would not cost the university systems additional money because they already fund 80 percent of dependent coverage.

SB 1351 would help improve the lives, education, and potential of uninsured children. Unhealthy children have difficulty concentrating on school work and participating in school activities, and they miss opportunities to develop mental, emotional, and work skills. Because uninsured children are less likely to receive preventive or therapeutic care in the early stages of an illness, they are more likely to miss school than are insured children, and their absences cost local school districts state funding. State employee productivity and often family income are reduced when a working parent must take time off to care for a sick child.

SB 1351 also would save money for local taxpayers and for individuals with health coverage, who subsidize the cost of treating uninsured children. Such children are five times more likely to use costly hospital emergency rooms as their chief source of medical care and are four times more likely to require hospitalization because of delayed treatment. The price of care for uninsured

individuals also is passed on to covered individuals in the form of higher hospital and medical charges and higher premium payments.

**OPPONENTS
SAY:**

Texas should not expand government spending to pay for something that families and the private market could handle on their own. This bill would cost the state an additional \$13 million in fiscal 2001, with the cost expected to increase a million dollars each subsequent year.

The state already provides excellent health benefits to its employees, including assistance with 50 percent of the cost of dependent coverage, which exceeds the types of health coverage offered by most employers. If dependent coverage is important to state employees, they can pay find the funds within their own resources to pay for their share of the costs. The fiscal note estimated that about 50 percent of the employees covered by this bill already have enrolled their children in ERS benefits.

NOTES:

SB 445 by Moncrief, as passed by the House on April 30, would make eligible under the CHIP program children in families with incomes at or below 200 percent of poverty, and is now in conference committee.