SUBJECT: Expanding the health insurance premium payment program

COMMITTEE: Select Committee on State Health Care Expenditures — favorable, without amendment

VOTE: 7 ayes — Delisi, Gutierrez, Berman, Deshotel, Harper-Brown, Uresti, Wohlgemuth

0 nays

4 absent — Capelo, Crownover, Miller, Truitt

WITNESSES: For — Anne Dunkelberg, Center for Public Policy Priorities

Against — None

BACKGROUND: The federal Omnibus Budget Reconciliation Act of 1990 authorizes states to implement a health insurance premium payment (HIPP) program. When it is cost-effective to do so, HIPP pays for private group health insurance for people who are eligible for state programs, such as Medicaid or the Children's Health Insurance Program (CHIP), but have access to private group coverage through an employer, parent, or spouse. In Texas, if a Medicaid recipient has access to cost-effective private health insurance, the Health and Human Services Commission (HHSC) reimburses the family for the cost of the insurance premium withheld by the employer.

The initial program was federally mandated and was not codified in Texas' statutes until the 77th Legislature enacted HB 3038 by Isett, which authorized the HIPP program and expanded it to include CHIP-eligible children. The bill directed HHSC to seek any federal waivers or authorizations needed to implement the bill's provisions. HHSC determined that the most appropriate federal option is a Health Insurance Flexibility and Accountability (HIFA) waiver, under which federal rules would be "waived" to permit states to attempt new approaches, within current resources, to increase the number of individuals covered by health insurance.

Sec. 62.059 of the Health and Safety Code permits HHSC to pay the premiums for group health coverage instead of CHIP coverage if private coverage is available and less expensive. It directs the commission to identify people who receive medical assistance through CHIP but who are eligible for group health coverage through an employer or other organization. People who are eligible must apply for coverage and enroll in the plan, and the state pays the eligible person's share of the premium.

If the availability of group coverage requires another person's participation, such as that of a parent or spouse, the state may pay that person's premium as well, so long as it is cost-effective to do so. The state will not pay any deductible, copayment, coinsurance, or other cost-sharing expenses.

Insurers that receive notice of a person who is receiving public assistance but is eligible to participate in this plan are required to allow the person to enroll regardless of enrollment period restrictions. Also, if the person becomes ineligible to participate in the program, the insurer must leave the plan within 60 days.

Sec. 62.059 (h) of the Health and Safety Code states that enrollment in the HIPP program does not limit eligibility to health benefits but makes the state the payor of last resort.

DIGEST:

HB 1118 would amend sec. 62.059 of the Health and Safety Code to permit HHSC to determine cost-effectiveness of the health insurance premium payment (HIPP) program on an aggregate basis. This would compare the cost of private insurance against an average cost per child in CHIP.

The bill would require HHSC to inform a child and the child's parents that HIPP was available to them and make participation optional. It would specify that the commission would pay only for the reimbursement of the employee or member's share of the premium for private coverage.

The bill would expand HHSC's discretion in offering coverage to other members of the family to obtain coverage for the child even if the member's coverage were not required to obtain coverage for the child.

HB 1118 would repeal sec. 62.059(h) of the Health and Safety Code, which established the state as the payor of last resort for children in the HIPP program.

The bill would take effect September 1, 2003, and would apply to a group health benefit plan entered or renewed on or after that date.

SUPPORTERS SAY:

HB 1118 would allow HHSC to complete the waiver application for a CHIP health insurance premium payment program. It would align the statute with the requirements for a HIFA waiver, which would waive the federal CHIP rules while retaining the federal match on state funds.

The HIPP program would allow the state to contain costs in the CHIP program when access to other insurance was available without compromising benefits and serve more people for less money. Because HIPP would pay the premiums for all members of a family if it were cost-effective, this bill would expand access to health coverage.

HIPP programs encourage people to keep working. Because medical coverage for a child would be tied to the recipient's job, this would bring families one step closer to permanent self-sufficiency by encouraging stable work habits. It also would allow all members of a family to be on the same health plan. If one family member had private group insurance and the kids had CHIP, they might not have the same group of physicians or documents. This plan would allow all eligible family members to have the same coverage.

By repealing the designation of the state as payor of last resort, HB 1118 would prevent the CHIP program from being forced to offer services that private insurers do not. The state could incur significant costs associated with administrative and direct services if it had to fill in any gaps between the services offered by the private insurer and CHIP. The extra cost could force some children to fail the cost-effectiveness test even if their families wanted to join the HIPP program.

The decision about which program is better suited for their needs should be left to the family. HB 1118 would make the program optional, rather than required as it is under current law. Parents could choose to keep their kids in CHIP if it were a better program than private insurance.

OPPONENTS SAY:

HB 1118 would make the HIPP program less attractive than originally intended. It would deny children the full range of benefits under CHIP. The previous legislation established the state as the payor of last resort for children in the HIPP program, ensuring that the state would cover a service or product if the private insurer did not. By repealing this protection, HB 1118 would leave some children underinsured who would have been better off on CHIP.

The HIPP program would dilute continuity of care, one of the central premises for CHIP in Texas. For that reason, CHIP offers 12 months of continuous eligibility. Under a HIPP program, children in CHIP who became eligible for group coverage might be forced to sever an existing physician relationship. It also would be inconvenient for parents to enroll their children in a second health plan within a year. Twelve months' continuous coverage in CHIP should mean 12 months' continuity of care.

OTHER OPPONENTS SAY:

HB 1118 would make families more dependant on public assistance, rather than encouraging them to pay for their own health insurance. Under HIPP, whole families could receive premium reimbursement if their coverage was less expensive than CHIP for eligible members of the family. This would remove any incentive for families to pay for their own health care and instead would make them dependent on the state, even though all of them might not be eligible for state assistance. Health coverage is expensive for many people, but all families should be encouraged to be self-sufficient.

NOTES:

The companion bill, SB 240 by Averitt, passed the Senate by voice vote on March 17 and was reported favorably, without amendment, by the House Select Committee on State Health Care Expenditures on April 8, making it eligible to be considered in lieu of HB 1118.