HOUSE RESEARCH ORGANIZATION bill analysis 5/8/2003

HB 3122
Truitt
(CSHB 3122 by Wohlgemuth)

SUBJECT: Local demonstration projects to offer Medicaid to low-income parents

COMMITTEE: Select Committee on State Health Care Expenditures — committee substitute recommended

VOTE: 10 ayes — Delisi, Gutierrez, Berman, Capelo, Crownover, Harper-Brown, Miller, Truitt, Uresti, Wohlgemuth

0 nays

1 absent — Deshotel

WITNESSES: For — Donald Lee, Texas Conference of Urban Counties

Against — None

On — Trey Berndt, Health and Human Services Commission

BACKGROUND: The federal government pays for a variety of state medical assistance programs, including Medicaid for the poor, disabled, and elderly. Allowable uses for federal funds generally are set by federal and state regulations, but the federal government has created ways for states to try programs that are not covered by regulations. To do so, a state must apply for a waiver or propose a demonstration project, pursuant to the federal Social Security Act.

DIGEST: CSHB 3122 would create two demonstration projects funded by local money to expand the Texas Medicaid program to low-income parents. It would create a task force on local health-care initiatives to oversee the projects and would require reports to the Legislature about the projects. The task force would have to advise the Health and Human Services Commission (HHSC) on local health-care issues and could develop the demonstration projects with HHSC, including determining administrative costs incurred by the commission and a mechanism for repayment.

One demonstration project could offer Medicaid to low-income parents. It would be funded with money from local government entities, for which they would receive federal matching funds. The local funds could be certified

rather than transferred to the state. Local entities could use this funding to offer coverage through a managed care arrangement but would have to use their existing indigent health-care delivery systems to the extent possible. If possible under federal law, the local government would perform the eligibility determination and enrollment function. The local government program could require copayments or deductibles on a sliding scale.

The program would be open to parents of children who received Medicaid, whose family income was below 100 percent of the federal poverty level, who were not themselves eligible for Medicaid, and who did not have another type of health coverage. The demonstration project would not have to include all benefits available under the Medicaid program.

The other demonstration project could offer Medicaid to low-income working parents. Local government entities would partner with employers that offered health insurance to their employees to obtain health coverage for low-income working parents, funded with local, federal, and private money.

This program would be open to parents of children who received Medicaid, whose family income was below 200 percent of the federal poverty level, who were not themselves eligible for Medicaid, and who did not have another type of health coverage. The purchased health coverage would be similar to the benefit package offered by the employer but would not have to offer all Medicaid benefits and could not offer duplicative or extraordinary services. The program would be exempt from any law requiring a certain benefit or service. It could use a managed care arrangement and would have to establish sliding-scale premiums for people with incomes above 100 percent of the federal poverty level.

In establishing this program, the task force and HHSC would have to review similar programs in other states and ensure that the program could qualify for federal funding. They also would have to establish provisions to discourage employers and individuals from discontinuing other health plans to opt into the demonstration project.

The demonstration projects would require the task force's approval. If a demonstration project were initiated, the task force and HHSC would have to submit a report to the Legislature by September 1 of each even-numbered

year, including a recommendation about the feasibility of expanding the project statewide.

HHSC would have to submit an initial report to the Legislature one year after the receipt of any federal waivers needed to implement the demonstration projects. That report would have to include information about the project's impact on the number of uninsured people in Texas, any cost savings, and the program's efficiency. The report about the demonstration project for working low-income parents would have to include any impact on the small business community. If HHSC could not obtain a needed waiver, it would have to determine why and submit a report to the governor, lieutenant governor, House speaker, and relevant standing committees.

The task force would comprise 16 members, including 10 representatives of local governments appointed by the HHSC commissioner, with at least seven representing large municipalities and at least one representing a small municipality; two health-care providers, one representing private nonprofit health-benefit plans; one person representing small business owners; one physician; and one public member. Members would serve staggered two-year terms, beginning by January 1, 2004, and one would be designated presiding officer by the commissioner. Members would not be compensated, nor could they receive reimbursement for travel. The task force would expire September 1, 2011.

Local entities that wanted to participate in either demonstration project would have to obtain approval from their governing bodies and notify HHSC and the task force as soon as possible after September 1, 2003. Hospital districts would have to obtain approval from their county commissioners courts. Both demonstration projects would expire September 1, 2009.

The bill would take effect September 1, 2003.

SUPPORTERS SAY:

CSHB 3122 would provide medical assistance to entire low-income families. Current eligibility requirements make it possible for some children to obtain Medicaid, while their parents are not eligible. Often these parents obtain services through local programs that provide some sort of health coverage, but these programs are limited in the number of people they can serve by the amount of funding they can dedicate to their coverage. This bill would allow

cities or counties to cover more people, because the federal government would match the local funds at the same rate that it matches state funds for Medicaid, about a 60/40 split of federal to state money.

CSHB 3122 would encourage communities to support their residents who need medical assistance. Because there would be a federal match for local funds, communities would make a greater impact and could be more willing to dedicate funds for this purpose.

Offering medical assistance to an entire family improves compliance with treatment regimens and prevents sharing of medications. It also ensures that the parents stay healthy, an important step toward holding down a job and improving self-sufficiency.

OPPONENTS SAY:

Now may not be the best time to embark on demonstration projects like those proposed by CSHB 3122. In 2001, Gov. Perry vetoed HB 2807 by Kitchen, which would have created a similar demonstration project to offer medical assistance to low-income people using local funds for a match. In his veto proclamation, the governor said that "[a]dditional duties, such as this demonstration project, would require the commission's supervision and labor. Over the next several months, the commission's primary focus must be on establishing sound and effective management of the Medicaid program." Given the planned reorganization of health and human services programs proposed in HB 2292 by Wohlgemuth, the state's focus should not be divided at this time.

NOTES:

Among other changes made by the committee substitute to the filed version of HB 3122, the substitute added a physician and a public member to the task force and changed members' terms of service; required the task force to identify HHSC's administrative costs and to develop a reimbursement mechanism; prohibited HHSC from implementing a demonstration project without the task force's approval; and required local government entities to obtain approval from their governing bodies to participate in a project.

The companion bill, SB 428 by Lindsay, has been referred to the Senate Health and Human Services Committee.