

SUBJECT: CHIP eligibility revisions, creating a CHIP buy-in program, and outreach

COMMITTEE: Human Services — committee substitute recommended

VOTE: 7 ayes — Rose, Herrero, Darby, Hernandez, Legler, Naishtat, Walle

0 nays

2 absent — Elkins, Hughes

SENATE VOTE: On final passage, May 6 — 29-2 (Nelson, Nichols)

WITNESSES: None

BACKGROUND: The Children's Health Insurance Program (CHIP) provides primary and preventive health care to certain uninsured children whose family income or assets are too high for them to qualify for Medicaid. Subject to certain family asset restrictions, 12 months of CHIP eligibility is granted to children under age 19 whose net family income, excluding Medicaid-allowable childcare expenses, is at or below 200 percent of the federal poverty level. CHIP enrollees pay a limited share of the cost of CHIP coverage.

DIGEST: CSSB 841 would increase the income eligibility level for CHIP to 300 percent of the federal poverty level and would establish a CHIP buy-in program for certain children whose net family incomes were greater than 300 percent but did not exceed 400 percent of the federal poverty level.

**General CHIP provisions.** The measure of net family income on which eligibility would be based would allow a reduction for both child-care expenses and child support payments, in accordance with Medicaid standards. The assets test would be applied to children whose net family income was 250 percent or greater of the federal poverty level. CSSB 841 would increase the family allowable asset limit from \$10,000 to \$20,000. The bill would eliminate the \$18,000 cap on the value of a vehicle that could be excluded from the calculation of the amount of allowable assets. The bill would eliminate provisions that allowed the review of certain enrollees' ongoing eligibility in the sixth month of enrollment. HHSC

would develop an option for an enrollee to pay monthly premiums using direct debits to bank accounts or credit cards. HHSC could not consider as income or resources for the purpose of establishing income and resource eligibility for CHIP assets held in certain college savings plans.

**Increased CHIP eligibility.** CHIP enrollees whose net family incomes were greater than 200 percent, but did not exceed 300 percent, of the federal poverty level would pay, through copayments, fees, and a portion of the plan premium, a share of CHIP plan costs not to exceed 5 percent of an enrollee's net family income. The premium would be about 2.5 percent of the enrollee's net family income. Plan coverage could be terminated for non-payment of premiums. The family's share of CHIP costs would increase with increases in net family income or the number of children covered. Applicants for coverage who met the extended eligibility criteria and who had health coverage within 180 days of application would not receive coverage until 180 days after the last date on which the applicant had health coverage. The HHSC executive commissioner, by rule, would establish a process and the circumstances under which CHIP coverage could be terminated for non-payment of premiums.

**CHIP buy-in.** The HHSC executive commissioner would adopt eligibility and payment requirements for a CHIP buy-in program that would allow certain children whose net family incomes were greater than 300 percent, but did not exceed 400 percent, of the federal poverty level to buy CHIP coverage at at least the full cost HHSC would pay for coverage. Children would be eligible for the CHIP buy-in program only if they had been enrolled in CHIP or Children's Medicaid but no longer were eligible based on an increase in net family income and lack of access to adequate health coverage through an employer-sponsored health plan.

HHSC could adopt rules, benefits coverage, and procedures for CHIP buy-in enrollees that were different than those adopted for CHIP enrollees at 300 percent or less of the federal poverty level. Provisions for the CHIP buy-in program would have to discourage employers from discontinuing health coverage for employees' children and individuals from opting to enroll their children in the CHIP buy-in program when they had other health coverage options. A child whose CHIP buy-in program coverage was terminated due to nonpayment could not be re-enrolled in the program for the duration of a lock-out period, the length of which would be determined by HHSC.

**Community outreach.** The bill would establish methods by which HHSC would be required to improve the effectiveness of community outreach efforts with respect to CHIP. The methods would include enhancing existing public education, assistance with applications, and issue resolution in eligibility determination processes. HHSC also would establish partnerships with stakeholders who could provide outreach and application assistance, and could contract with entities to provide these services.

**Eligibility determination.** The executive commissioner would adopt a corrective action plan if for three consecutive months less than 90 percent of CHIP applications or recertifications were processed accurately through either of the state's eligibility processing systems. The plan would identify the steps necessary to improve the timeliness of application processing and the accuracy of eligibility determinations and, to the extent possible within staffing levels, ensure that CHIP eligibility determinations were accurate and met timeliness standards in state and federal law.

The executive commissioner would adopt processes to reduce eligibility denials due to applications with missing information. The processes would include providing comprehensive information regarding acceptable documentation of income. CHIP eligibility could not be denied for missing application information unless the commission first attempted to contact the applicant or enrollee by phone or mail and allowed the person 10 business days to submit the information instead of requiring a new application.

Telephone call resolution standards and processes would be developed to ensure that calls regarding questions, issues, and complaints successfully were resolved by call center or agency staff.

The bill would require HHSC to implement a federally required prospective payment system for CHIP services provided in federally qualified health centers and rural health clinics.

The bill would take effect September 1, 2009. The revisions to benefits eligibility determination made by this bill would apply to benefit applications and renewals made on or after this date.

SUPPORTERS  
SAY:

CSSB 841 would enhance access to affordable health coverage for Texas children by increasing eligibility for CHIP to 300 percent of the federal poverty level. It also would establish a program by which the families of children whose net incomes were greater than 300 percent but did not exceed 400 percent of the federal poverty level could buy CHIP coverage at full cost. Children with health insurance are more likely to be vaccinated against major illnesses. Lack of insurance can lead to more illness, which causes poorer educational performance because children miss more days of school. Through the relatively low cost of providing health coverage, the state can achieve high returns on child well-being.

The CHIP eligibility levels established in this bill would be appropriate to fill the gap in available coverage for the many lower-income children who do not have access to affordable health coverage. Only 49 percent of employers offer health coverage to families. Without an employer's contribution to premiums, most uninsured families must turn to coverage in the private, individual market, which often is prohibitively costly for even the most basic plans. In addition, middle-income families with incomes just above 200 percent of the federal poverty level are the fastest-growing uninsured population, largely because of the increasing cost of health coverage. Between 2000 and 2006 in Texas, family health insurance premiums rose 5.1 times faster than median family income.

CSSB 841 would raise CHIP eligibility to 300 percent of the federal poverty level to capture the growing population of families in the income range that lacks other insurance options. The buy-in program would provide reasonably priced coverage to children with family incomes up to 400 percent of the federal poverty level, but buy-in coverage appropriately would be reserved for those children who had been, but no longer were, eligible for standard CHIP coverage.

CSSB 841 would provide appropriate protections to prevent families from enrolling children in CHIP when they otherwise had private coverage options. Studies have shown that crowd-out of private insurance coverage by public programs is negligible when a 180-day waiting period is implemented, as would be the case for the new CHIP income eligibility levels established by this bill. In addition, studies indicate that when offered employer-based health coverage, only 8 percent reject it. The bill also would increase cost-sharing requirements for families with higher incomes to reflect their greater ability to pay.

The costs of this bill would be very reasonable considering the benefits to the health of Texas children and when balancing the cost savings that would be achieved by reducing the uncompensated care costs paid for uninsured children. With no other alternative, parents often take their sick, uninsured children to hospital emergency rooms, which provide the most costly care. The burden of uncompensated care costs ultimately falls to taxpayers and other health consumers through increased local taxes or increased insurance premiums.

In addition, Texas loses the opportunity to leverage federal matching funds when the state does not cover all populations that could be eligible for CHIP. The federal government pays for 72 cents of every dollar spent in Texas on CHIP. Texas taxpayer dollars also are redistributed to other states when Texas does not use its full CHIP allotment.

This bill also would enhance outreach and education efforts to enroll more eligible children in CHIP. In 2007, more than 1.4 million Texas children were uninsured. HHSC projects the number of children eligible for, but not enrolled in, CHIP and Children's Medicaid in 2009 to be 850,000. If all of these children were enrolled in the appropriate benefit, the uninsured rate among Texas children would be cut in half.

By providing more assistance to people applying for CHIP and implementing processes to streamline eligibility determination, fewer "procedural denials" would result due to issues like missing paperwork. Also, problems with the current eligibility determination system have caused application processing times to exceed federal standards, and applicants have had issues with application processing errors. CSSB 841 would require HHSC to enhance assistance to applicants in resolving problems encountered during the eligibility determination process. Corrective action plans could be implemented to address ongoing issues with the eligibility determination system.

**OPPONENTS  
SAY:**

CSSB 841 would expand CHIP eligibility to cover children whose family incomes exceeded the levels for which the program was created. CHIP was designed to provide health coverage to the children of working, low-income families who had no private coverage alternative.

The increase in CHIP eligibility to 300 percent of the federal poverty level would cause Texas taxpayers to subsidize the health coverage provided to children in families of four with incomes up to \$66,540. A variety of

private healthcare options would be affordable for families below this income level if a consumer was willing to do the research to find a plan best-suited to that family's needs. With the current 200 percent eligibility level for CHIP, Texas already fails to enroll more than 170,000 eligible children. It does not make sense to spend more resources on expanding eligibility for CHIP when many children already in need have not been served.

Given projected budget shortfalls for the next biennium, Texas needs to be wiser in its use of limited funds. The resources devoted to this bill would be spent more effectively on enhancing private insurance alternatives. The primary issue with the health insurance market is cost. Decreasing the cost of health coverage would allow more businesses to resume offering health coverage and would make more private, individual market options affordable. Texas could make a major advance toward the goal of reducing health insurance costs by reducing the number of insurance coverage mandates. Instead of taking this approach, CSSB 841 would expand a taxpayer-funded program to members of the middle class.

**NOTES:**

The fiscal note indicates CSSB 841 would cost \$43.2 million in general revenue funds in fiscal 2010-11. Costs for the bill primarily would relate to direct and administrative costs from increased caseloads associated with the CHIP eligibility changes and establishment of the CHIP buy-in program. LBB estimates that in fiscal 2014, increasing CHIP eligibility to 300 percent of the federal poverty level would increase the CHIP caseload by 82,581. It is estimated the buy-in program would have a caseload of 5,173 the same year. The total general revenue funds cost estimated for fiscal 2014 would be \$30.7 million.

The House-passed version of SB 1, the general appropriations bill for fiscal 2010-11, includes HHSC Rider 58, which would fund eligible CHIP enrollees up to 300 percent of the federal poverty level should legislation authorize this expansion of program eligibility.

The identical companion bills, HB 1329 by Rose, HB 1699 by Martinez, and HB 4662 by Lucio, were referred to the House Human Services Committee. HB 1329 and HB 1699 were heard on March 19 and left pending. HB 4662 was not heard.

A similar bill, HB 2962 by Coleman, passed the House by 87-55-1 on May 15 and has been referred to the Senate Finance Committee. HB 2962

would raise CHIP eligibility to 300 percent of the federal poverty level, establish a CHIP buy-in program, and establish outreach efforts for CHIP. Unlike CSSB 841, HB 2962 also would establish outreach programs for TANF and Medicaid and would exempt college savings plans from use in eligibility determination in other benefit programs. HB 2962 did not include provisions to streamline eligibility determination processes.