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CSHB 2962 BY COLEMAN: CHIP BUY-IN AND ELIGIBILITY SYSTEM PERFORMANCE

The Texas House's CHIP Buy-In bill, CSHB 2962 by Coleman, will be voted on by the full House on Thursday, May 14. CSHB 2962 would create a new kind of CHIP coverage for uninsured children with working parents earning between 200-300 percent of the federal poverty level (FPL, before taxes, $44,100 to $66,540 a year for a family of four). These families would be able to buy discounted CHIP coverage for their children, paying a "sliding" monthly premium that increases with income. While provisions for a monthly-premium CHIP program for children from 200-300 percent FPL are virtually identical to the Senate's bill, the House bill includes a limited Full-Cost Buy-In program from 300-400 percent FPL for children who would otherwise lose Medicaid or CHIP due to family income. This compromise approach addresses technical state agency concerns and may be acceptable in the Senate. This Policy Alert describes differences between SB 841 and CSHB 2962, and provides additional background information on the need for this kind of coverage for uninsured Texas children.

Summary of CSHB 2962

CSHB 2962 would create a new kind of CHIP coverage for uninsured children with working parents earning between 200-300 percent FPL (*before taxes, $44,100 to $66,540 a year for a family of four*). Children in these families would be able to buy discounted CHIP coverage, paying a "sliding" monthly premium that increases with income. LBB estimates this new CHIP program will cover 31,500 more children in 2010, reaching 82,900 in 2011.

This new CHIP buy-in program would have:

- Much higher family cost-sharing with monthly premiums, and
- Stronger policies to target only uninsured children and discourage dropping private coverage.

Premiums

Targeted at 2.5 percent of family income, premiums would range from about $85 to $120 per month for a family of four. Families would also make co-payments for office visits, prescriptions, etc.

Preserves Existing Coverage

Children must be uninsured for six months to qualify for this program. To discourage taking children in and out of coverage, parents who quit paying premiums will also face a waiting period to re-enroll children.

Full-Cost Buy-In 300-400 Percent FPL

The bill would allow children losing CHIP or Medicaid due to higher family income to choose to buy CHIP at full cost (no cost to state budget) IF their incomes are still below 400 percent FPL <u>and</u> they lack access to Employer Sponsored Insurance.

Parents will contribute more than the state to the CHIP Buy-In from 200-300 percent FPL, and the federal match is even higher.

The latest Legislative Budget Board (LBB) fiscal note for CSHB 2962 estimates that the state's GR cost for 2010-2011 will be $43.2 million, while:

- Parents will contribute $49.2 million, and
- Federal CHIP match will contribute another $105.5 million.

Comparing CSHB 2962 and SB 841

CSHB 2962 is very similar to SB 841 by Averitt, which passed the full Senate 28-2. Both bills create a virtually identical 200-300 percent FPL CHIP Buy-In program with monthly premiums and stricter standards to discourage dropping private coverage and adverse selection. However, some differences exist between CSHB 2962 and SB 841.

SB 841 moves the CHIP asset test to 250 percent FPL; CSHB 2962 does the same and also specifies changes in the asset limits to make them appropriate for this higher-income group of families (sections 2, 14).

The Senate bill moves the current six-month review of income for CHIP children from 185-200 percent FPL (created in 2007 by HB 109) up to 285 percent FPL; CSHB 2962 eliminates that check instead for 2 reasons:

1. Keeping the check would disqualify Texas from receiving bonus payments under federal CHIP Reauthorization (CHIPRA) for enrolling more uninsured children; and
2. The current check has been a failure; HHSC is only able to find adequate income data in 3rd-party databases for fewer than 2 percent of the children 185-200 percent FPL who are reviewed. The rest of the families actually have to provide new paperwork, even though the check was intended to be 100 percent electronic.

The House bill says premiums will be "approximately" 2.5 percent of family income, SB 841 says "not more than 2.5 percent"; House language is simply to clarify that the intent is to be as close as possible to 2.5 percent (i.e., not less than).

CSHB 2962 includes a Full-Cost Buy-In option for children 300-400 percent FPL who would otherwise lose eligibility, to be structured to have no cost to state. SB 841 originally included this provision but there were HHSC technical issues with the program, which the CSHB 2962 version fixes. Technical Floor Amendment to CSHB 2962 is expected to clarify that only children exiting CHIP or Medicaid can participate, which will limit enrollment while HHSC works out the implementation challenges.

CSHB 2962 restores ability to deduct Child Support payments made to another household from income when qualifying for CHIP (eliminated in 2003). A small but significant number of children cannot access CHIP because their family income is calculated as including funds that are not available to that household, but instead were paid to another household in the form of child support. As a result, two different families must report that same payment as income.

The House bill ensures that college savings plans can be excluded from counting as an asset for CHIP, Medicaid, TANF and SNAP. This encourages saving for college, and simplifies processes for HHSC by making policy consistent across programs (Sections 7, 11,12).

CSHB 2962 strengthens HHSC outreach and application assistance activities for CHIP and other benefits HHSC administers. Community-based organizations' responsibilities and workload have nearly tripled since 2006, but we are spending less than in 2002 when they only served CHIP applicants.

Section 9 of CSHB 2962 directs HHSC to ensure that all needed actions are taken to draw federal Stimulus Medicaid funding ; it is assumed that this would already be done and has no cost to the bill.

CSHB 2962 Section 10 directs HHSC to implement prospective payment systems for federally qualified health centers and rural health clinics as required by new federal law; it is assumed that this would already be done and has no cost to the bill.

CSHB 2962 Section 13 directs HHSC to develop a plan to improve eligibility outreach and streamline eligibility paperwork and systems.

Crowd-Out Provisions and Research

Texas' original CHIP statute already includes anti-crowd-out provisions which will apply to the new coverage.

Insured children living in families earning less than 200 percent FPL cannot enroll in Texas CHIP now, and they must have been uninsured for at least 3 months to qualify.

> Sec. 62.154. WAITING PERIOD; CROWD OUT
>
> (a) "…the child health plan must include a waiting period and may include copayments and other provisions intended to discourage:
>
> (1) employers and other persons from electing to discontinue offering coverage for children under employee or other group health benefit plans; and
>
> (2) individuals with access to adequate health benefit plan coverage, other than coverage under the child health plan, from electing not to obtain or to discontinue that coverage for a child.
>
> (d) The waiting period (**FOR CHILDREN BELOW 200 percent FPL**) required by Subsection (a) must:
>
> (1) extend for a period of 90 days after the last date on which the applicant was covered under a health benefits plan; and
>
> (2) apply to a child who was covered by a health benefits plan at any time during the 90 days before the date of application for coverage under the child health plan.

CSHB 2962 adds new, stricter anti-crowd-out provisions.

Under CSHB 2962, children from 200-300 percent FPL must be uninsured for **six months** to qualify, and research suggests that this waiting period can virtually eliminate crowd-out.

- Section 4: Waiting period of six months – twice as long as for original Texas CHIP (<200 percent FPL).
- Section 3: Monthly premiums equal to 2.5 percent of family income, plus co-payments which can add up to 5 percent of family income. Premiums increase along with family income and size.
- Sec. 5 and CSHB 2962 Floor Amendment: Lock-Out for non-payment: To discourage dropping coverage when children are healthy and re-enrolling when care is needed, children whose parents stop paying will have to wait an additional period before they can re-enroll. This applies to both the 200-300 percent FPL group and the smaller Full-Cost Buy in group.

Texas CHIP evaluation research finds very little crowd-out

The Federal CHIP law requires states to limit crowd-out and requires an independent program evaluation. The University of Florida's Institute for Child Health Policy (ICHP) evaluates Texas CHIP. ICHP reports that:

- Just 3 percent of children enrolled in Texas CHIP below 200 percent FPL did so after waiting out the 90-day waiting period.
- Only 24 percent of CHIP children had employer coverage "offered", and 81 percent of these said they could not afford their share of the "offered" coverage.
- The cost of the employer coverage (declined) averaged 11 percent of family income.

For more information, see:
http://www.hhsc.state.tx.us/news/presentations/032404_HSCSHCE.pdf

Dropping employer coverage is not an issue at all for half of Texans. Texas has one of the lowest rates of access to employer-sponsored insurance: 49.6 percent of Texans do NOT get coverage through their job, or spouse or parent's job (compared to 40.7 percent nationwide).

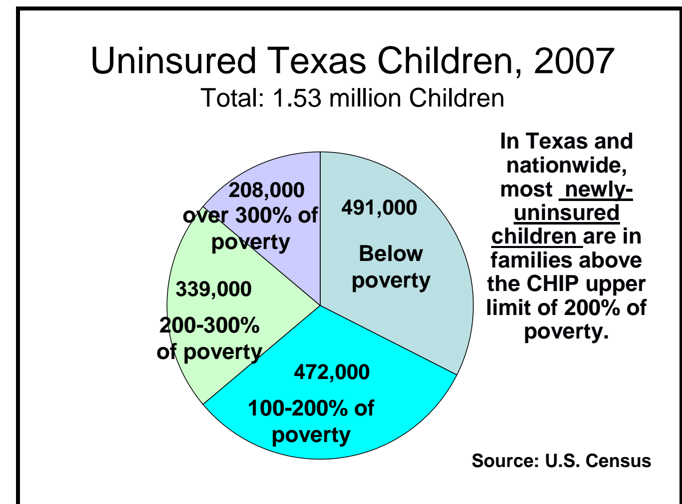
Texas Needs a CHIP Buy-In Program

More than a third of Texas' 1.5 million uninsured children live in families earning more than the CHIP Income Cap

- More than two-thirds of newly uninsured U.S. children in 2006 were in families above 200 percent FPL, above the current limit for Texas CHIP. Census 2007 numbers indicate that the number of uninsured Texas children from 200-300 percent of poverty is growing. (U.S. Census)
- Very few uninsured children from 200-300 percent FPL have access to insurance through their parents' jobs:
  - About 80 percent of uninsured children between 200-300 percent FPL live in a family where their parent does not have access to an employer-based plan that covers children; [1]
  - Fewer than 8 percent of U.S. families between 200-400 percent of poverty turn down employer-sponsored health care.[2]
- Half the private companies in Texas do not offer any health benefits at all.[3]
  - Less than 8 percent of the Texas private sector has employer-paid full family coverage for their workers.
- From 1996-2006, the average cost of family coverage in Texas increased 85.7 percent, but our incomes increased just 8.6 percent. With premiums growing 10 times faster than incomes, coverage becomes less affordable for more and more Texans every year.

Today's individual insurance market is not a solution for many Texas children

Families without employer-sponsored insurance for their children can turn to the individual health insurance market for care, which research shows is often unaffordable and limited in scope—or denied altogether to children with medical conditions.



- One study found that families with incomes between 200-299 percent FPL who purchased insurance in the individual market spent 21 percent of their income on medical costs, including premiums and cost-sharing, even though only relatively healthy people were able to buy the individual-market coverage at all.[4] TDI does not regulate individual insurance rates at all.
- A 2004 study found people with individual private insurance paid much higher share of their total health care bill out-of-pocket (55.3 percent) than did those with employer-sponsored group coverage (31.9 percent).[5]
- In 2008, an estimated 50.7 million insured Americans under 65 with health insurance spent more than 10 percent of their family pre-tax income on health care, and 13.5 million of these insured Americans spent more than a quarter of their family income on health care.[6]
- Another study: One-third of persons in poor health who sought coverage in the individual market were either denied coverage or charged a higher premium for their pre-existing conditions.[7]

[1] Linda Blumberg and Genevieve Kenney, "Can a Child Health Insurance Tax Credit Serve as an Effective Substitute for SCHIP Expansion?," Urban Institute, October 2007.

[2] Lisa Clemans-Cope, Bowen Garrett, and Catherine Hoffman, "Changes in Employees' Health Insurance Coverage, 2001-2005," Kaiser Commission on Medicaid and the Uninsured, October 2006; Center on Budget and Policy Priorities, November 5, 2007, "Martinez Bill Would Weaken Children's Health Coverage Bill."

[3] *TDI, Medical Expenditure Panel Survey 2006.*

[4] Linda J. Blumberg et al., "Setting a Standard of Affordability for Health Insurance Coverage," Health Affairs web exclusive, June 4, 2007.

[5] J. S. Banthin, P. Cunningham, and D. M. Bernard, Financial Burden of Health Care, 2001-2004, Health Affairs, January/February 2008, 27(1):188–95

[6] Kim Bailey, Too Great a Burden: America's Families at Risk (Washington: Families USA, December 2007).

[7] CBPP, Op. Cit., Collins et al., "Squeezed: Why Rising Exposure to Health Care Costs Threatens the Health and Financial Well-Being of American Families," The Commonwealth Fund, September 2006.

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