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CHIP Update: Legislature Considering Only Partial Restoration of 2003 Cuts

The Good News and Bad News as End of Session Approaches

There are two ways in which the changes and cuts to CHIP imposed by the 78th Legislature in 2003 can be reversed: through the budget bill, and through separate bills designed to restore the original CHIP program policies. So far, the conference committee on SB 1 (the state appropriations bill for 2006-2007) has agreed only to restore CHIP vision and dental benefits, and to allow a new (less expensive) CHIP premium policy to be implemented. No bills have been passed to reverse the remaining 2003 CHIP cuts. This *Policy Page* sums up what is “on the table” for CHIP restoration, what is at risk in terms of NEW cuts, which of the 2003 cuts seem likely to remain, and recommends top-priority changes.

What the 2003 Legislature Did:

The CHIP benefit cuts and eligibility policy changes adopted by the 78th Legislature included:

- (1) Coverage period reduced from 12 to 6 months;
- (2) Elimination of CHIP dental and vision benefits, hospice; skilled nursing facilities; tobacco cessation; chiropractic services. Mental health coverage reduced to about half of the coverage provided in 2003;
- (3) Across-the-board 2.5% rate cuts for CHIP medical providers;
- (4) Increased premiums and co-payments;
- (5) 90-day delay in new coverage taking effect;
- (6) Elimination of income deductions for child care and child support;
- (7) New asset “test” (limit); 6,900 children lost or were denied coverage since August 2004;
- (8) Outreach and marketing were reduced by more than half.

The Good News: Cuts Approved for Reversal

The budget bill for 2006-2007 assumes that (1) CHIP vision, dental, and hospice benefits will be restored (part of #2 above), and (2) that a new, more affordable premium policy will be implemented (part of #4, above). Taken together, these changes should help make the CHIP benefit more accessible and attractive to low-income working parents.

Proposals to Reverse Cuts under Consideration, But NOT Approved by the Budget Conference Committee

The Senate’s budget bill also included \$12.4 million GR to restore the 2.5% cut in CHIP rates (#3 above), and \$3.3 million GR to fully restore CHIP mental health coverage to 2003 levels (part of #2, above). But so far, the budget conference committee has not agreed to fund these restorations, and it is not at all clear if the final budget will fund them.

The Bad News: Remaining Cuts Unlikely to be Restored, and One New CHIP Cut Possible

The bill considered to have the strongest chance of restoring the other CHIP cuts, SB 59 by Senator Kip Averitt, has never had a public hearing, and unless state leaders take action quickly it appears that all the other changes imposed by the 78th Legislature may stay in place. In addition, the House budget introduced a proposal (authored by Representative Carl Isett) to eliminate or reduce CHIP coverage of children who are lawful

permanent residents of the U.S. (legal immigrant children). **This raises the possibility that a new CHIP cut may actually be imposed, adding to the 2003 cuts not reversed.**

To recap, the CHIP cuts that will remain unless quick action is taken include (asterisks indicate items still under consideration in the budget conference committee process):

- (1) Coverage period reduced from 12 to 6 months;
- * (2) Mental health coverage about half of 2003 levels;
- * (3) A 2.5% cut in provider rates;
- (5) 90-day delay in new coverage taking effect;
- (6) Elimination of income deductions for child care and child support;
- (7) Asset "test"; and
- (8) Outreach and marketing were reduced by more than half.

Finally, No Room to Grow

In addition, the proposed CHIP budget assumes a continued drop in the number of children covered, and does not allow for enrollment to grow and recover. By adopting these low caseload assumptions (along with lower cost-per-child assumptions than HHSC originally projected), the CHIP budget "price tag" for 2006-2007 was reduced by \$60.6 million GR (assuming continued 6-month coverage).

The budget bill does include a "rider" requiring HHSC to seek additional funding from the Legislative Budget Board (LBB) if a CHIP shortfall "crisis" occurs in 2007, rather than immediately capping enrollment or cutting benefits. Though this step does not guarantee that CHIP enrollment growth will ultimately be funded, it does ensure that the decision whether or not to fund the program will be made in a public process. CPPP and others believe that with important benefits restored and a new enrollment fee system in place CHIP enrollment will grow, even at 6-month coverage. Without additional appropriations to ensure that growth can be accommodated, a shortfall and activation of this CHIP enrollment rider will be virtually inevitable.

Priorities for Restoration

To put CHIP on a solid footing and demonstrate a real legislative commitment to restoring the program, CPPP recommends the following steps be taken immediately.

- (1) **End the 90-day delay in CHIP coverage.** This policy delays health care for newborns and means even children who have been uninsured for their entire lives must wait 3 months for coverage. The original CHIP crowd-out policy was quite effective, more rational, and should be restored.
- (2) **Restore outreach and assistance to families by community-based organizations.** CBO-based outreach should be a mandatory funded component of the CHIP program and the new Integrated Eligibility system.
- (3) **Revise the CHIP asset test.** Currently, the Food Stamp asset limits, designed for a below-poverty population, have been mismatched to the CHIP population, which has incomes up to twice as high. The CHIP asset test should be re-designed to promote desirable savings and realistic vehicle policies for working parents.
- (4) **Make a clear commitment to allow CHIP enrollment to recover.** Parents will likely see CHIP as a good value once again, with important dental and vision benefits restored and a new premium policy that allows them to pay every 6 months. State leaders need to send an unambiguous message that they are committed to funding CHIP growth, at least to 2003 enrollment levels.

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