SB 76: CHILD-ONLY GROUP HEALTH PLANS

CPPP is committed to working for an affordable coverage option for every child in Texas. SB 76 would create new coverage options for some children, but it will also allow the potential substitution of existing adult coverage with coverage for children in some cases. It may also encourage some small employers to drop the plans they offer today for employees and dependents and replace them with plans that cover children only.

Ways to strengthen SB 76

CPPP believes that SB 76 could be a stronger bill if provisions are added to:

- Discourage employers from dropping family (employee and dependent) plans in favor of child-only plans;
- Discourage employees from dropping employee-only or family coverage in favor of child-only coverage;
- Provide clear standards for the minimum benefit package by ensuring that mandated benefits are covered or CHIP coverage is used as a guide; and
- Ensure that the health status of children is not used in setting rates.

Access to coverage increases for some kids; could decrease for some adults

The intention behind SB 76 is to create new coverage options for children who are uninsured. SB 76 could create a net gain in access to health coverage for children whose parent works for a small business that:

- Does not offer health insurance plan because it is too expensive; or
- Offers a health insurance plan, but the parent cannot afford to cover the full family, so buys no coverage.

In these cases, creating a child-only plan may increase access to coverage for children if employers will offer these plans and employees will buy them. This would be a net gain in coverage with no existing coverage displaced. If this bill could limit access to child-only plans to the types of scenarios above where access to coverage for children is increased but not at the expense of existing coverage for employees, CPPP would support this bill. But, as written, the bill does not discourage substitution of existing adult coverage with child-only plans.

Small employers who change their health plan coverage in response to child-only health plans can both increase access for children and decrease access for adults as shown in the table below.

SB 76: Possible Effects on Employers' Decisions to Offer Coverage

Today	After SB 76	Impact
Offers no coverage	Offers child-only coverage	Net gain for children's access
Offers family coverage	Offers both family coverage and a child-only plan	Trade-offs made by employees (table below)
Offers family coverage	Drops family coverage and INSTEAD offers just child-only coverage	Net loss for adult access. Possible new access for kids

On average children tend to be healthier than adults and adults tend to need more health care than children. Replacing coverage for adults with coverage for children is not a net gain and should be discouraged to some degree.

SB 76 does not discourage the substitution of existing coverage at the employer-level. For example, an employer who offers family plans today can drop that coverage and instead offers a less expensive child-only plan. In this scenario all of the employees will lose their own coverage but some previously uninsured children may gain coverage. This type of substitution could be discouraged with a requirement that an employer must offer no health coverage for 6 months (or another appropriate term) before offering only a child-only plan to employees.

If a small employer offers both a family and child-only plan to employees, decisions made at the employee-level could result in increased coverage of children or decreased coverage of adults as shown in the table below.

SB 76: Possible Effects on an Employee's Decision to Take up Coverage

Presupposes employer offers both a family plan and a child-only plan and an employee may choose to apply their employer's contribution to purchase either.

Today	After SB 76	Impact
Offered but turns down coverage for self and child	Can choose to cover just child instead	Net gain for children's access
Covers only self	Can choose to cover just child instead	Adult coverage may be substituted for child coverage
Covers self and children	Can choose to cover just child instead	Net loss of adult coverage

SB 76 does not discourage the substitution of existing coverage at the employee-level either. This could happen under at least two scenarios if an employer offers both a standard family plan and a child-only plan.

- An employee with current employee-only coverage who cannot afford to add her child today chooses to use the money currently going to her own coverage to child-only coverage for her child or children instead. In this scenario existing coverage for an adult is swapped with coverage for a child or children.
- An employee covers himself and his child today through his employer's family plan but chooses to switch to the child-only plan. In this scenario an adult loses coverage but no additional children are covered.

Oregon is the only state that has experimented with child-only plans. Child-only coverage was offered through employers starting in 2005, but because few people purchased the plans, the legislature sunset child-only coverage provisions in 2008. Initially, Oregon did not allow employers to offer child-only plans if they had offered standard family plans in the previous 18 months to discourage employers from dropping family plans for presumably more affordable child-only plans. After child-only plans were introduced to the market, health plans cited the required period of uninsurance as a barrier for employers who wanted to offer these plans, so the requirement was removed. Interestingly, the removal of the waiting period had "no impact" on enrollment as only a "handful" of groups with existing coverage picked up child-only plans.[1] The 18-month wait initially tried in Oregon is longer than needed to discourage substitution, but this type of provision if included in SB 76 would discourage employers from dropping family coverage and instead offering child-only coverage.

These types of provisions are not uncommon. For example, SB 6, the Healthy Texas bill, will create a new, more-affordable coverage option for small employers that is financed in part by the state. To discourage employers from substituting current coverage with Healthy Texas, employers have to be uninsured for at least 12 months, and possibly up to 18 months at the Commissioner's discretion, before they can enroll in Healthy Texas.

Will child-only plans have adequate coverage?

Child-only plans will cover dependents from birth up to age 25 and will need benefits adequate to meet the needs of children and young adults.

SB 76 directs the Commissioner of Insurance to develop the minimum benefits for the plan. We support the idea that these plans need to have a minimum standard for benefits. Child-only plans will not ultimately be of much value if they make coverage affordable by covering only half of the health care children and young adults need.

SB 76 needs to be clear that the mandated benefits applicable to small employer plans also apply to the child-only plans. These are the benefits that the Legislature has decided form a minimum floor for coverage and should be the starting point for minimum coverage required in child-only plans.

Alternately, SB 76 could direct the commissioner to use CHIP coverage as a guide. CHIP coverage is designed to meet children's needs. Short of that, the bill should at least require a stakeholder process or consultation with appropriate medical professionals or representatives to assist the Commissioner in developing the minimum benefits.

Premium rates

Rates for Oregon's child-only plans were based only on the group size (number of children covered through one employer group) and their ages. SB 76 makes child-only plans subject to the current small employer rate bands, which allow rates to be based on health status, industry classification, gender, age, geography, and group size. It may be more appropriate to develop a modified rating system that does not use health status, industry classification, and gender, similar to what Oregon used, for child-only plans.

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[1] Oregon Office of Private Health Partnerships, *Analysis of State-designed Small Employer Health Plans*, April 2007.