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STATUS REPORT: CHILDREN'S MEDICAID ELIGIBILITY SIMPLIFICATION

As many readers know, the Texas Legislature is considering a number of bills designed to simplify and streamline the process of applying for (or re-certifying for) Medicaid coverage for children (under age 19). Put simply, the goal of the bills is to make the process for children's Medicaid identical to that for CHIP, so that parents could submit CHIP's TexCare Partnership application to enroll their children in either program, with no additional steps needed. This legislative initiative is very much alive, despite the tight budget situation. This Policy Page provides an update on the status of that legislation.

BACKGROUND

The implementation of Texas' Children's Health Insurance Program (CHIP) in April 2000 directed a high level of attention to the complexity of the application and re-certification process for children's Medicaid. CHIP uses a simple 2-page application form which can be submitted by mail, and parents are guaranteed 12 months of coverage, even if their income increases during that period. The only documentation absolutely required for most children is proof of income; there is no limit on a family's assets (savings, checking accounts, retirement benefits, vehicles, etc.).

In contrast, parents seeking to cover their children through Texas Medicaid must undergo a much more complex process. Regardless of how the child's Medicaid application is initiated — at Texas Department of Human Services (DHS) office, a hospital-based DHS worker, or through CHIP's TexCare partnership application — a face-to-face interview is required. Parents must document their income and their assets, and often have to sign additional forms and produce additional kinds of proof to complete the application. In addition, parents must report any changes in income or assets within 10 days, and an increase can result in termination of the child's coverage in the next month. Finally, parents must re-appear before a DHS worker every 6 months to re-certify their child. Federal law says that a Medicaid-eligible child cannot be enrolled in CHIP, so for these parents, it's Medicaid or nothing.

Facts that Speak for themselves.

- **Most children referred to Medicaid by CHIP do not make it through the eligibility process.** One measure of parents' response to the current Medicaid application process may be found in the statistics on CHIP applicants referred to Medicaid. When parents mail in a CHIP TexCare Partnership application, but their family income and child's age are such that the child qualifies for Medicaid, those families are referred to DHS and told they must appear for an interview to enroll their children. As of April 2, DHS had processed more than 116,000 referrals from CHIP, but only 24% of those children had been enrolled in Medicaid. Some 67,800 of these children's applications (58%) were denied for procedural reasons, like failure to appear for the assigned interview time, or failure to complete required documentation.
- **Re-certification requirements result in unnecessary disruption of benefits.** How important is continuous eligibility? A recent report from the Texas Health and Human Services Commission found that only about 19% of enrollees in Medicaid Managed care get 12 months of continuous coverage, and more than 55% are not enrolled 12 months later.

(For more background and information on this topic, see *Every Child Equal: What Texas Parents Want from Children's Medicaid* at www.cppp.org, and the Texas CHIP Coalition web page at www.main.org/txchip.)

THE BILLS AS ORIGINALLY FILED

A number of different bills have been filed in both chambers of the Legislature. They include the following components in various combinations.

- 1) Eliminate required face-to-face interview with DHS for children's Medicaid application and re-certification, and adopt documentation and verification requirements that are like CHIP's. (SB 373 by Moncrief, HB 827 by Gray)
- 2) Eliminate the so-called "assets test" for Children's Medicaid, to make that policy the same as for CHIP. (HB 826 by Gray, SB 376 by Moncrief, SB 156 by Truan; HB 828 by Gray and SB 375 by Zaffirini include both 1 and 2)
- 3) Give children on Medicaid 12 months of continuous eligibility, as is the policy for CHIP. (SB 374 by Moncrief, HB 825 by Gray)

Bills that combine 1, 2, and 3: The first children's Medicaid simplification bill filed was SB 43 by Senator Zaffirini. Also combining all 3 components are HB 1604 by Coleman, SB 1156 by Zaffirini, and HB 2541 by Coleman (these last 2 also include a number of other Medicaid-related initiatives).

WHAT ABOUT THE COST?

According to the Legislative Budget Board, which writes the official cost estimates for legislation, the combined impact of all three changes would cost Texas \$421.7 million for 2002 and 2003. Of this, about \$82 million is related to #1 the simplified mail-in application, \$95 million to #2 dropping the assets test, and \$245 million to #3 continuous eligibility for 12 months. However, the LBB has also released an investment budgeting analysis of Children's Medicaid Simplification which concludes that implementing these changes will yield savings to the state from reduced emergency room use, reduced hospital days, increased immunizations, and reduced charity care. Net savings, after the costs of simplification, would be \$4.6 Billion over 10 years, and \$10 Billion over 20 years. Both the House and Senate have language included in Article XI of their respective budget bills that would fund children's Medicaid simplification if legislation passes.

WAYS TO REDUCE THE COST

The Legislature is having to construct a budget within much more limited revenues than in recent years, and a number of other important Medicaid needs also are seeking funding — provider fee increases, new options to serve low-income women with breast and cervical

cancer, and improved community living options for Texans with disabilities, to name a few. As a result, legislative leaders who are committed to simplification are looking for ways to cut the cost and still simplify the process.

Simplified Asset Test. At least one modification of the original bills is likely to be adopted. Rather than eliminating the assets test for children's Medicaid (#2 on the list above), the state would instead get rid of any documentation (proof) requirements for the assets test, and would use the current 3-question test now in use by the CHIP TexCare Partnership. This would mean that parents could use the TexCare Partnership 2-page mail-in application to enroll their children in Medicaid, without a trip to DHS, and without providing any additional proof or forms that CHIP parents don't have to provide. This is appealing to lawmakers, because nearly one-third of children currently enrolled in CHIP are there strictly due to assets; their income alone falls in the Medicaid range. If the asset test were eliminated these children would have to switch to Medicaid coverage when they reach the end of their 12-month coverage period in CHIP. And, because CHIP provides Texas with a much more favorable federal matching funds rate (about 72 cents on the dollar for CHIP, compared to 61 cents per dollar for Medicaid), many fiscally conservative legislators favor steering as many children into CHIP as possible. Some ideologically conservative legislators also prefer policies that favor CHIP enrollment, because CHIP is not an entitlement program. The Center believes that the most important goal is creating policies that do not treat higher-income parents and children better than slightly less well-off parents. This modified assets test is acceptable because it still allows a true combined mail-in application and re-certification system for both Medicaid and CHIP.

Modifications of the 12-Month Continuous Eligibility Proposal. Because the LBB estimates the highest costs are tied to continuous eligibility, some legislators are looking for a less ambitious, and less costly, proposal. The Committee Substitute for SB 43 passed by the Senate Health and Human Services Committee on 4/5 would limit 12-month continuous eligibility to children under the age of five. Other approaches that could be taken include offering six months of continuous eligibility to all children, or phasing in continuous coverage to all children on Medicaid born after a certain date. Also, providing retroactive coverage to children who leave Medicaid, but who experience a delay in getting enrolled in a CHIP health plan, could help ease the transitions between programs that will inevitably occur under any scenario. The Center supports

attaining the broadest possible application of continuous eligibility. A 6-month continuous period would be a significant benefit to parents, and would avoid splitting families — having one child covered continuously, and another subject to month-to-month coverage.

WHERE ARE THESE BILLS IN THE PROCESS?

Of the bills listed above, HB 825, 826, 827 and 828 have been heard in the House Committee on Public Health. SB 43, SB 373, 374, 375, and 376 have all been heard in the Senate Committee on Health and Human Services. As this Policy Page is being transmitted, only SB 43 has been voted “out of committee” and is on track for a floor vote by the full Senate. The Committee Substitute for SB 43 (CSSB 43) passed by the Senate Health and Human Services Committee includes the modified (rather than eliminated) self-declared assets test approach described above, and continuous eligibility limited to children under age five (5). For the moment, it appears likely (but far from certain) that SB 43 will be the ultimate vehicle for simplification.

WHAT IS LIKELY TO HAPPEN NEXT?

The very next step will be a vote on the floor of the Senate. If CSSB 43 passes the Senate (as is expected), it will almost certainly be referred to the House Committee on Public Health. House leaders appear less inclined to reduce the continuous eligibility benefit than

the Senate, and it is likely the Committee will vote to strengthen or restore this component of the bill. After any committee changes, the vote will be sent to the full House for a vote. If the House bill differs from what the Senate sent them, the Senate may accept the changed bill, or a conference committee will be appointed to negotiate a final compromise.

WHAT YOU CAN DO

CSSB 43 was passed by the Senate Health and Human Services Committee on a 7-0 vote, with Senators Sibley and Madla absent and not voting. Next steps for Texans supporting children’s Medicaid eligibility simplification include:

1. Thank Senator Zaffirini for her authorship, and the members of Senate HHS who voted for this bill: Senators Moncrief, Carona, Bernsen, Gallegos, Harris, Nelson, and Shapleigh.
2. Contact all other members of the Senate and ask them to support CSSB 43 and to vote on it promptly so it can be sent to the House.
3. Stay tuned for updates on the progress of children’s Medicaid eligibility simplification. You can check on the latest status of bills and get information on how to contact legislators at www.capitol.state.tx.us. Feel free to email the Center at dunkelberg@cphp.org or call 512 320-0222 for more information.

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