



STATE HEALTH CARE AND TANF BUDGET CUTS FOR 2004-05: PRELIMINARY OVERVIEW

HB 1 budget conferees do the best they can with less revenue, but health care and cash assistance for low-income Texans are not spared from cuts

As the 78th Regular Session draws to a close, House Bill 1--the state budget for 2004-05--is nearing the stages of final approval by the House and Senate. This Policy Page describes some of the major social services cuts contained in the budget, which will spend less General Revenue than the 2002-03 budget spent. Once the actual budget bill and conference committee reports on related legislation are available, along with impact information from state agencies, a more comprehensive analysis will be provided.

HEALTH CARE CUTS IN CONFERENCE COMMITTEE REPORT ON HB 1

Provided below are client impact estimates for some of the major service cuts at the Health and Human Services Commission (HHSC), the Department of Mental Health and Mental Retardation (MHMR), the Department of Health, and the Department of Human Services (DHS) resulting from the conference committee budget. This is the best information available at the moment. More detailed estimates for these and other agencies, including information about cuts to smaller programs that have not received as much attention during the legislative process, will be provided as soon as possible.

Reduced Medicaid Community Care Service Levels for Elderly Texans and Disabled Adults: Hard work by the conferees retained eligibility for existing client categories, but proposed funding levels for community care for the elderly and disabled will reduce the hours of support services for about 100,000 elderly or disabled Texans who now receive help to remain at home, rather than in a nursing home. Under the conference budget, almost all clients (i.e. all but about 1,800 of the fiscal 2003 enrollment of 101,500) will have hours of service cut by 15%.

Reductions in other Community and Long Term Care: The conference budget will reduce through attrition the number of Community Care-Medicaid Waiver enrollees to a specified cap, reducing the number of persons served by 3,452 (from current 2003 enrollment of 33,756, to fiscal 2005 enrollment of 30,304). The In Home and Family Support program (2003 enrollment of 4,221 clients) will be reduced to 1,876 clients, a cut of 2,345 clients. State-funded Long-Term Care will be

reduced by 2,856 clients (non-Medicaid 2003 enrollment of 16,827 clients, versus 13,971 for fiscal 2005).

Reduce Medicaid Maternity Coverage For Low-Income Pregnant Women: This Medicaid coverage is for prenatal care, delivery, and postpartum care for 60 days after delivery, including treatment of any medical condition that may complicate the pregnancy. Under current policy, Texas covers women up to 185% of the federal poverty level (FPL); HHSC projects that a total monthly average of 113,326 women would have been covered in 2005 at the current policy of 185% FPL. The conference budget funds coverage to 158% FPL, which will reduce coverage by about 8,300 women per month (but because maternity coverage is for less than a full year, the total number of affected women in a year will actually be higher than this number).

Eliminate Medically Needy Spend-Down Program (Temporary Coverage for Families with High Medical Bills): The Medically Needy "Spend-down" program gives full Medicaid benefits on a month-to-month basis to certain families with large medical bills. The program currently includes individuals in families with dependent children who have large medical bills that, when subtracted from earnings, reduce their income to 22%-31% of the poverty level (\$395 per month for a working parent with 2 children, or \$275 per month for a non-working parent of 2). The conference budget eliminates this coverage entirely, leaving a monthly average of 9,959 "Medically Needy" adults with dependent children in 2005 with no health coverage. As with maternity benefits, because Medically Needy is temporary month-to-month coverage, the total number of individuals

affected by the program cut in a year will be much larger than the monthly average.

Changes to Children's Medicaid Simplification: Assumptions about roll-backs and delays of children's Medicaid simplification were built into HHSC's budget request for 2004-05. These were: (1) maintaining current 6-month continuous coverage (rather than the phase-in of a 12-month period mandated by SB 43 of the 2001 session), (2) imposing a "stricter" assets test, and (3) reinstating mandatory face-to-face DHS application and renewal. However, the budget conferees agreed to maintain access to mail and telephone application and renewal for most children (DHS is given discretion to request in-person interviews in selected cases). Descriptions of the stricter assets policy have thus far been limited to more rigorous verification of asset information, as opposed to imposing greater documentation demands on parents. As such, there is reason to hope that the application and renewal process can continue to be relatively simple for most parents.

Unlike the other changes described in this analysis, these changes are not projected to bring the number of enrolled clients below current levels. Instead, HHSC projects that these changes would slow growth in children's Medicaid enrollment to a very low rate. HHSC estimates these policy changes would reduce projected 2005 Medicaid enrollment by 332,198 children. In addition, the conference committee adopted House budget Medicaid caseload assumptions (which the House used to reduce Medicaid state General Revenue funding by \$524 million), which actually assume child Medicaid caseloads even lower than those projected to result from the changes to Medicaid simplification. In sum, child Medicaid enrollment, projected in February 2003 to grow by 17.3% in 2004 and 8.4% in 2005, is now assumed to grow by only 2% and 1%.

Children's Health Insurance Program (CHIP): The conference budget keeps eligibility at 200% FPL, but adds an asset limit to CHIP and eliminates most income disregards. The budget also assumes policy changes to CHIP, which were built into HHSC's budget request: (1) imposing a 90-day waiting period for enrollment, (2) reducing continuous eligibility to 6 months (from the current 12 months), and (3) requiring higher co-payments and premiums from clients. These changes, plus the impact of the asset test and removal of income disregards, are projected by HHSC to reduce the number of children enrolled by 169,295 below projected enrollment in 2005 (or, 166,897 below May 2003 enrollment).

Proposed CHIP funding levels assume that the following benefits are eliminated: dental, durable medical equipment (wheelchairs, crutches, leg braces, prostheses, etc.), chiropractic, hearing aids, home health, hospice, mental health, physical therapy, speech therapy, substance abuse services, vision care and eyeglasses. Within the lower per-child funding amount, HHSC and the health plans may be able to provide limited coverage of some of these, but this would be done by reducing costs (coverage) in other services. There is a proposal to try to have Community MHMR authorities provide mental health services to CHIP children, using their existing funds to draw the CHIP federal match.

Medicaid provider rate cuts: Most Medicaid providers will have rates cut by 5% (with nursing home and other long term care providers cut by a lower amount). For doctors, the Texas Medical Association reports this would reduce fees below 1991 payment levels. However, the temporary enhanced Medicaid matching funds just passed by Congress as part of the tax cut bill may be used to reduce the size of these cuts.

Services Eliminated for Aged, Disabled, and Adult TANF recipients on Medicaid: There will no longer be coverage of counseling, podiatric and chiropractor care, eyeglasses, hearing aids, and other optional benefits for adults on Medicaid, principally aged and disabled individuals.

MHMR Reductions in Community Services: Community Mental Health client service levels are not cut, but In Home and Family Support for Mental Health is completely eliminated, and about 2,946 mental health clients (based on current levels) will not receive services. Community Services for Mental Retardation are reduced. An 11% reduction will result in 2,570 fewer clients being served than in 2003 (leaving 20,797 who will be served). Also, In Home and Family Support for Mental Retardation is cut by 61%, and will serve 1,654 clients; leaving 2,587 fewer who will be served compared to 2003.

TDH Programs funded below current service levels: Several programs at the Texas Department of Health were funded at levels either below 2002-03 levels, or simply at the same level, making no allowance for population growth or for inflation. However, client impacts are not easily quantified. The Kidney Health program was funded at the 2002-03 level, and may also use new co-payment proceeds; it appears that TDH will make service reductions but maintain service to the same number

of clients. The County Indigent Health Care program is funded at \$11.2 million; since the program paid out \$7.2 million to counties in 2002 alone (2003 figures are not complete), it seems virtually certain that state funds for counties will not meet county demand in 2004 and 2005. Funding for HIV medications is below the level TDH indicated was needed to maintain the program at current service levels. However, the agency plans to modify clinical (not income) thresholds for receiving services in order to slow new client intake to meet reduced funding. Funding for Women and Children's Health Services and Children with Special Health Care Needs are very close to 2002-03 levels, which means the programs do not have resources to deal with increased population demand or inflation, while much of Primary Health Care funding will be re-directed to fund start-up and expansion of Federally Qualified Health Centers, making those funds unavailable for direct services.

TANF CASH ASSISTANCE CHANGES

Several policy changes agreed to by the budget conferees will provide fewer benefits to Texas' poorest families with children:

- Asset limits for TANF families are cut to \$1,000 (asset limits are currently \$2,000, or \$3,000 for families with an elderly or disabled family member--these levels were set in the major welfare reform legislation of 1995, HB 1863). This change will make nearly 700 current clients ineligible for assistance and deny assistance to an estimated 2,388 clients in the next biennium.
- The current vehicle value limit of \$15,000 for two-parent TANF families has been reduced to \$4,650. (This was part of DHS's budget-cutting plan; DHS does, however, gain some flexibility in setting future vehicle limits).
- The \$60 per child, once-a-year supplemental payments have been cut in half to \$30, affecting 250,374 children in 2004-05.
- Full-family sanctions--the termination of assistance both to adults and to children--will now apply for any infraction of the requirements of the Personal Responsibility Agreement. Non-pregnant adults will also lose Medicaid for non-compliance with work or child support requirements. These new sanctions are estimated to terminate assistance to 57,597 clients (HB 2292).

Not all the conferees' decisions on TANF were negative: TANF assistance will continue to be pegged at 17% of the federal poverty level (for a family of three, \$216 a month in 2003), and the Earned Income Disregard is retained. (These policies had been eliminated or cut back in early proposals.) And finally, the income of the new spouse of a TANF recipient will be disregarded for six months. An estimated 745 clients will benefit from this new policy (HB 2292).

MORE BUDGET IMPACT INFORMATION TO FOLLOW

In the next few weeks, CPPP will be providing information about cuts in other programs as soon as it becomes available. Stay tuned.

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