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## LEGISLATURE'S CHIP POLICY CHANGES HAVE ALREADY REDUCED CHILDREN COVERED BY 49,000

### Also: Update on CHIP Mental Health Benefits

**What's Inside:** The center has received many inquiries about CHIP policy changes adopted by the 78<sup>th</sup> Legislature. Texans are asking whether it is true that the changes will result in a substantial reduction in the number of children covered by Texas CHIP, and if so, how big will the reduction be? Some policymakers are suggesting that the CHIP changes affect only a small number of children, but official program data show that this is not the case. This CPPP *Policy Page* provides updated information on CHIP program changes and how they are reducing program enrollment. Key information includes the following points:

- According to official Texas Health and Human Services Commission (HHSC) statistics, average CHIP enrollment will drop in 2005 to around 347,000, which is a one-third reduction from 2003.
- The enrollment reductions result from a combination of changes, some of which actually terminate CHIP coverage for children who were previously enrolled (by imposing an asset limit and eliminating deductions for child care and child support), and others which discourage continued coverage (through more frequent renewals, a delay in coverage taking effect, and higher premiums and co-pays).
- These policy changes have already reduced CHIP enrollment by 11%. Enrollment was down to 458,166 as of November 1, compared to 512,986 in June 2003.
- In addition, this *Policy Page* includes a brief update on the partial restoration of CHIP mental health benefits announced by the Governor on October 20.

#### OFFICIAL HHSC CHIP ENROLLMENT PROJECTION FOR 2005, COMPARED TO 2003 ENROLLMENT

The official HHSC projection of CHIP enrollment for 2005 (monthly average) is **346,818**. You can find this figure in HB 1 (78<sup>th</sup> Texas legislature, regular session: the 2004-2005 budget bill); it is the first outcome measure at HHSC Goal C in Article II. Of course, the number describing the enrollment reduction resulting from policy changes enacted by the 78<sup>th</sup> Legislature depends on which earlier point-in-time enrollment figure is used for comparison to the projected 2005 caseload.

Some of the options for comparison are (from largest to smallest):

- 1) Official HHSC projections of expected CHIP enrollment in 2005 without the policy changes adopted by the 78<sup>th</sup> Legislature, of **516,113** children according to HHSC's March 2003 budget presentations to the Legislature), or

- 2) Official HHSC CHIP enrollment at some recent point in time; in May 2003 it was **513,715**; and in June 2003 it was **512,986**. (*Note: May 2002—not 2003—was the all-time CHIP enrollment high, over 529,000*); or
- 3) The average monthly CHIP actual enrollment for all of fiscal year 2003, which was **506,926**.

All of these figures are official HHSC projections or HHSC actual enrollment counts. When the Legislature voted to approve the budget, they had both the official 2005 enrollment projection of 346,818 and the May 2003 enrollment of 513,715 available to them. As the table above shows, HHSC projects a CHIP caseload reduction of at least 32% by 2005, no matter which number is chosen for comparison. Depending on the time period chosen, this reflects a reduction of 160,000-169,000 covered children by 2005.

*Official HHSC CHIP enrollment figures already confirm that CHIP policy changes are reducing the number of children*

HHSC Estimates of CHIP Enrollment: Alternative Ways to Measure the Impact of HB 1 and HB 2292*		
	Monthly Average	% Drop
Projected Enrollment in 2005, before HB 2292 and HB 1	516,113	
Projected Enrollment in 2005, after HB 2292 and HB 1	346,818	
Difference	<b>169,295</b>	<b>32.8%</b>
May 2003 Enrollment	513,715	
Difference (May enrollment and projected 2005 enrollment)	<b>166,897</b>	<b>32.5%</b>
June 2003 Enrollment	512,986	
Difference (June enrollment and projected 2005 enrollment)	<b>166,168</b>	<b>32.4%</b>
Average actual monthly enrollment in FY 2003	506,926	
Difference (average 2003 enrollment and projected 2005 enrollment)	<b>160,108</b>	<b>31.6%</b>

*Source: All numbers are from HHSC historical enrollment data and enrollment projections. HB 1 is the state budget bill for 2004 and 2005; HB 2292 included a large number of program cuts to achieve the reduced budget allocations in HB 1*

enrolled. October 1 enrollment was reported at 488,690, and November 1 enrollment is 458,166.

#### **CHIP Changes by 78<sup>th</sup> Legislature Include Policies that Terminate Coverage of Previously Enrolled Children**

As the table above illustrates, the policy changes enacted by the 78<sup>th</sup> Legislature are projected by HHSC to reduce CHIP enrollment to 32% below the number enrolled in 2003, when lawmakers voted to adopt the budget. This reduction results from 5 distinct policy changes. Two of these changes (the first two listed below) were not part of the HHSC-recommended changes that were discussed from the beginning of the appropriations process. Instead, these changes were introduced by House Appropriations negotiators in the final hours of negotiations of the Conference Committee on HB 1. **Implementation of these two policy changes actually terminates CHIP eligibility for currently enrolled children, a scenario never debated by the Legislature as a whole.**

1) **The addition of an “asset limit” for children in families with incomes at or above 150% of the federal poverty income level (FPL: \$27,600/year for a family of 3).** This limit, modeled on Texas Food Stamp policy, will be \$5,000, and will include any money in checking or savings, plus the “countable” value of vehicles.

While the total countable asset limit (at \$5,000 per family) is more than twice that for children on

Medicaid (set at \$2,000), the CHIP vehicle policy is actually more restrictive than for children’s Medicaid. Children’s Medicaid exempts one family vehicle entirely, and then counts any value in excess of \$4,650 of additional vehicles toward its \$2,000 limit (i.e., any excess vehicle value is added to the checking and savings amounts). The Food Stamp/CHIP policy exempts only \$15,000 of the first vehicle, and after that (like children’s Medicaid) counts all value in excess of \$4,650 of additional vehicles toward the \$5,000 total limit. In Food Stamps/CHIP a vehicle may only be exempted if it is actually used for a parent’s job, e.g., a vehicle used to transport the tools of the trade to each job site (just needing the vehicle to get to a job does not qualify for exemption).

Because HHSC has no data whatsoever on the assets possessed by Texas families at this income level (Food Stamps benefits end at 130% FPL, and the U.S. Census collects no state data on assets), it is impossible to predict with any accuracy the enrollment impact of this change.<sup>1</sup> **This policy will not be implemented until early in 2004, according to HHSC.**

2) **The elimination of all income deductions (e.g., child support paid out, child care costs) so that gross, rather than net, income determines CHIP eligibility.** Like the asset test, this change actually terminated coverage for currently eligible children in the upper income

range for CHIP (this policy took effect 9/1/03). CPPP recommended that the deduction of child support paid to another family be retained, as an incentive for payment of child support and to prevent 2 different families from having to claim the same income, when only one family actually receives it. However, HHSC did not retain this deduction, or any of the deductions previously allowed. The impact of this cut is already evident in the November 2003 CHIP enrollment figures; about 16,800 children lost CHIP coverage due to this change.

Of particular concern is the response of families between 100-150% FPL, whose premium costs have increased from \$15 per year to \$180 per year.

**Recap: Who Is Included in the CHIP Caseload Reduction?**

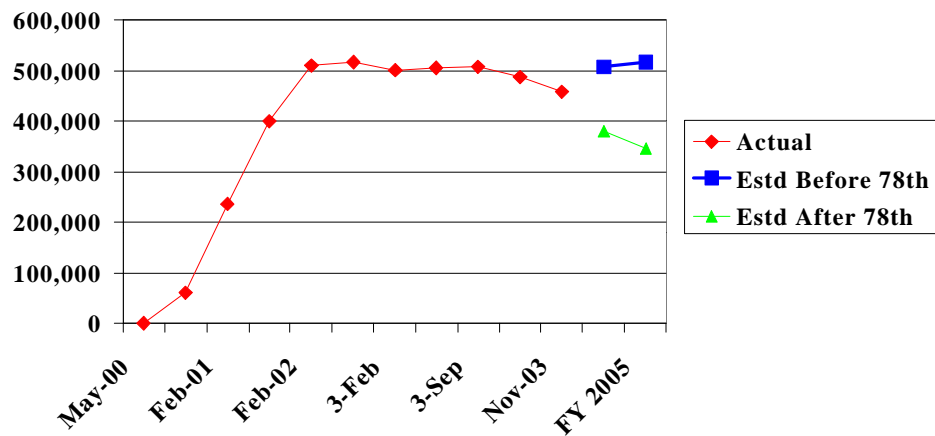
The reduction includes:

- Currently enrolled children who are cut off the CHIP rolls by new asset limits and the elimination of child care and child support deductions (as well as future applicants who will not qualify for the same reasons);
- Children whose parents drop coverage because of new, higher premiums and co-pays;

- 3) **90-day waiting period before newly enrolled children's coverage takes effect.** This change does not terminate eligibility for currently enrolled children. It will reduce CHIP spending in two ways. First, it will create a one-time shift of costs into the future, because new enrollees in September 2003 will not actually get benefits until December, etc. This effect accounts for a significant amount of the reduction in enrollment already seen in October and November. Second, it may reduce CHIP premiums over time, because parents who do not try to enroll their children until they are ill or injured will not have coverage for the first several months of medical bills.

## Texas CHIP Enrollment

### May 2000 to November 2002



Source: All figures from Texas Health and Human Services Commission

- 4) **Six-month coverage period (down from 12 months under previous policy).** This change does not terminate eligibility for currently enrolled children. It reduces CHIP enrollment by speeding up the transfer of children to the Medicaid program if family income has dropped (which will cost the state more), or dropping them completely (removing them to the ranks of the uninsured or to private coverage if family income increases). It is also expected that enrollment will fall as a result of the inevitable percentage of parents failing to renew even though their children remain eligible, an effect that is compounded by requiring renewal more often.
- 5) **Increased premiums and cost-sharing.** This change does not terminate eligibility for currently enrolled children. It reduces CHIP enrollment because some parents will not (or cannot) pay the higher premiums.

- Children whose parents fail to renew their coverage, expected to increase now that more frequent renewal is required;
- Children whose family income has dropped who are moved to Medicaid (with a higher cost to the state) more quickly due to the 6-month renewal period, as well as children whose income is now too high for CHIP; and
- The 90-day delay in new coverage taking effect will also produce an absolute ongoing reduction in enrollment, which may be compounded if parents decide not to enroll their children in CHIP because of the perceived reduced value of the product (e.g., if their child has an acute medical care condition now that is not expected to persist past the 90-day wait period).

**Thus, the CHIP caseload reductions are not limited to new children not being eligible (i.e., children who would**

have qualified under the old rules). Caseload reduction will, in fact, result from a combination of current enrollees being terminated, current enrollees dropping out, and reduced new enrollment.

Agency Estimates are “Soft.” Finally, it should be noted that the impact of all these changes is truly unknown and unpredictable; the official HHSC estimates are really just “best guesses.” In fact, when the asset limit for families at 150% FPL and above and the elimination of income disregards were added at the last minute in the budget process, no additional impact on enrollment was ever estimated by HHSC (that is, their caseload impact estimate for 2004 and 2005 did not change). Given that these 2 changes directly terminate CHIP benefits for current enrollees (unlike the other policy changes), we should all be aware that the ultimate impact of these CHIP policy changes is unknown, and could be even deeper (or, possibly less severe) than these estimates suggest.

#### VICTORY FOR TEXAS ADVOCATES: PARTIAL RESTORATION OF CHIP MENTAL HEALTH BENEFITS

Due to decisions made in drafting the state’s budget for 2004 and 2005, these CHIP benefits have been eliminated: dental services; hospice care services; skilled nursing facilities; tobacco cessation programs; vision benefit (including eyeglasses and exams), and chiropractic services. The budget, as passed in May 2003, also assumed the elimination from CHIP of all mental health therapeutic or counseling services, as well as all psychiatric hospital services for children, and all substance abuse services. Though no legislation abolished these specific benefits, the Legislature repealed the state law that directed that CHIP benefits be as generous as those provided to state employees.

Based on these legislative directives, HHSC requested approval in July from federal CHIP authorities to eliminate the benefits listed above. CPPP submitted an analysis of the requested changes to federal authorities, noting that with the virtual elimination of mental health coverage, Texas would be the only state failing to provide mental health coverage in CHIP. CPPP comments also questioned whether such a “bare-bones” package met the technical requirements of federal CHIP law and the rules required for “Secretary-Approved Coverage” of CHIP benefits. All prior use of the “Secretary-Approved Coverage” option in CHIP has been for benefit packages that are more generous than federal law benchmarks for CHIP coverage, but Texas was requesting the Secretary’s approval for less generous coverage. (read the detailed comments at <http://www.cppp.org/products/policyanalysis/com8-04-03.html>).

A broad base of advocates for children and for mental health access from across Texas responded with a flood of written comments to both federal and Texas CHIP officials, protesting the elimination of mental health benefits (as well as other benefits cuts and changes projected by HHSC to reduce enrollment by more than 30%). Federal authorities apparently agreed that without mental health coverage Texas CHIP could not meet the statutory standard of providing “appropriate coverage” for children and adolescents, and submitted a formal inquiry to HHSC in late August regarding their concerns.

Heeding the concerns of federal officials and the outcry from concerned Texans, the Governor announced on October 20 that CHIP mental health benefits would be partially restored. The proposed coverage would include: 30 days of inpatient mental health treatment per year; 30 outpatient visits for mental health treatment per year; substance abuse detoxification services and 30 days of residential treatment; and 30 outpatient substance abuse visits. Roughly speaking, this coverage is 50% (perhaps less) of the CHIP mental health benefit in place in 2003 before the Legislature’s cuts (coverage then included 60 outpatient mental health visits, 45 days of inpatient mental health plus another 60 days of rehabilitative day treatment; ability to convert inpatient days and rehab days to other services; 14 days of detox or substance abuse crisis stabilization; 60 days of substance abuse residential treatment; 60 days of substance abuse partial hospitalization; and up to 12 weeks of intensive outpatient rehab for substance abuse).

As we go to print, a number of questions are not yet answered about how this restoration will occur, e.g., how “annual” benefits will be allocated given the new 6-month CHIP coverage period; how claims will be paid for services provided since September 1, 2003; and what degree of “conversion” of mental health benefits will be allowed under the reduced benefit. Still, CPPP is pleased to have been able to contribute to the successful team effort by advocates and concerned Texans to educate our state and federal authorities on the negative impact the proposed elimination of mental health coverage would have had. Every individual and organization that contributed to the public dialogue should be proud of this victory.

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<sup>1</sup> For a more detailed explanation, see CPPP Comments on Proposed CHIP State Plan at [http://www.cppp.org/products/policyanalysis/com8-](http://www.cppp.org/products/policyanalysis/com8-04-03.html)

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[04-03.html](http://www.cppp.org/products/policyanalysis/com8-04-03.html), or Comments on CHIP-Related Proposed Rules and Policy Changes <http://www.cppp.org/products/policyanalysis/com7-22-03b.html>.