



Center for Public Policy Priorities

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Public Health Insurance Programs in Texas: Status and Prospects

An Advocate's Perspective

Task Force:

Access to Healthcare in Texas:

Challenges of the Uninsured and Underinsured

Austin, Texas

December 14, 2004

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Context for Funding Texas' Health Care "System"

- Latest US Census Bureau statistics show:
 - 24.6% of ALL Texans, and 26.9% of Texans under age 65, were uninsured in 2003
 - That's about 5.5 million Texans
 - Another 3 million covered by Medicaid or CHIP
 - #1 culprit: Texas has one of the lowest % of **employer-sponsored insurance** (ESI, along with Arkansas, Louisiana, Montana, New Mexico) - 9% below national average for under-65, at 54.8%, and 11.8% below national average for under age 18.

ESI Coverage Trends

- Current Population Survey (CPS) is US Census' main method of collecting this information. Conducted every March (released following Sept.), results refer to prior calendar year. Caveats:
 - Census modified CPS questions several times over 1990s
 - Sample sizes not large enough to support detailed analysis at sub-state level. Researchers often combine 2-3 years data to improve reliability for state analysis, but this obscures year to year changes.
 - Census acknowledges that CPS undercounts Medicaid and CHIP coverage
 - Other longitudinal surveys can tell us more about how coverage status changes over time.
- CPS results for 2003
 - **Far** fewer non-elderly Texans have **private** coverage than US Average: 59.2%, vs. 69.7% US. Difference is largely due to lower ESI (individual coverage is close to natl. average). 54.8% non-elderly Texans have ESI, vs. 63.8% US.
 - Medicaid and other public coverage in Texas are just slightly below national average (Medicaid: US 11.9%, Texas 11.2%)

Health Insurance Coverage of Persons under age 65 by Source, 2003 US and Texas: US Census, CPS

			Employer Coverage						
	Total	Total Private	Total	Own Job	Sp/Dep	Other Private	Total Public	Medicaid	Uninsured
US	100%	69.7%	63.8%	32.3%	31.5%	6.5%	17.1%	12.8%	17.6%
Texas	100	59.2	54.8	28.2	26.6	4.4	17.4	13.8	26.9

ESI Coverage Trends

- **Employee Benefits Research Institute (EBRI)** notes decline in ESI for US from 70.1% in 1987 to current 64.2%. Both number and percent of Americans with insurance declined in 2001, 2002 and 2003 (US Census); “weak economy coupled with rising cost of providing health benefits.”
- **National Survey of America’s Families (NSAF)** gives some insights into causes of recent changes in ESI (1999-2002):
 - Families with 2 full-time workers declined; those with 1 full-time worker increased. Uninsured rates in the latter group increased.
 - Employment in small and medium-sized firms increased, employment in large firms declined.
 - Decline in ESI coverage of children from 1999 to 2002 was higher than for adults. But, this is true among higher-income families as well as low-income, suggesting that public program crowd-out is not driving this trend.
 - **Decline in employer contributions:** e.g., employers paid entire worker premium for 30.7% of workers in 1999, dropping to 27.6% in 2002. For workers in small firms, the drop was from 39.2% to 33.6%

Health Care for Poor & Low-Income Texans

Medicaid:

As of **September 2004**, 2.6 million Texans were enrolled in Medicaid:

- 1.77 million were children
 - about 74,000 of these children, or 4%, were receiving disability-related Medicaid (97% of these on SSI), about 12,900 were pregnant teens;
 - 175,400 in TANF families (6.7% of total caseload)
- 860,300 were adults:
 - 659,000 (77% of the adults) were elderly or disabled. Adults on SSI account for 60% of the aged and disabled recipients (76% of blind/disabled are on SSI).
 - Other adults: 90,600 maternity coverage; 48,600 TANF parents (1.8% of total caseload); 61,000 either TMA (Transitional Medicaid Assistance) or parents who are at or below TANF income, but not receiving TANF cash assistance

Children's Health Insurance Program (CHIP):

- as of September 1, 2003 — 507,259 children
- as of November 1, 2004 — 340,101 (drop of 167,158)

Texas Medicaid Cuts, 2004-05 Budget

Restored

- **Medicaid Maternity Coverage For Low-Income Women:** cut coverage from 185% of the federal poverty level to 158% of poverty.
 - HHSC proposed, and LBB approved restoring to 185% FPL for FY 2005 (\$20.3 million), eff. 9/04.
 - **Medicaid Community Care** Hours of Service for 100,000 Elderly Texans and Disabled Adults were cut by 15% in the state budget, but HHSC added money last summer for 2004, and again in August 2005 (\$141 million) to prevent cutting care in 2005.

Cuts that Remain- Eligibility and Benefits

- **Medically Needy Spend-Down Program for Parents** (Temporary Coverage for Families with High Medical Bills).
- **TANF Parents** Now Lose Medicaid due to Work Sanctions (total TANF enrollment down 122,000 from a year ago, but Medicaid “parent coverage” down about 37,000 since July 2003).
- **Other Community and Long-Term Care:** Other programs for aged and disabled have had to reduce the numbers of people they serve or reduce the services they give.
- Cut the **personal needs allowance of Medicaid nursing home residents** (the monthly amount that Medicaid nursing home residents may keep from the SSI, Social Security or other pension income, the rest goes to the nursing home) from \$60 to \$45.

Medicaid Cuts, 2004-05 Budget

Cuts that Remain- Eligibility and Benefits

**Eliminated these services for ALL ADULTS on Medicaid:
(Aged, Disabled, Adult TANF recipients, Pregnant Women)**

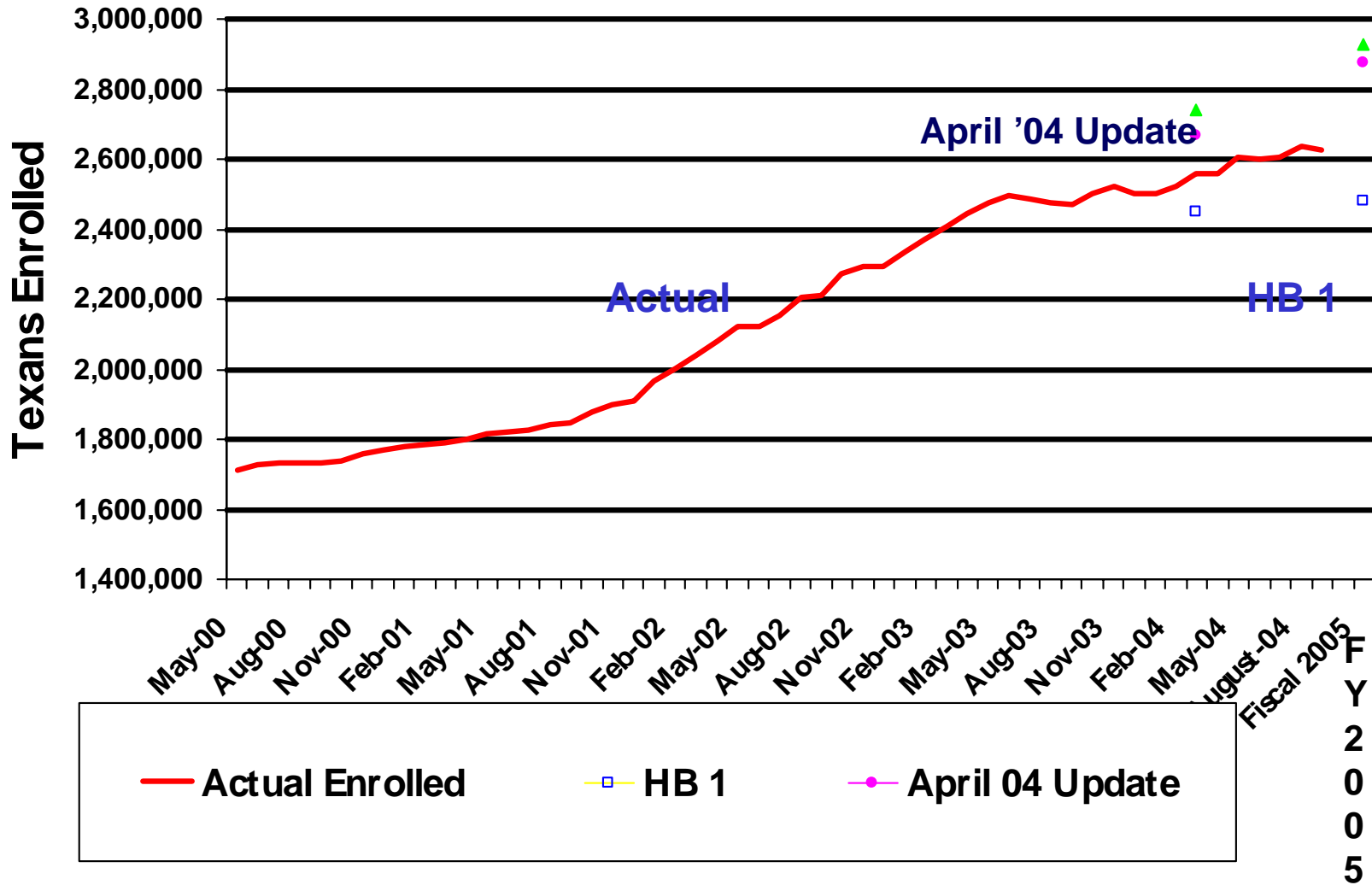
- **mental health services** by social workers, psychologists, licensed professional counselors, and licensed marriage and family therapists,
- **podiatrists,**
- **chiropractors,**
- **eyeglasses and hearing aids**

Medicaid provider rate cuts:

- Most Medicaid and CHIP providers had rates cut. The budget would have cut them even more, but in August 2003 state leaders added funds to reduce the size of the cuts for 2004, so that hospitals and doctors have still had a rate cut of 2.5% instead of 5%; nursing homes 1.75% instead of 3.5%, and community care providers by 1.1% instead of 2.2%.
- In August 2004, HHSC proposed and LBB approved keeping the cuts at the same level for 2005 (i.e., not making deeper cuts); \$53.2 million allocated for this. Exception: hospitals ARE taking a deeper 5% cut.

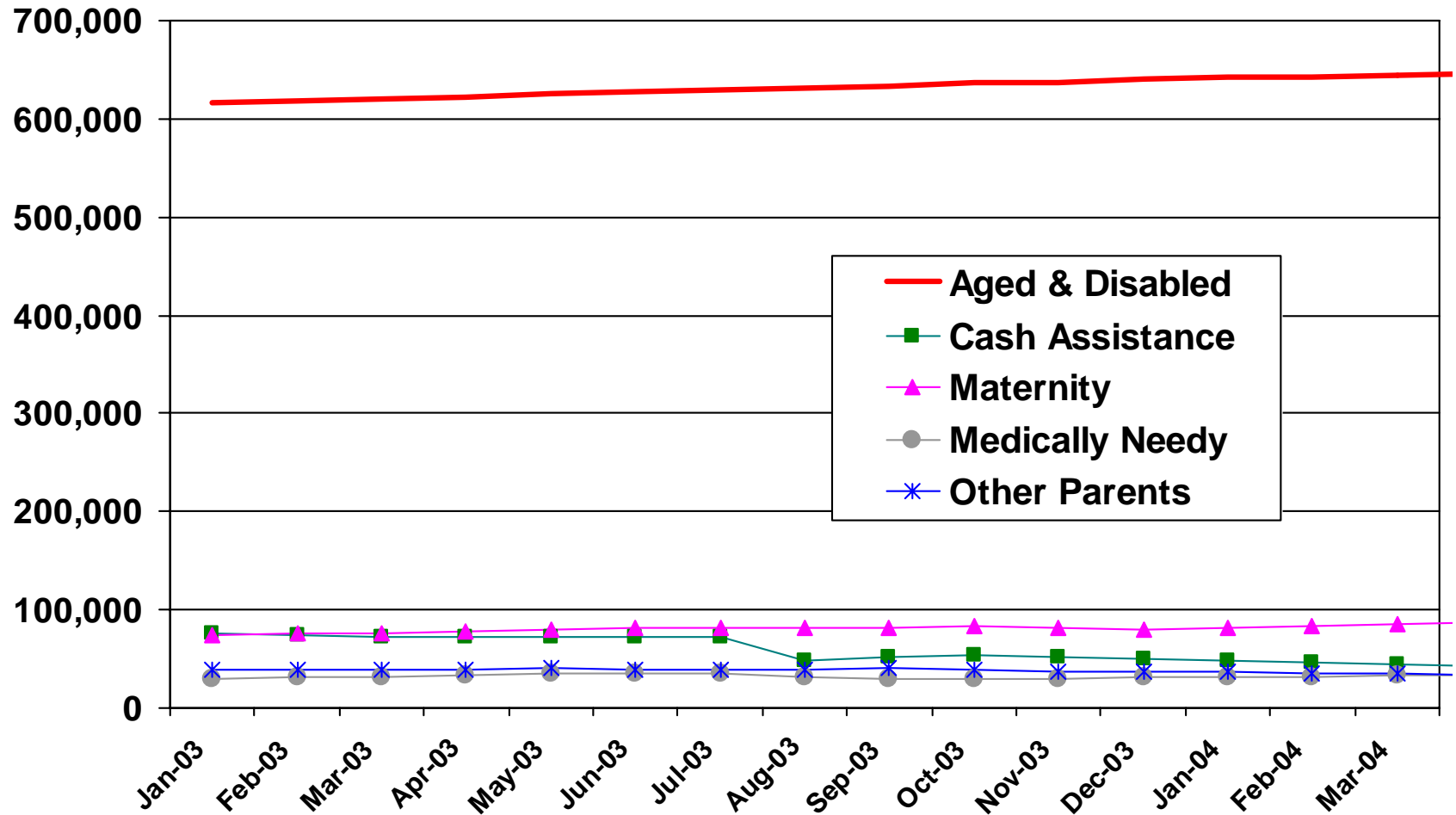
Texas Medicaid Enrollment

Monthly average, May 2000 to September 2004



Source: Texas Health and Human Services Commission

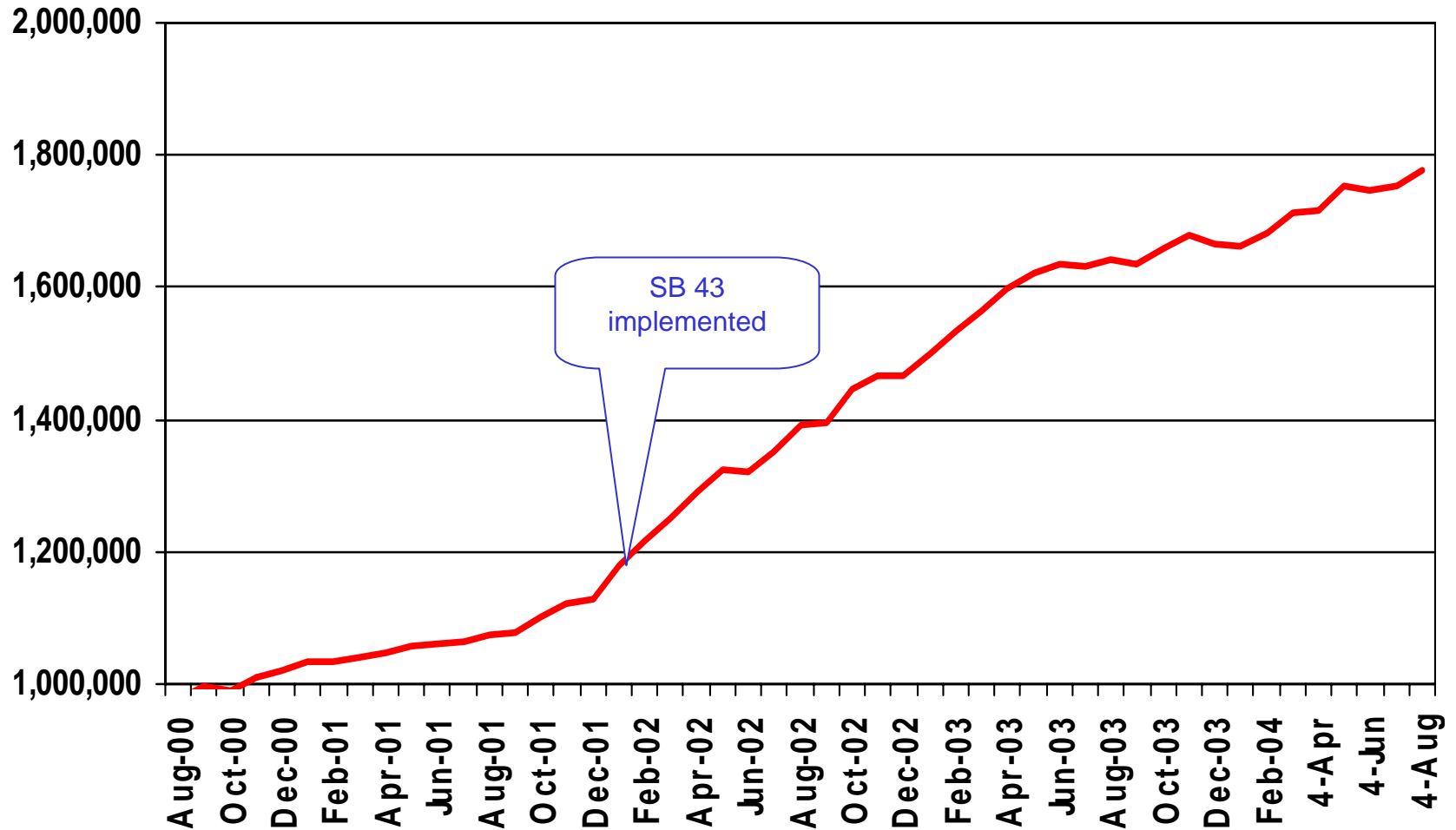
Recent Adult Medicaid Enrollment Changes (January 2003 – August 2004)



Change from January 2003 to August 2004: Aged/Disabled +40,612;
 Cash Assistance -26,450; Maternity +17,475; Medically Needy +7,337; Other Parents
 -15,490

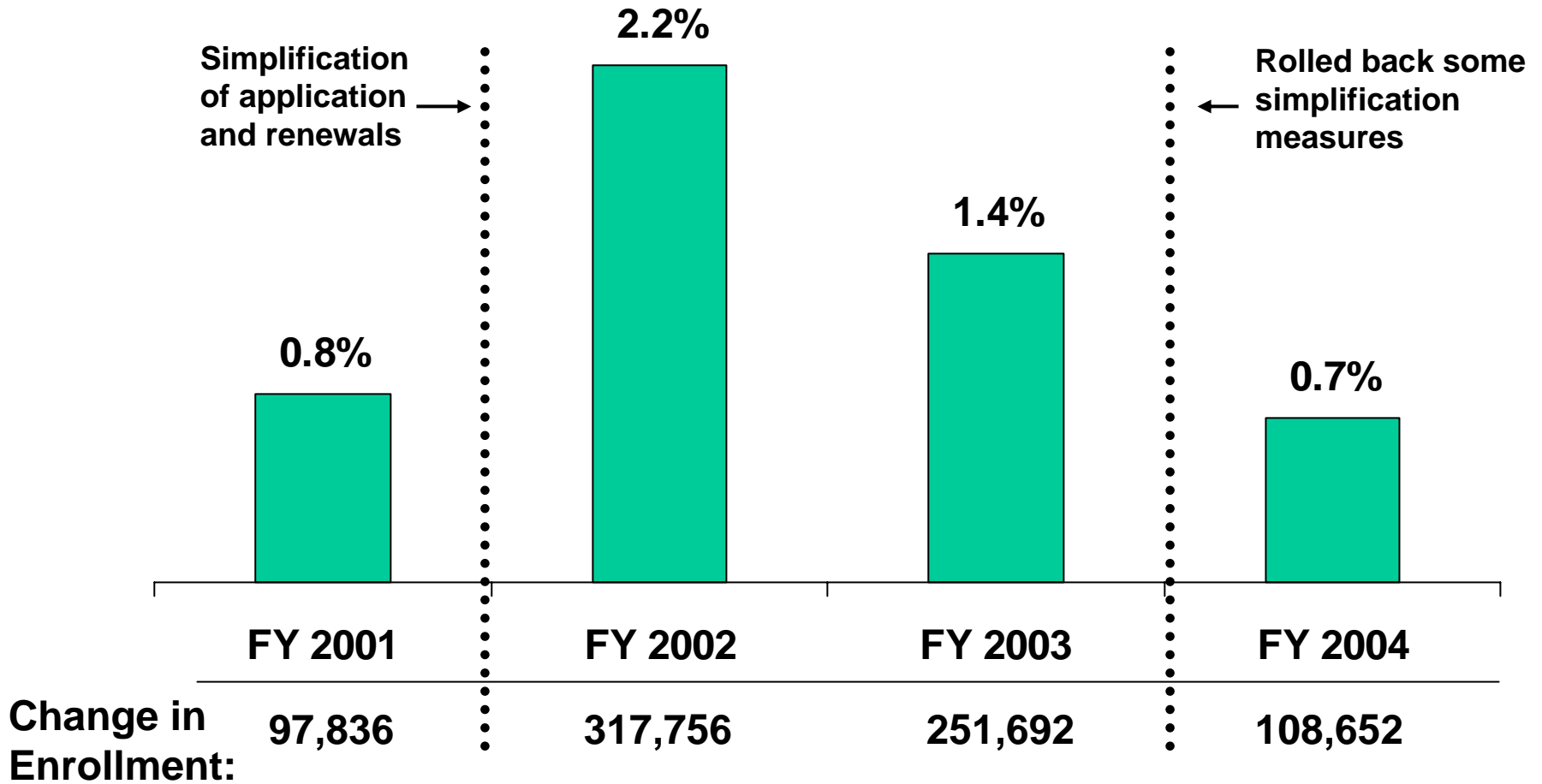
Texas Child Medicaid Enrollment before & after SB 43

Monthly average, August 2000 to August 2004

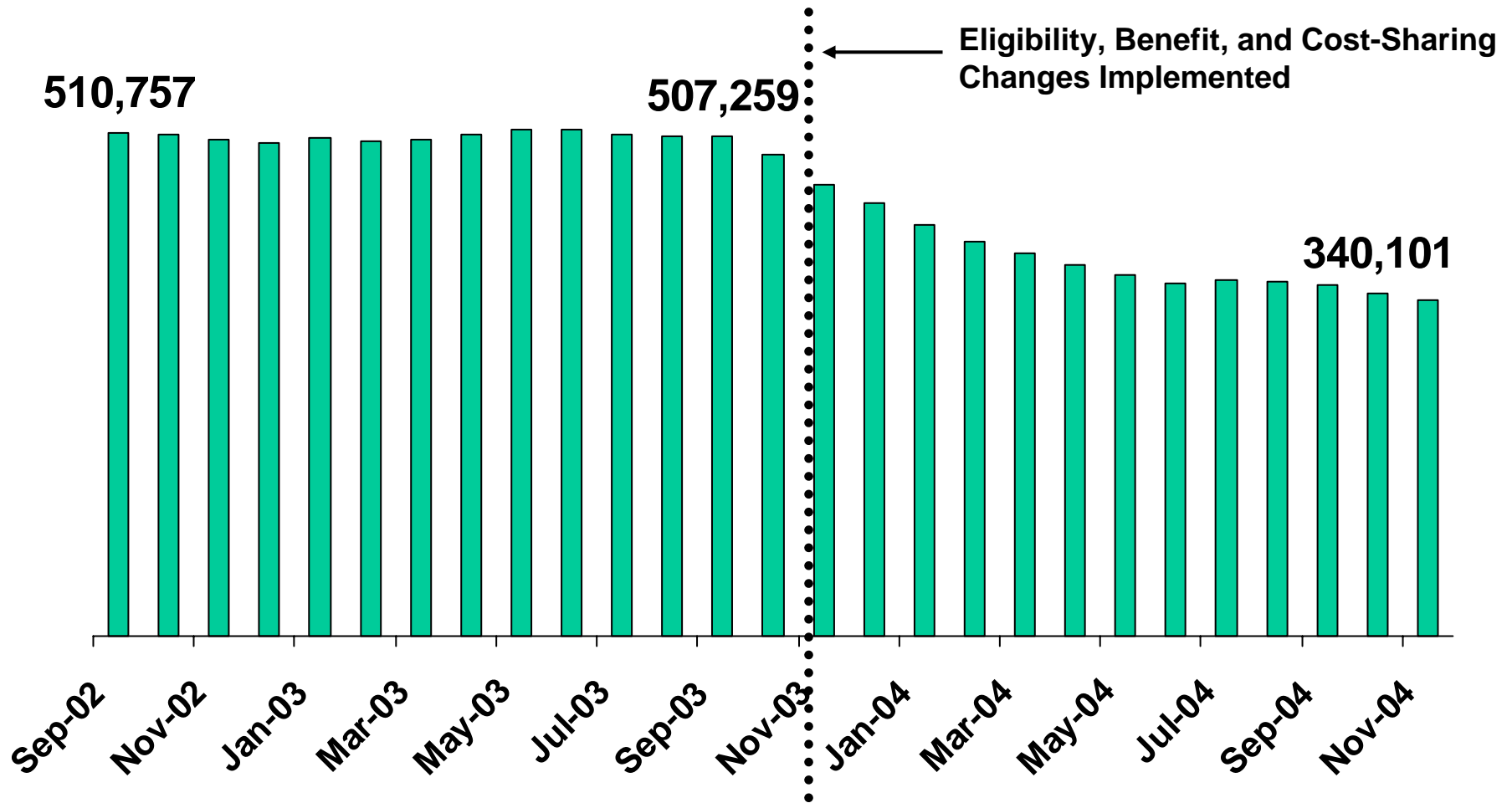


Source: Texas Health and Human Services Commission, MED-ID files (not recip/¹¹month)

Average Monthly Enrollment Growth for Texas Children in Medicaid, FY 2001 – FY 2004

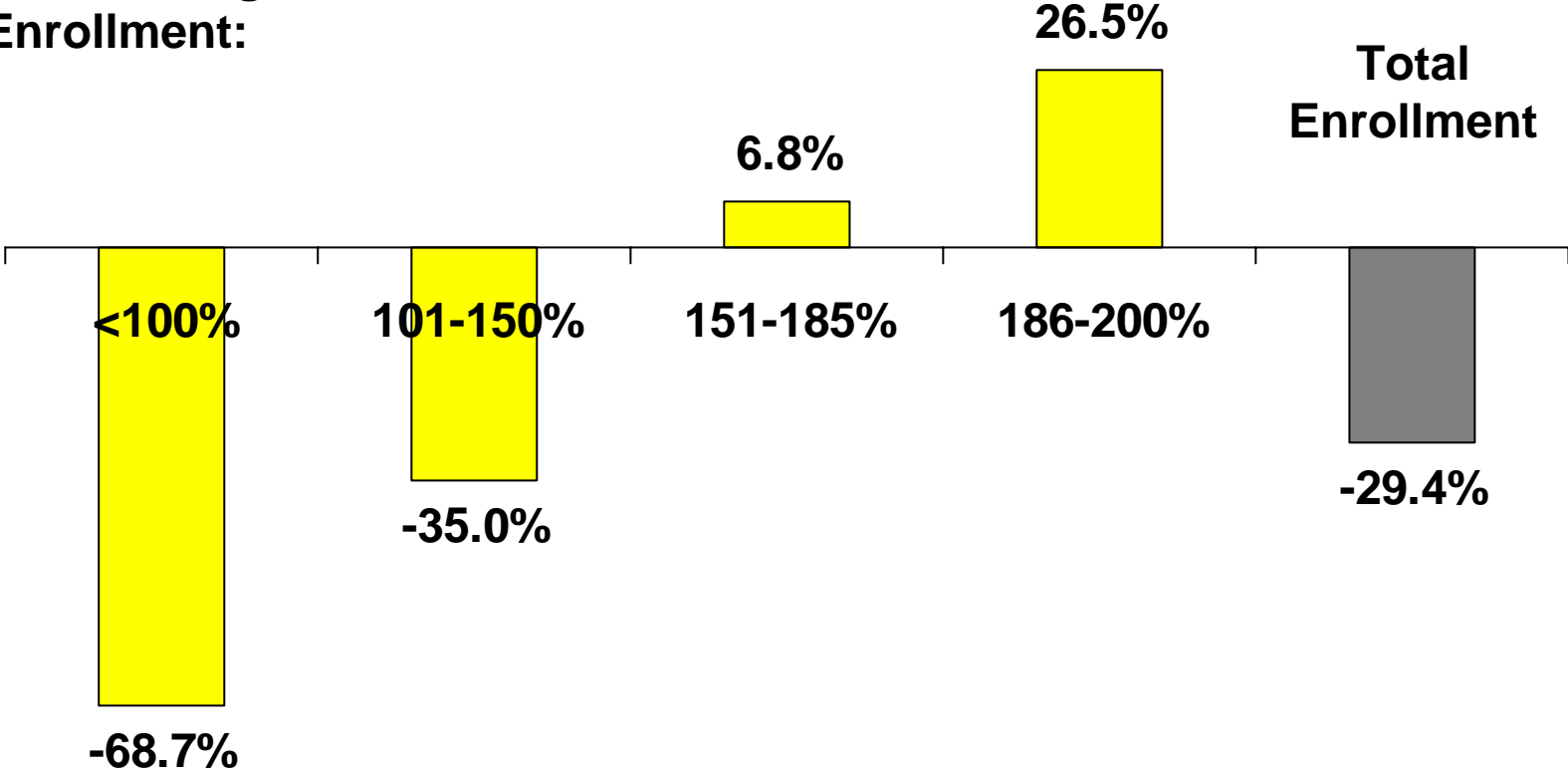


Texas CHIP Enrollment, September 2002- November 2004



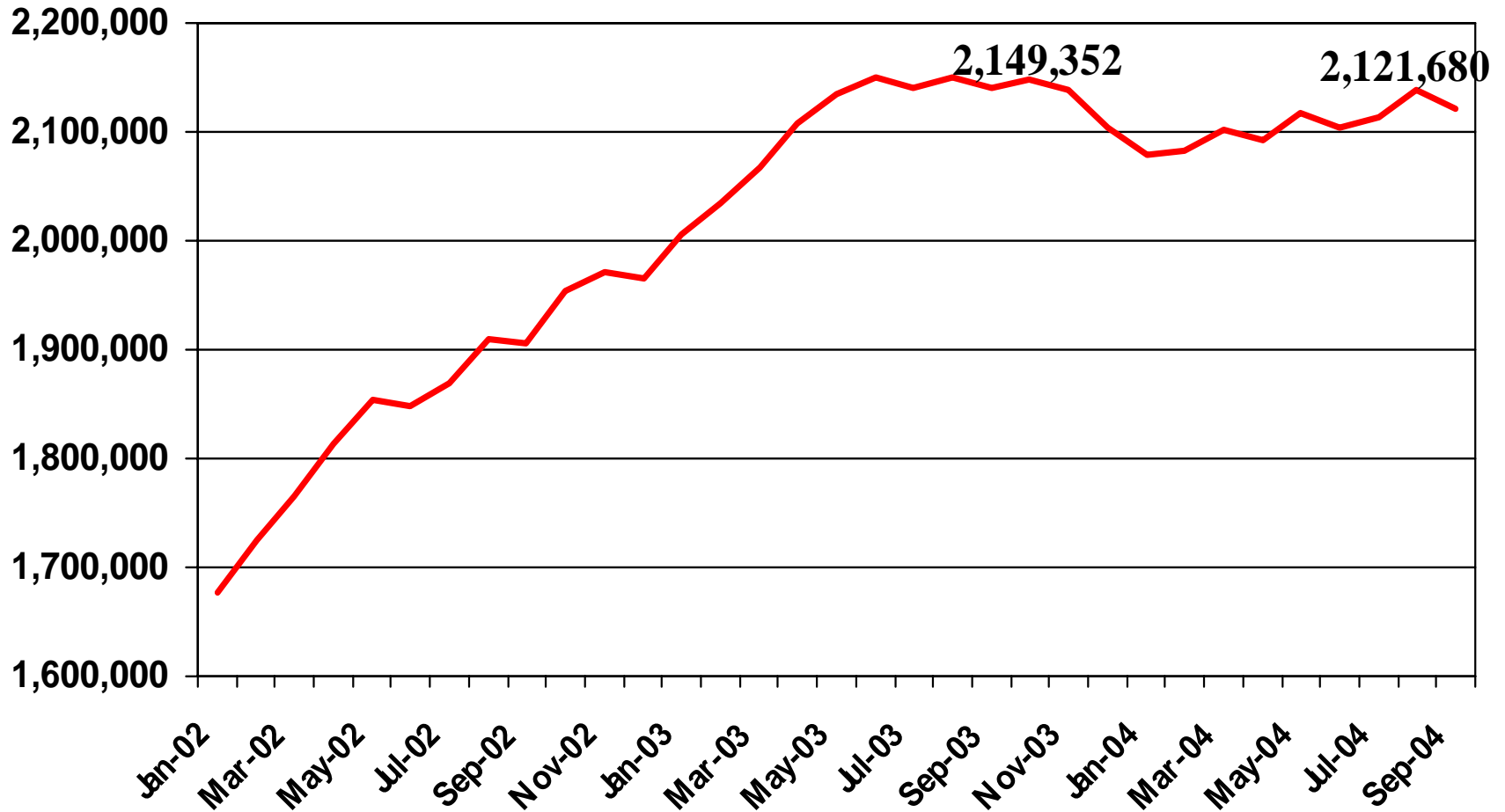
Change in Texas CHIP Enrollment, by Income September 2003 – June 2004

Percent Change
in Enrollment:



Texas Child Medicaid and CHIP Combined Enrollment

January 2002-September 2004



Source: All figures from Texas Health and Human Services Commission 15

CHIP Cuts, 2004-05 Budget

Summary of CHIP changes:

- Benefits eliminated: dental; vision (eyeglasses and exams); hospice; skilled nursing facilities; tobacco cessation; chiropractic services. Mental health coverage reduced to about half of the coverage provided in 2003.
- Coverage period reduced from 12 months to six.
- Premiums and co-payments increased.
- New coverage delayed for 90 days.
- Income deductions eliminated (gross income determines eligibility).
- Asset test (limit) added for those above 150% of the Poverty Line (took effect August 2004).

Other HHS Cuts from 2003 Session

- **MHMR — Reductions in Community Services**
- **Reduction of Community Mental Health Priority Population to Three Disorders**
- **Privatization of MHMR services and institutions**
- **Department of Health (TDH) Programs funded below current services levels:**
 - **Kidney Health program**
 - **County Indigent Health Care grant program**
 - **HIV Medication Program**
 - **Children with Special Health Care Needs**
 - **Primary Health Care**

Major Medicaid Options Texas has not Exercised

- **Section 1931 coverage:** coverage of parents could be increased from current 14.4% FPL (\$188/mo family of 3) to 100% FPL (or higher; \$1306/mo. family of 3). **NO WAIVER REQUIRED**
 - Coverage of childless able-bodied adults does require 1115 waiver; HB 3122 of 78th creates task force to develop a waiver using local tax dollars to expand coverage.
- **Ticket to Work:** Building on earlier law allowing states to cover folks @ SSI disability level up to 250% FPL (state option); TtW-WIIA Act in 1999 effectively allows states to cover working disabled individuals up to 450% FPL (\$37,240 for single person in 2004).
- **Coverage of Legal Permanent residents who arrived after 8/22/96**

Major Medicaid Options Texas has not Exercised

Women's Health and Family Planning Waiver:

- Nationally, 10.6% of women age 15-44 get Medicaid, but in Texas only 7.5% are covered.
- The federal match for Medicaid family planning services is 90%.
- In 2001, Texas spent \$31.1 million on Medicaid family planning; New York spent nearly twice as much, even though their population is smaller. California spent over \$260 million-- MORE THAN 8 TIMES AS MUCH AS TEXAS -- and their population is not even twice Texas'.
- 18 states have Medicaid "waivers" that allow them to provide family planning services to many more women, and get the 90% federal match for that care.
- A new study of these waivers found that ALL of them have saved their states and the federal government significant amounts of money. Texas first developed a Medicaid family planning waiver more than 10 years ago, but no waiver has ever been submitted to federal Medicaid authorities.
- **Texas has the highest rate of uninsured women 18-64: 28.3% (US average is 17.7%)**
- **about 40% of Texas women are below 200% of poverty, and 50% of them are uninsured (also highest in US)**

Is Crowd-Out an Issue in Texas Medicaid?

- Texas Medicaid's HIPP takes advantage of the limited opportunity to support ESI. Because TX Medicaid pays such low rates (recent study says average is 78% of MediCARE rates), it is often cheaper for Texas to provide Medicaid than to buy in to the employer-sponsored health insurance.
- Children on Medicaid are largely below poverty; and even in Texas CHIP, 1 in 5 kids are BELOW poverty (due to Medicaid assets test).
- Only 14.3 % of Americans below 100% FPL have ESI, **but this is significantly higher than in 1991 (11.3% then), and overall private coverage of Americans in poverty has also increased from 18.9 to 24.4. Thus Census data do not support the notion that public coverage has replaced private coverage for Americans in poverty.**
- Maternity Coverage:
 - Federal law mandates ESI maternity coverage for health plans of all firms with more than 15 workers; TX law used to require parity for complications of pregnancy; SB 541 may change that. Insured persons in smaller groups may not have maternity coverage, thus Medicaid wraps around their coverage.
 - Age group with highest uninsured rates = 18-34, also the top child-bearing age range.

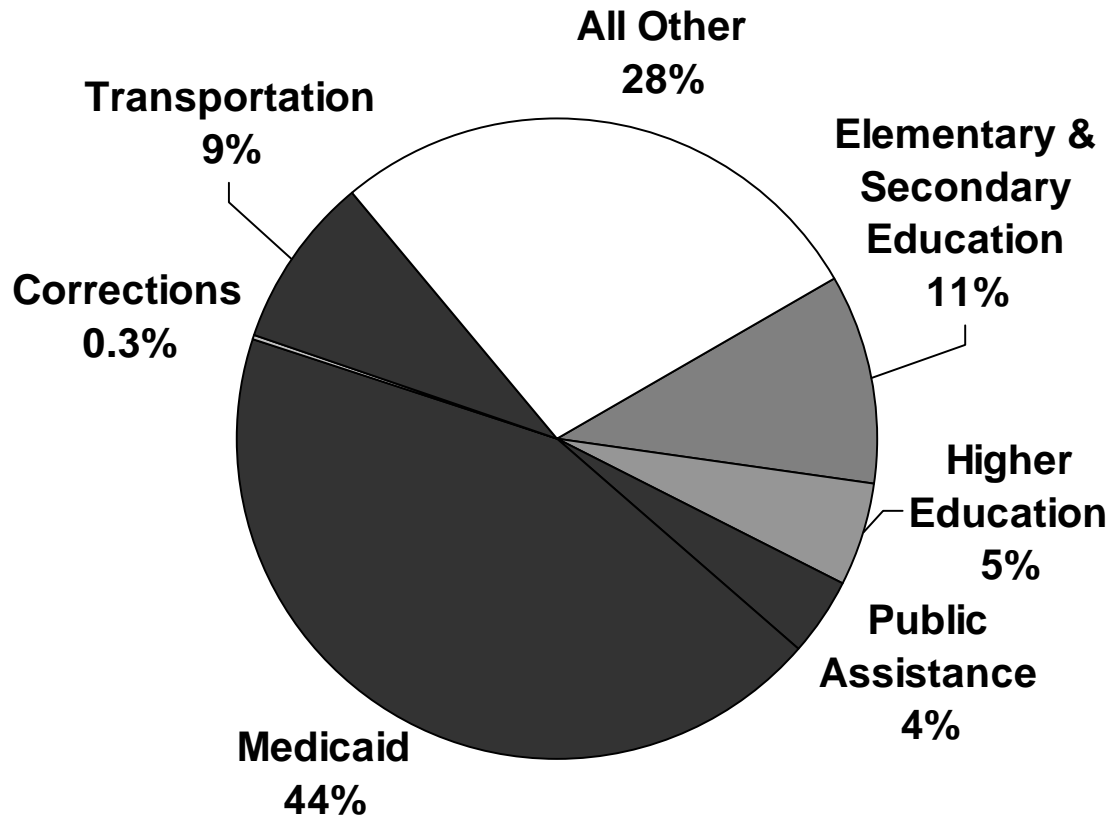
Texas CHIP and Crowd-Out

- First Texas CHIP budget prepared by Legislature in 1999 assumed 15% of enrollment would be drawn from the pool of INSURED children.
- However, in calendar year 2002 CHIP enrollment HHSC found only 3% of children were going without coverage and waiting out the 90-day period.
 - Less than 1% of new enrollment was due to the families whose child premiums exceeded 10% of their gross income.
 - About 15% of new enrollment were children whose coverage was lost due to no fault of their parents: job loss, employer dropped policy, COBRA ended, etc.
- ICHP surveys of CHIP enrollees have found that 24% had access to family coverage, but 81% of these said they could not afford the premiums. The average cost to the family reported was 11-12% of family income.
- ICHP also reported that 85% of new enrollee children had gone completely uninsured in the previous year. The remaining 15% includes kids who had Medicaid, as well as those who had private coverage for only a part of the year.

“Crowd-out” Summary

- Because Texas Medicaid coverage of adults is concentrated well below poverty (and/or in medically uninsurable groups), crowd-out is not a significant threat because access to ESI is so very limited.
- Only Texas CHIP and Medicaid Maternity Care cover family incomes high enough that significant substitution of coverage is a realistic possibility.
- Texas CHIP data so far suggest crowd-out is minimal.
- National statistics show that the decline in ESI is affecting all ages and income groups (including higher—income children); thus crowd-out may be a factor in the total drop in ESI, but not the root cause.
- Low-income workers are experiencing declining access to ESI, and increasing out-of-pocket costs for ESI.
- Costs of child dependent coverage thru ESI are typically borne 100% by worker. Average costs in Texas easily surpass 10% of Gross family income for many of those under 200% FPL.
 - Example: Admin. Tech in Tiny NFP gross is \$26,000. At \$333/month, she'd spend more than 15% of gross (and over 20% of take-home) on the child's premium.
 - Even the Wal-Mart plan would be 10% of her Gross income when you count the deductible! (\$132.50 every 4 weeks for \$1,000 deductible Family plan; after which Wal-Mart pays 80% of costs, plan does not cover children's vaccinations, flu shots or eye exams.)

Medicaid is the Largest Single Source of Federal Support to States, 2003



Total Federal Fund Expenditures = \$326 billion

Recent Discussion of Block Granting Medicaid

- Proposals to END entitlement and make Medicaid a block grant have been raised in Washington several times over the last decade, and have been defeated. Administration proposed in 2003 to create capped allotments of federal funds to states
 - Governor’s task force did not reach agreement; no Congressional action
- Waivers including block grants of federal funds under discussion in some states
- Attempt to convene Senate “task force” this fall
- House committed to Medicaid restructuring in 2005
- Texas Medicaid pays for about \$15 BILLION in health care every year!
- Today, Texas is guaranteed that the federal government will pay for at least 60% of the cost, even if health care costs increase or more people show up who qualify for the program.
- In contrast, block grant examples in Texas have failed to grow with need, population or inflation: TANF, Title V.

Recent Discussion of Block Granting Medicaid

- Other recent proposals to cap Medicaid and Medicare have come up in Senate and House Federal budget processes :
 - “Pay-Go” applied to any new funds for Medicaid, Medicare, veterans (i.e., paid for with cuts elsewhere in the budget), but TAX CUTS would NOT. Funds needed for Medicare, Medicaid etc. could NOT be paid for by closing corporate tax loopholes.
 - Medicaid, Medicare, Social Security funding would not increase in response to inflation or increased health care costs. No growth allowed even for the new drug benefit.
- Over 10 years, would have CUT:
 - Medicare by nearly \$800 BILLION
 - Medicaid by nearly \$400 BILLION
 - Veterans benefits by \$53 BILLION
 - School lunch and WIC by \$23 BILLION
 - Student loans by \$11 BILLION

2006-07: Another Tough Budget to Write

	Biennial General Revenue	%
Department of Criminal Justice (<i>avoids layoffs of 1,450 prison guards and 350 other state prison staff</i>)	\$303 million	0.5
Teacher Retirement System (<i>mostly to restore teacher health benefits</i>)	\$1.4 billion	2.3
Employees Retirement System (<i>mostly state employee health care</i>)	\$566 million	0.9
Higher Education Coordinating Board (<i>about half is for financial aid—Texas Grants and B on Time—to offset tuition increases</i>)	\$597 million	1.0
New GR needed so far:	\$11 billion	19%

Other Price-tags

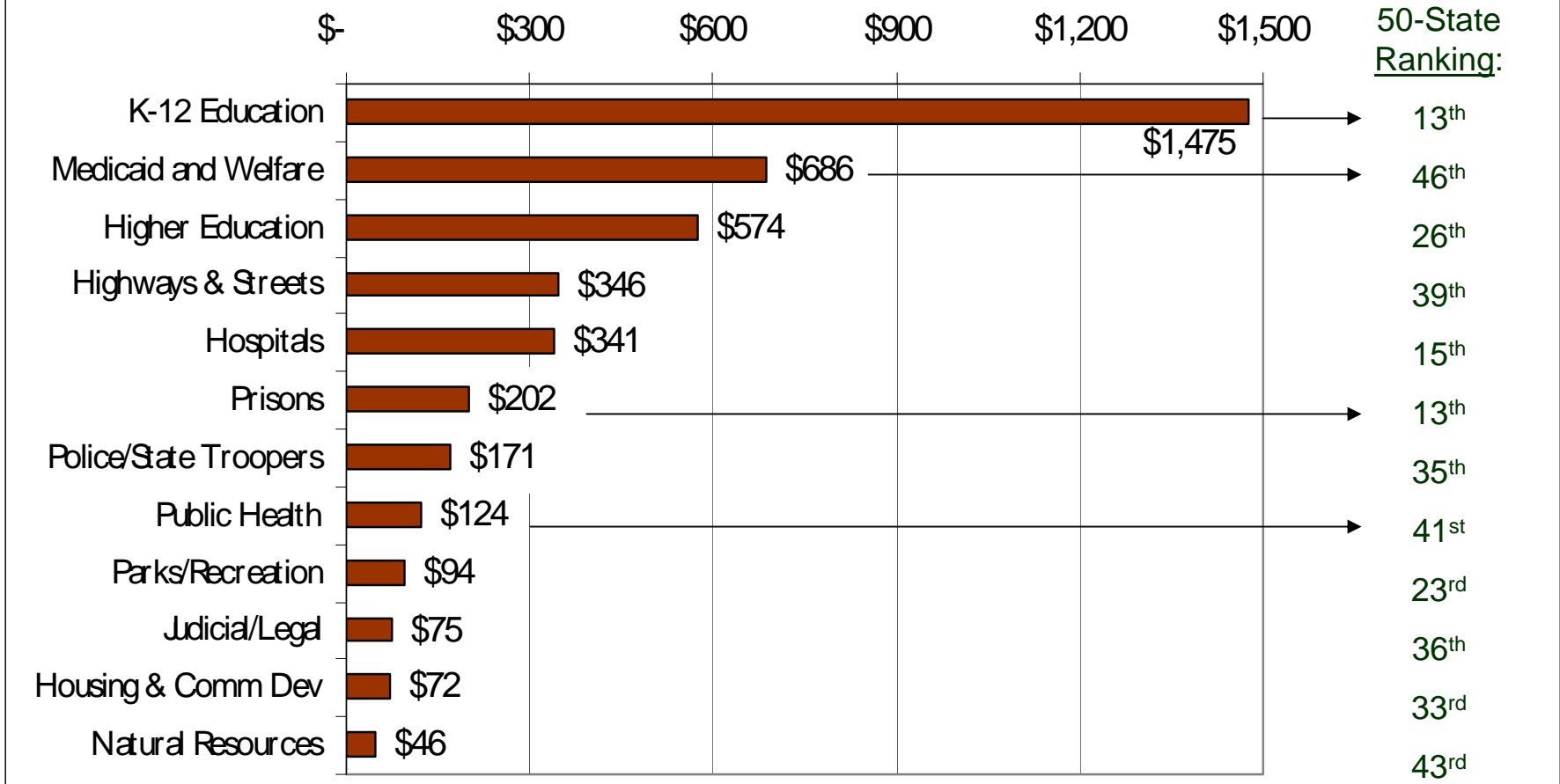
	<u>Biennial GR</u>	<u>%</u>
State Budget, 2004-05	\$58.9 billion	
<hr/>		
•Replacing Robin Hood	At least \$2.3 billion	4 %
•“Buying down” local school property taxes by 10 cents per \$100 taxable value	\$2 billion	3.4%
•Eliminate waiting list (30,000) for working-poor child care	\$73 million	0.1%
•Reaching the national average in state/local spending from taxes	\$16 billion	27%

Outcome Depends on Available Revenue

- Comptroller will give legislators the official revenue estimate no later than January 2005
- Good news: revenues for 2004 show higher-than-expected annual growth, at 6.4%, much better than fiscal 2003. Rainy Day Fund balance is back up to \$878 million (Sept. 2004).
- Bad news: health care costs—one-third of state budget—expected to continue rising at double-digit rates
- Long-term structural inadequacies of state/local tax system are putting too much pressure on property taxes
- Heavy reliance on sales taxes also makes Texas tax system very regressive (taking more from families with the lowest incomes)
- A \$1 per pack increase in cigarette and tobacco taxes could raise \$1.5 billion per biennium, enough to restore cuts and support caseload growth. Not all HHS stakeholders are ready to take a position on raising revenue.

Texas Per Capita State/Local Spending, Fiscal 2002

(Total: \$5,975 per capita; 41 % is state, 59 % is local)



Source: U.S. Bureau of the Census, *State & Local Government Finances*, Fiscal 2002.