SUBJECT: Expanding the health insurance premium payment program

COMMITTEE: Public Health — committee substitute recommended

VOTE: 9 ayes — Gray, Coleman, Capelo, Delisi, Glaze, Longoria, Maxey, Uresti, Wohlgemuth

0 nays

WITNESSES: For — *Registered but did not testify:* Jose Camacho, Texas Association of Community Health Centers; Lara Laneri Keel, Texas Association of Business and Chambers of Commerce; Lee Manross, Texas Association of Health Underwriters

Against — None

On — Trey Berndt, Health and Human Services Commission; Terry Cottrell, Texas Department of Health; Anne Dunkelberg, Center for Public Policy Priorities; Lisa McGiffert, Consumers Union; Cathy Rossberg, Americaid Community Care

BACKGROUND: The federal Omnibus Budget Reconciliation Act of 1990 authorized states to implement a health insurance premium payment (HIPP) program. HIPP pays for private group health insurance instead of Medicaid for people who are eligible for Medicaid but have access to private group coverage through an employer, parent, or spouse, if it is cost-effective to do so. In Texas, if a Medicaid recipient has access to health insurance and the premium is cost-effective, the Texas Department of Health (TDH) reimburses the family for the cost of the insurance premium withheld by the employer. Currently, about 2,500 families in Texas receive medical assistance through the state's HIPP program. Because this program was federally mandated, it is not codified in Texas' statutes.

DIGEST: CSHB 3038 would authorize TDH to pay the premiums for group health coverage instead of Medicaid or Children's Health Insurance Program (CHIP) coverage if private coverage is available and less expensive. The bill would codify TDH's Medicaid HIPP program and create the same program

for CHIP. It also would prohibit insurers from requiring waiting periods for HIPP recipients and would include medical assistance in the tax rebate program for employers.

TDH would have to identify people who received medical assistance through Medicaid or CHIP and who were eligible for group health coverage through an employer or other organization. If it were cost-effective, the state would pay for group health coverage instead of for Medicaid or CHIP. People would have to apply for coverage and enroll in the plan, and the state would pay the premium.

If the availability of group coverage required another person's participation, such as that of the parent or spouse, the state would have to pay that person's premium as well, so long as it was cost-effective to do so. The state could not pay any deductible, copayment, coinsurance, or other cost-sharing expenses for either the secondary insured persons if the primary insured was in CHIP.

Insurers that receive notice of a person who was receiving public assistance but was eligible to participate in this plan would have to allow the person to enroll regardless of enrollment period restrictions. Also, if the person became ineligible to participate in the program, the insurer would have to leave the plan within 60 days.

This program would not limit eligibility to health benefits but would make the group coverage, rather than the state, the payer of last report. People in this program, however, could not participate in Medicaid managed care or in demonstration projects.

An employer who hired a person receiving public assistance would be eligible for tax refunds on the wages paid to that employee if the employer provided benefits. CSHB 3038 would make employees receiving medical assistance eligible and would include medical savings accounts under benefits. Employers could claim tax refunds only for wages paid after the bill's effective date.

The bill would direct TDH to study the feasibility of a sliding-scale payment schedule for the plan premium. This would apply to persons who were

former cash-assistance recipients still receiving medical assistance, were employed, and were participating in a private group plan for which the state paid the premium. TDH would have to report its findings to the governor, lieutenant governor, House speaker, and chairs of the related standing legislative committees not later than December 1, 2002.

CSHB 3038 would direct state agencies to seek any necessary federal waivers or authorizations needed to implement the bill's provisions. The agency could delay implementation until the federal waivers or authorization was granted. HHSC would have to submit an amendment to CHIP by September 15, 2001, to comply with the bill's changes.

This bill would take effect September 1, 2001, except that the provisions that would apply to the state's premium payments would take effect August 31, 2001, and would apply only to insurance policies delivered or renewed after that date.

SUPPORTERS SAY:

CSHB 3038 would allow the state to contain costs in the Medicaid and CHIP programs when access to other insurance is available without compromising benefits. The bill's fiscal note estimates that the state's net savings from this program would grow each fiscal year, reaching $3.4 million in general revenue by fiscal 2006. Because the state would cover any services that a person normally would receive under Medicaid or CHIP but that the insurer does not cover, recipients would retain the medical assistance they need.

HIPP programs encourage people to keep working. Because medical coverage for a child or spouse would be tied to the recipient's job, this would bring families one step closer to permanent self-sufficiency by encouraging stable work habits.

Because HIPP would pay the premiums for all members of a family if it were cost-effective, this bill would expand access to health coverage. Each member in a family with access to a group health plan would be covered in cases where the cost for the family's premiums was less than the cost of an individual's Medicaid. With 23 percent of Texas' population uninsured, the state should take advantage of programs that expand coverage at no additional cost.

This program would allow all members of a family to be on the same health plan. If one family member had private group insurance and another had Medicaid or CHIP, they might not have the same group of physicians or documents. This plan would allow all of the eligible family members to have the same coverage.

CSHB 3038 would allow more families to be placed in a HIPP program because it would prohibit insurers from instituting waiting periods. Open enrollment periods make it difficult for recipients of medical assistance to be enrolled when they are eligible, because they have to wait until the next window.

The proposed tax refund would give employers an incentive to hire recipients of medical assistance for better jobs. To receive the credit, an employer would have to hire a recipient and offer health coverage or a medical savings account.

OPPONENTS SAY:

CSHB 3038 would expand the HIPP program in ways that would be difficult to implement. The federal CHIP regulations include provisions such as cost-effectiveness tests and waiting periods that would make it very difficult to implement this program. Other states that have tried similar programs have achieved limited penetration and limited success.

Even if the state received a waiver for some federal CHIP regulations, the HIPP program would dilute continuity of care, one of the central premises for CHIP in Texas. For that reason, CHIP offers 12 months of continuous eligibility. Under a HIPP program, children in CHIP who became eligible for group coverage might be forced to leave the physician with whom they had established a relationship. It also would be inconvenient for parents to enroll their children in a second health plan within a year. Twelve months' continuous coverage in CHIP should mean 12 months' continuity of care.

While HIPP might work for the 2,500 families in the Medicaid program, the reimbursement might not translate well to a broader spectrum of families. In a HIPP program, the employer deducts the group health-coverage premium from the employee's paycheck, and TDH sends a reimbursement check to the employee. While the deduction is reimbursed later, families must submit a pay stub to TDH and wait for a check to arrive. This could be hundreds of

dollars out of a parent's pay check, which could be a significant amount given that families with a member on Medicaid are near the poverty line.

OTHER OPPONENTS SAY:

CSHB 3038 would make families more dependant on public assistance, rather than encouraging them to pay for their own health insurance. Under HIPP, whole families could receive premium reimbursement if their coverage was less expensive than Medicaid or CHIP for eligible members of the family. This would remove any incentive families would have to pay for their own health care and instead make them dependant on the state, even though all of them would not be eligible for state assistance. Health coverage is expensive for many people, but all families should be encouraged to be self-sufficient.

NOTES:

The bill's fiscal note estimates a positive impact to the state of $586,189 in fiscal 2002-03 and $4.5 million in fiscal 2004-05, based on savings in both the Medicaid and CHIP programs.

The committee substitute added the stipulation that the state would not pay any deductible, copayment, coinsurance, or other cost-sharing expenses for either the primary or secondary insured person. It also would require insurers to allow participants to leave the group health plan within 60 days of becoming ineligible.