

SUBJECT: Revising procedures for determining Medicaid eligibility

COMMITTEE: Appropriations — committee substitute recommended

VOTE: 25 ayes — Heflin, Luna, Berman, Branch, B. Brown, F. Brown, Crownover, J. Davis, Deshotel, Dukes, Ellis, Gutierrez, Hamric, Hope, Isett, E. Jones, Kolkhorst, McClendon, Menendez, Pickett, Raymond, Solis, Stick, Truitt, Wohlgemuth

0 nays

4 absent — Eiland, Hupp, Pitts, Turner

SENATE VOTE: On final passage, May 1 — 31-0

WITNESSES: None

BACKGROUND: In 2001, the 77th Legislature enacted SB 43 by Zaffirini, designed to simplify Medicaid applications and enrollment for children. The four primary changes in SB 43 were a simplified application and screening process; interviews by telephone rather than face-to-face; an asset test similar to the one used for the Children's Health Insurance Program (CHIP); and continuous eligibility. The act directed the Health and Human Services Commission (HHSC) to implement six-month continuous eligibility for Medicaid by February 1, 2002, then establish 12-month continuous eligibility for children no earlier than September 1, 2002, and no later than June 1, 2003. Under current law, HHSC administers the Medicaid program, while the Department of Human Services (DHS) performs eligibility determination functions.

Before SB 43, the eligibility period for all Medicaid recipients was six months, but it was not continuous. If a recipient's income or assets rose above the eligibility level during the six-month period, coverage would end. In January 2002, HHSC made six-month eligibility continuous for children.

DIGEST: SB 1522 would direct HHSC to implement the rules to establish 12-month continuous Medicaid eligibility for children by June 1, 2005, rather than by June 1, 2003.

DHS could obtain information from consumer reporting agencies, from a county appraisal district, or from the Texas Department of Transportation's vehicle registration database for use in verifying the assets and resources of a person who applied for medical assistance.

HHSC could require by rule a personal interview for Medicaid applications or recertification for children if the agency determined that this procedure was needed to verify eligibility. Procedures for determining the need for a personal interview for recertification would have to be based on objective, risk-based factors to focus on people for whom there was a high risk that eligibility would not be recertified.

The bill would direct state agencies to obtain any necessary waivers or authorization from federal agencies to implement its provisions.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003. In the event of a conflict with other legislation enacted this session, SB 1522 would prevail, regardless of the date of enactment.

**SUPPORTERS
SAY:**

SB 1522 represents a compromise between what the state must do to save money and what the state ought to do to protect children's health. Postponing implementation of continuous 12-month eligibility for Medicaid would save the state \$114 million in general revenue in the coming biennium. The state is in a difficult fiscal position and must use scarce dollars wisely to avoid cutting children's services whenever possible. Twelve-month continuous eligibility is important for children's health, but it can wait two more years if more children can be served today.

Postponing 12-month continuous eligibility would not remove any children from the program. The only way for a child to be turned away from Medicaid would be if the family income or assets rose above eligibility levels. In this time of scarce state funding, Medicaid resources should go to children who are the most in need, not to those whose family income is above the eligibility requirements.

This bill would not undo any of SB 43's benefits. Continuous eligibility would be in place in 2005, bringing all the value of a year-long medical

“home” and reduced administrative complexity for parents and the state. Already many of the benefits of Medicaid simplification have been realized. HHSC has changed eligibility determination from a six-month period to six-month continuous eligibility, simplified the application and enrollment process, and made the asset test similar to that for CHIP.

Children in CHIP also may have six-month continuous eligibility. The funding levels proposed in HB 1 by Heflin, the general appropriations bill for fiscal 2004-05, assume that CHIP continuous eligibility would change from 12 months to six months.

**OPPONENTS
SAY:**

SB 1522 represents no compromise. It simply would help avert a tax increase at the cost of children’s health. Texas does not have a spending problem, but rather a revenue problem. Because the state is unwilling to close tax loopholes for business or to establish a progressive system of taxation, children could go without medical care.

Eligible children would fall off the program if the state postponed 12-month continuous eligibility. Some children’s parents would be unable to return the paperwork in time, causing their children to lose coverage even though they still were eligible.

Also, many eligible children who fell off the program would go without routine care only to wind up very sick in hospital emergency rooms. This would force taxpayers to pay for care at their local hospitals in a more expensive, less appropriate setting. SB 1522 would allow the state to save money up front, but local taxpayers would have foot the bill eventually.

Postponing continuous eligibility to achieve savings would remove more than \$700 million from the Texas economy. Funding for children’s medical care benefits not only the children, but also doctors, nurses, hospitals, and all other areas of Texas’ health-care economy. Reducing general revenue funding for Medicaid also would result in a proportionately larger loss because of federal matching dollars that Texas never would receive.

The bill would undo other beneficial elements of Medicaid simplification. Requiring families to appear at a DHS office for a personal interview would run counter to the state’s objective of keeping parents employed and would

cause many children to fall off the program when the parent could not leave work to attend the interview. The group that this bill would single out — those whose income is near the limit for Medicaid — are precisely the people who could not leave work for this purpose. Texas should not undo the simplification created by telephone interviews.

NOTES:

The bill's fiscal note estimates a net saving of \$394 million in general revenue during fiscal 2004-05. More rigorous asset tests to verify eligibility would require the addition of 190 full-time employees (FTEs) at DHS in fiscal 2004, rising to 223 FTEs in fiscal 2008.

The committee substitute added the criteria that HHSC would have to use to develop procedures for determining the need for a personal interview for recertification.

The continuous eligibility provisions of SB 1522 are similar to those in HB 728 by Delisi, which passed the House on April 10 and has been placed on the Senate Intent Calendar. Proposals for postponing continuous eligibility and for more rigorous asset tests are contained in HB 2292 by Wohlgemuth, which passed the House on April 28 and has been heard in the Senate Finance Committee.