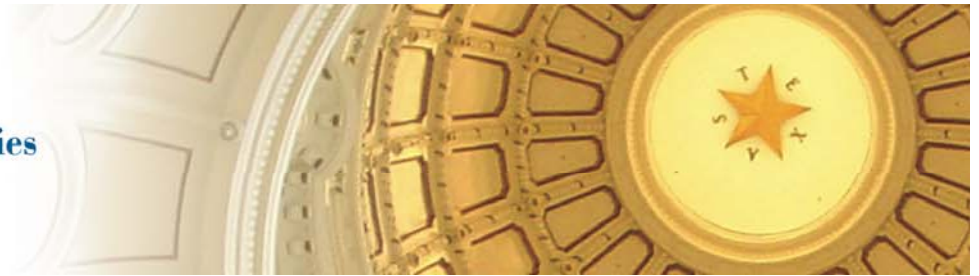




Center for Public Policy Priorities



Texas & National Health Reform

Who Will Gain Coverage; Issues for Texans and State Government

January 15, 2010

Anne Dunkelberg, Assoc. Director, dunkelberg@cphp.org

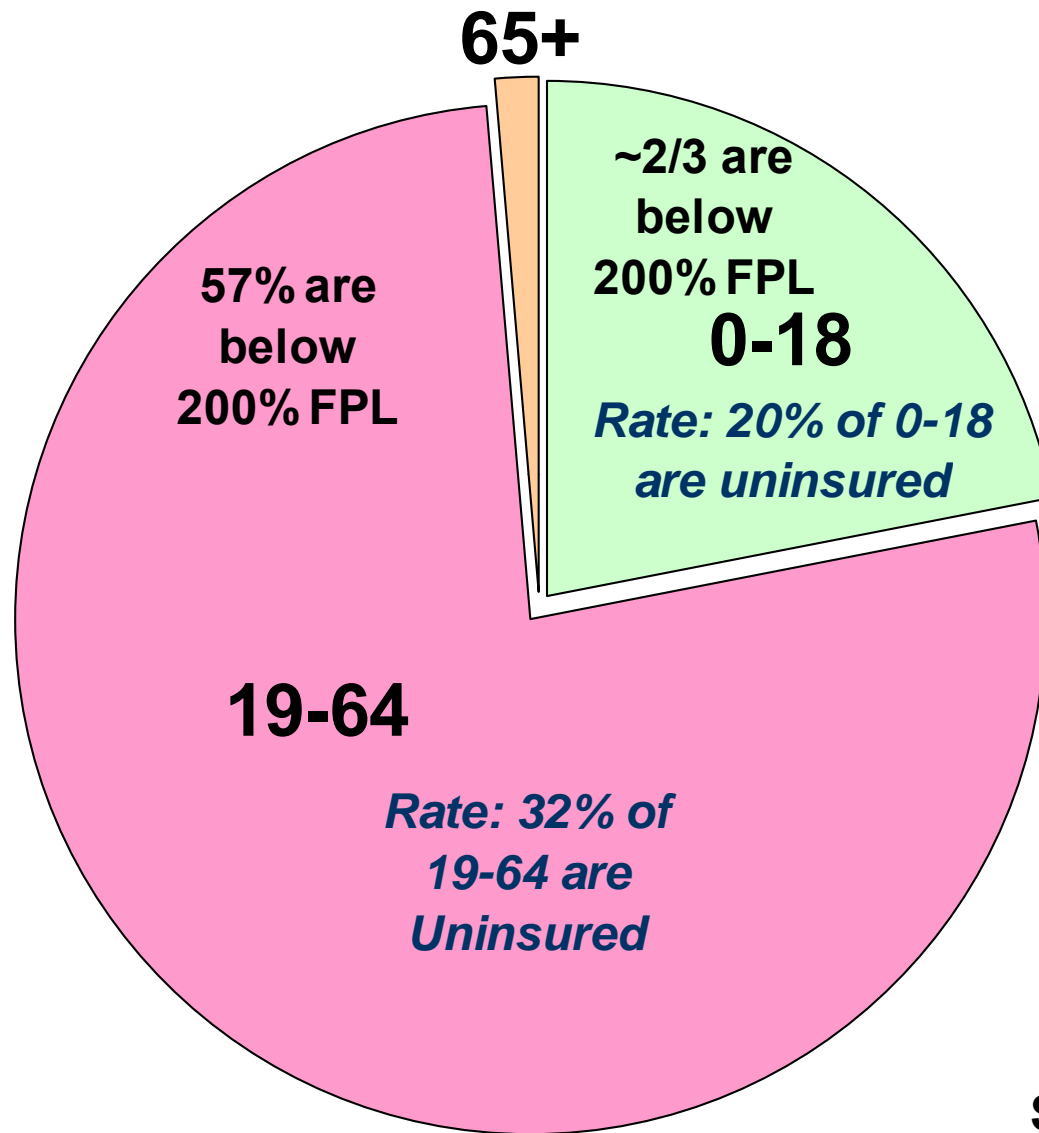
Center for Public Policy Priorities

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Phone (512) 320-0222 (X102) – www.cphp.org

www.texasvoiceforhealthreform.org

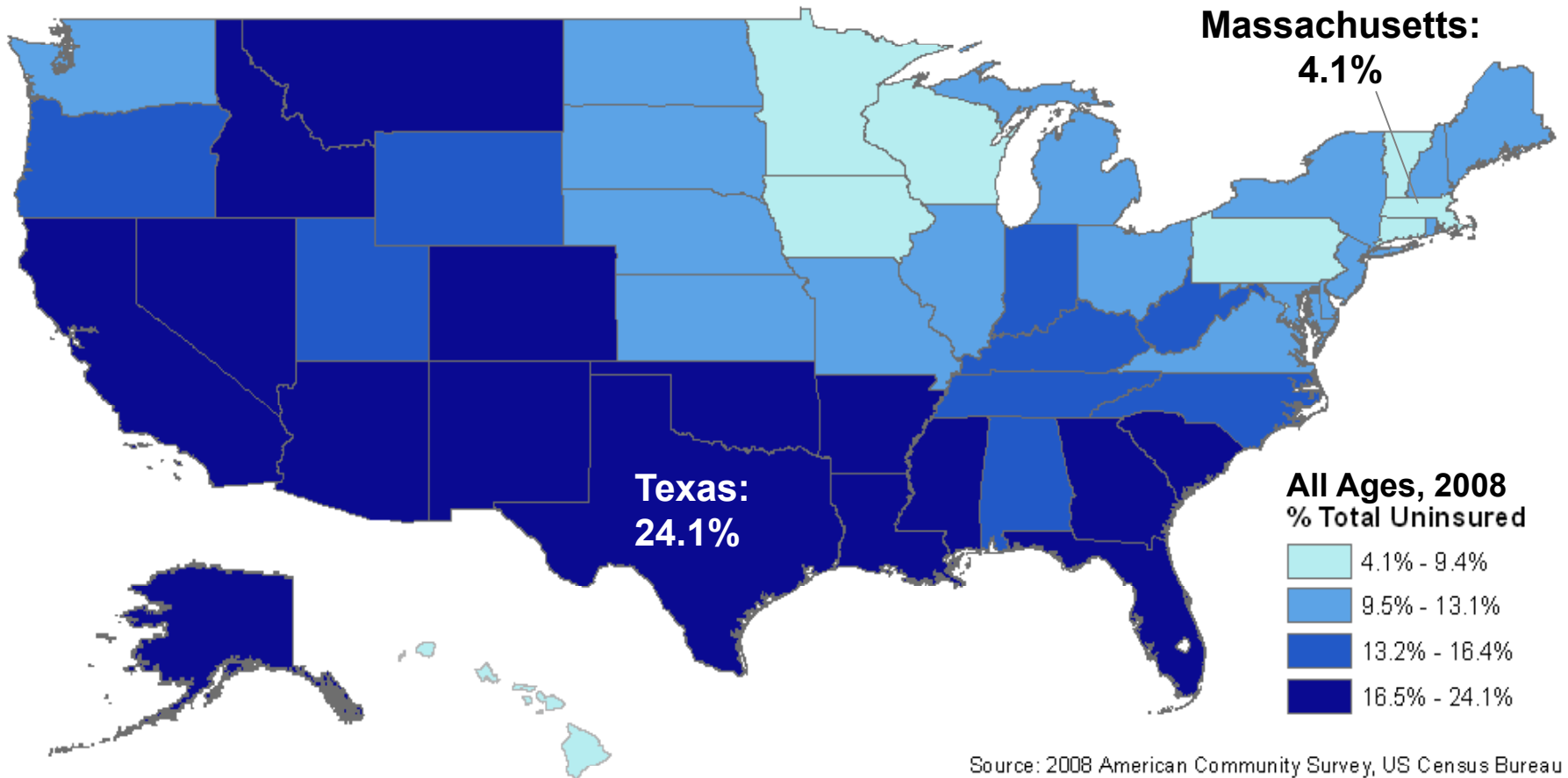
Uninsured Texans by Age Group, 2008



Source: U.S. Census

Texas Worst Among the States

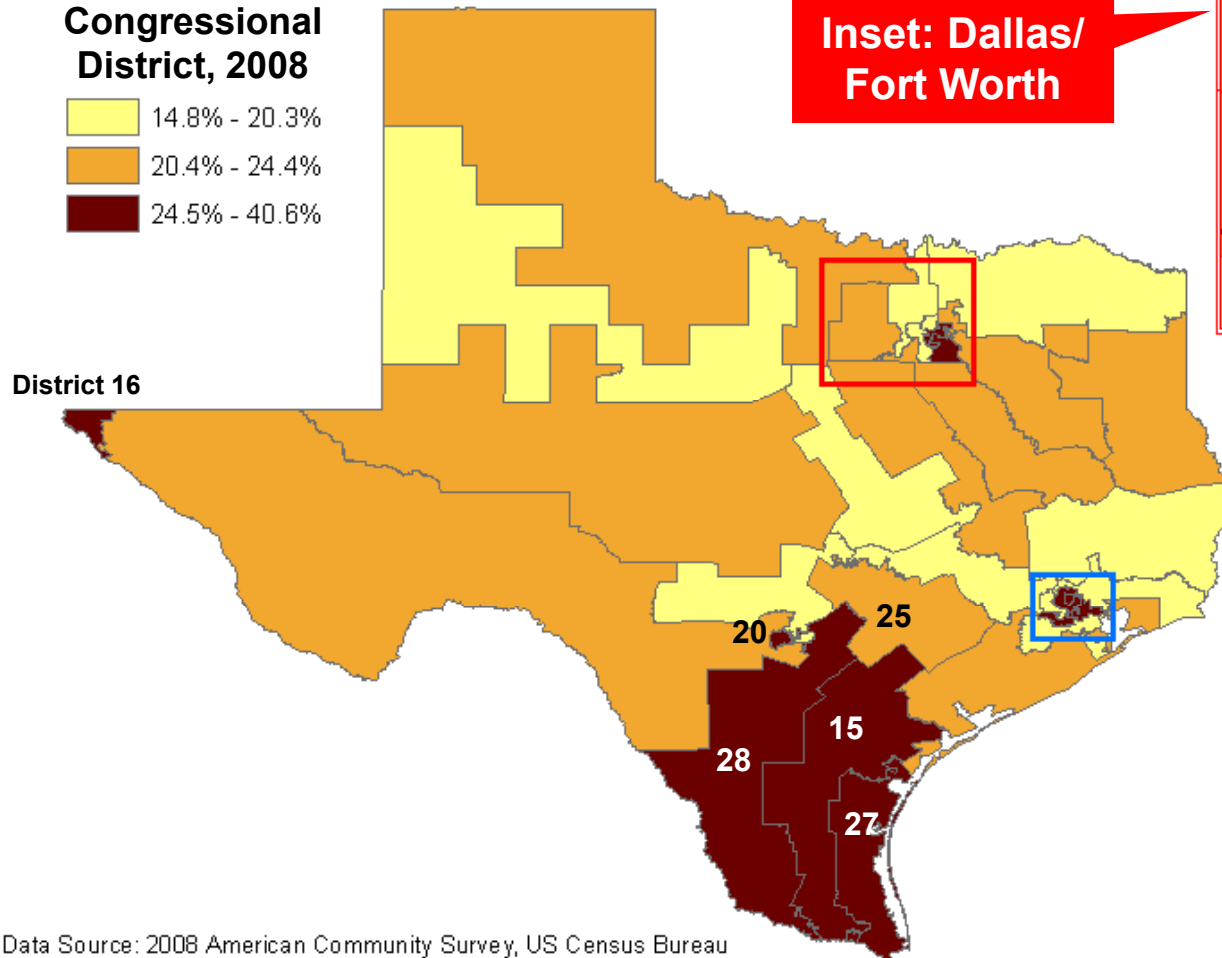
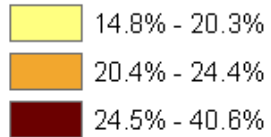
U.S. average: 15.1%



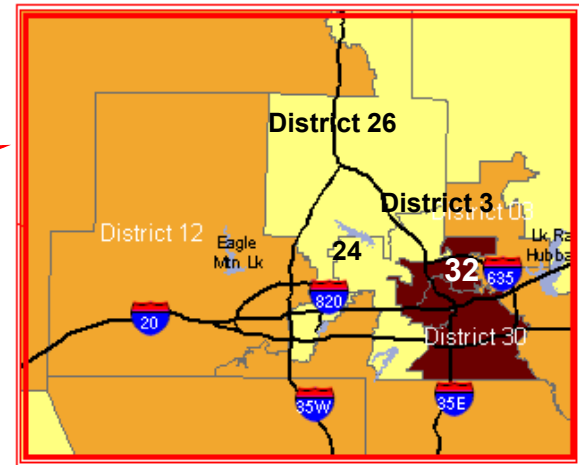
Almost All Congressional Districts Worse than U.S. Average

U.S. average: 15.1% — Texas average: 24.1%

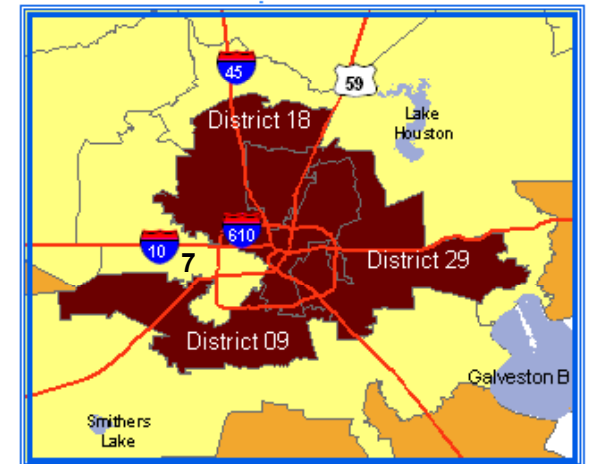
% Uninsured (All Ages) by U.S. Congressional District, 2008



**Inset: Dallas/
Fort Worth**

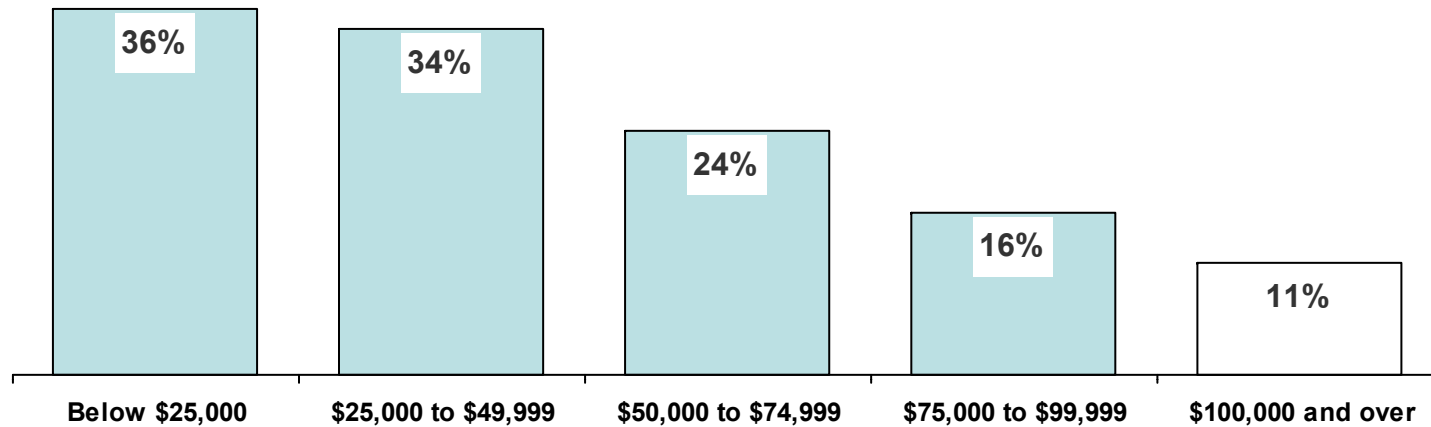


Inset: Houston Area

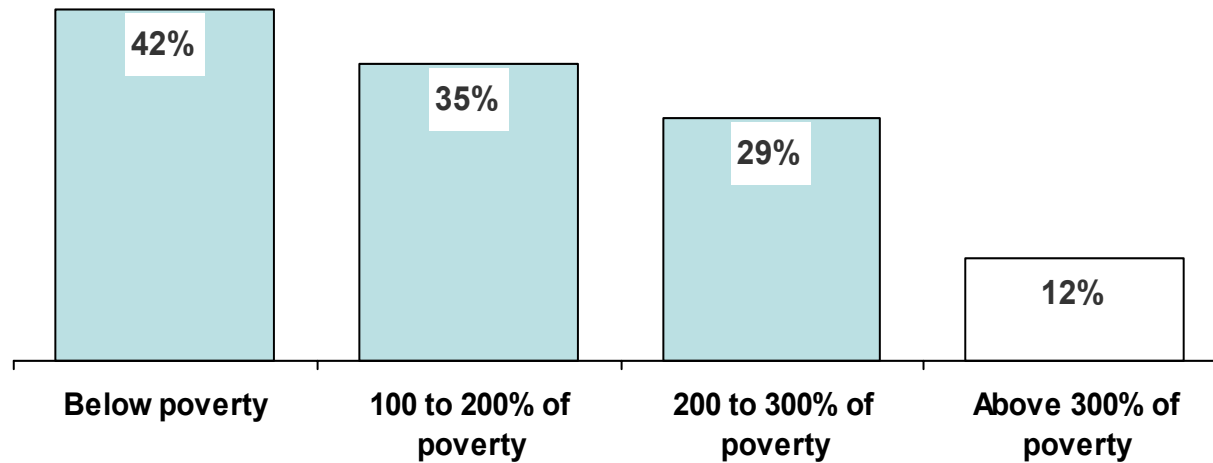


Data Source: 2008 American Community Survey, US Census Bureau

Only the Highest-Income Families Have Better-Than-U.S.-Average Chance of Being Insured



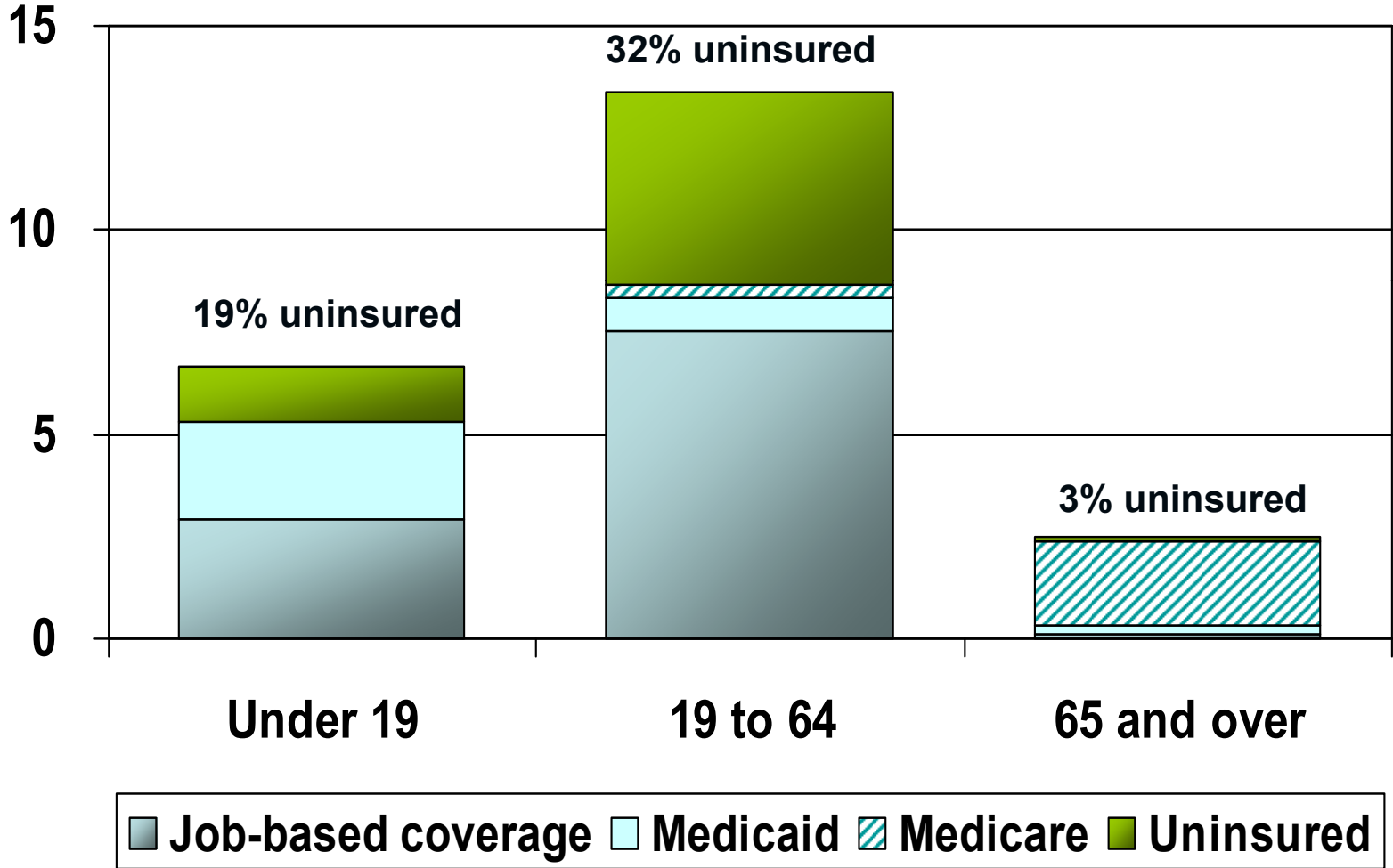
Texas average: 25.1%



Source: CPS Annual Social & Econ. Supplement
www.census.gov/hhes/www/hlthins/hlthins.html

Working-Age Texans Are Most Likely to be Uninsured

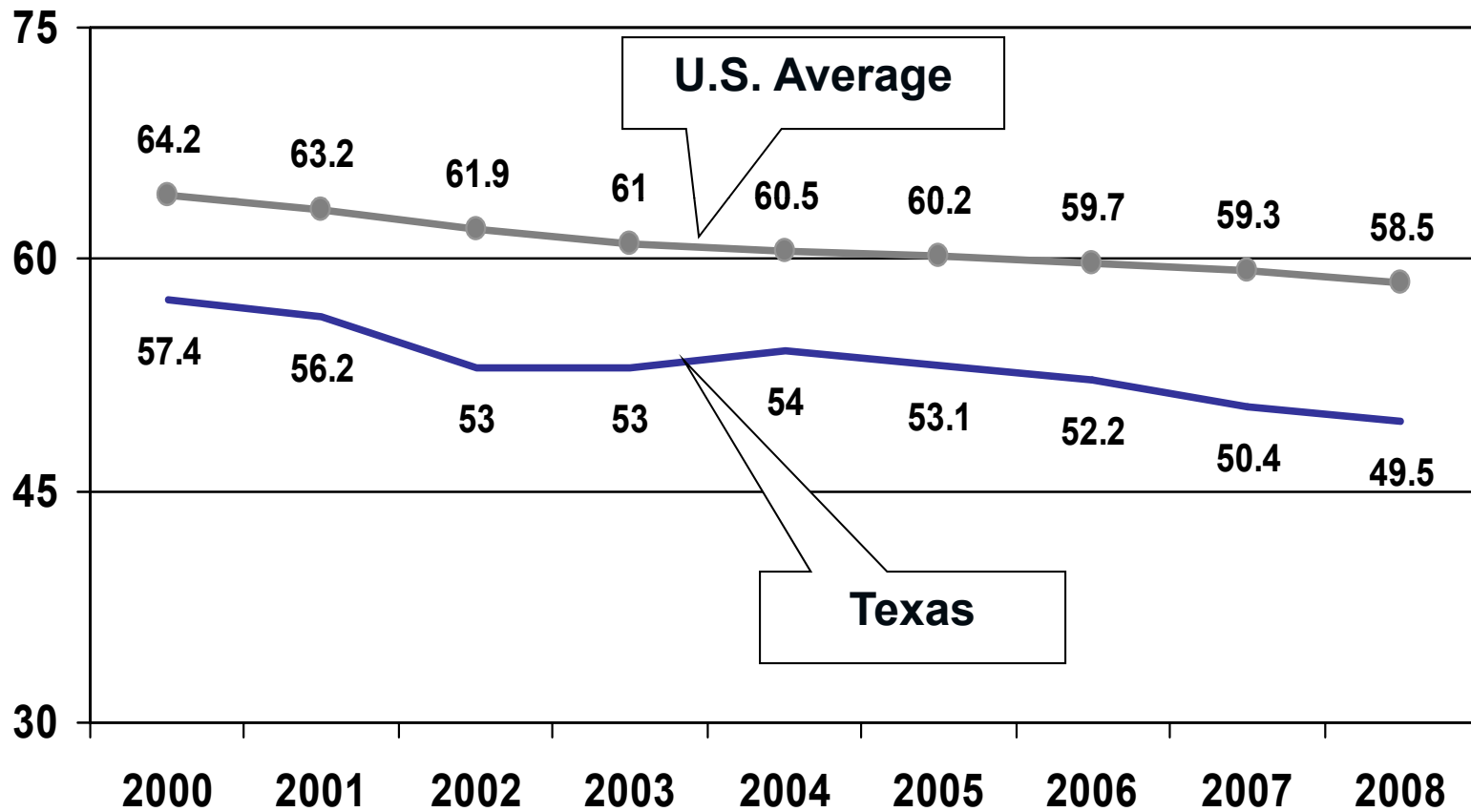
Millions of Texans



Source: CPS Annual Social & Econ. Supplement
www.census.gov/hhes/www/hlthins/hlthins.html

Employer-Sponsored Coverage Declining in Texas and Nationwide, Even Before Recession

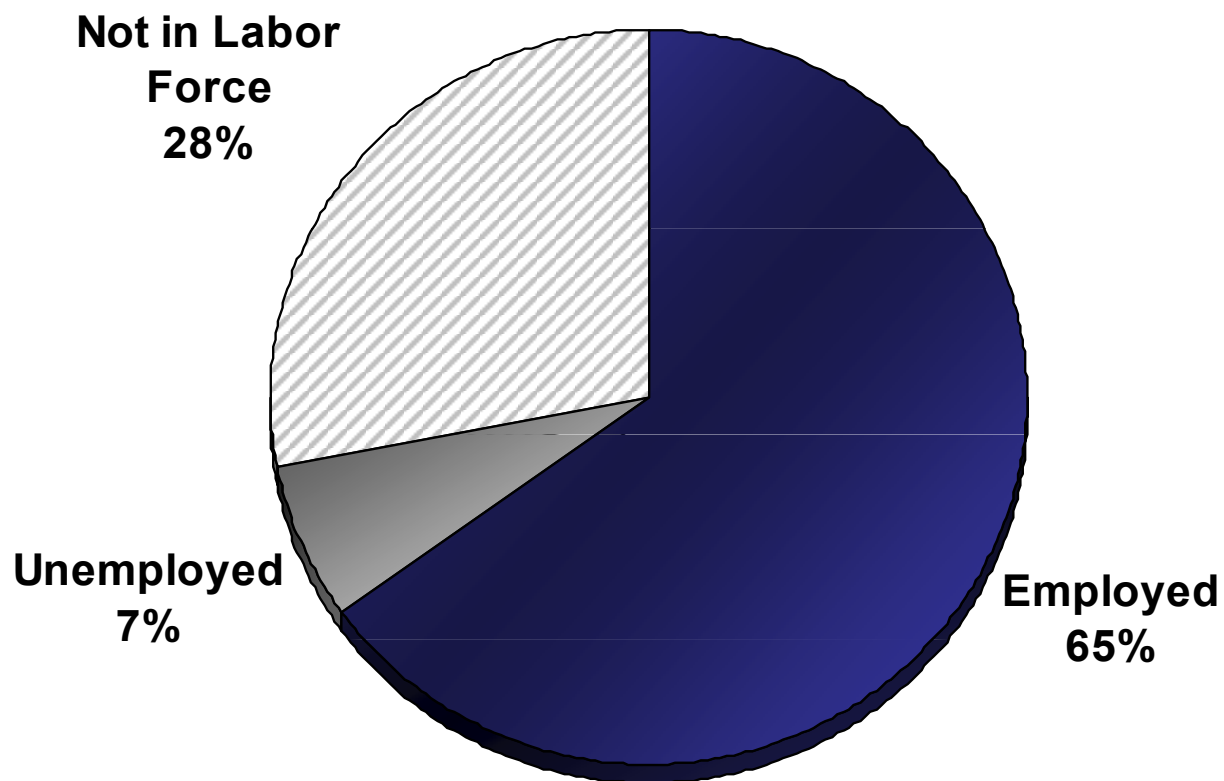
% of Residents With
Job-Based Insurance



Source: CPS Annual Social & Econ. Supplement
www.census.gov/hhes/www/hlthins/hlthins7.html

2 Out of 3 Uninsured Working-Age Texans Have a Job

Uninsured by Labor Force Status, 2007-08 Average

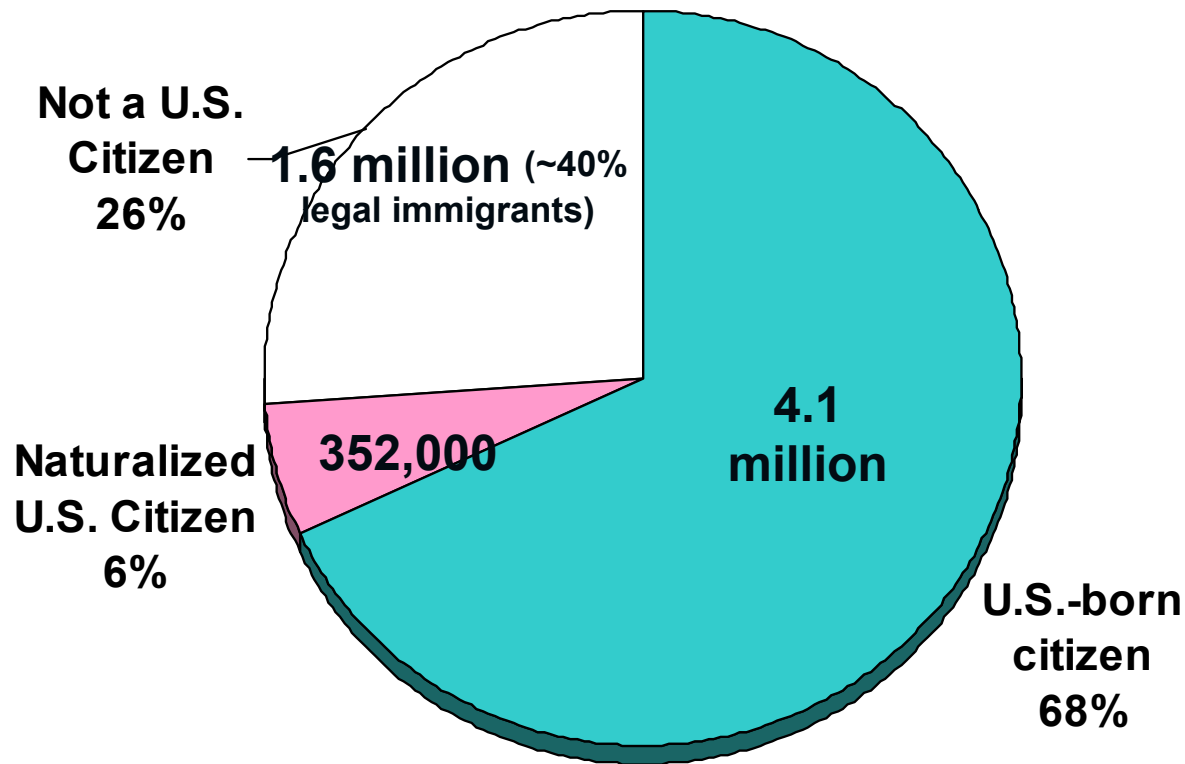


Source: CPS Annual Social & Econ. Supplement
www.census.gov/hhes/www/hlthins/hlthins.html

Most Uninsured Texans are U.S. Citizens

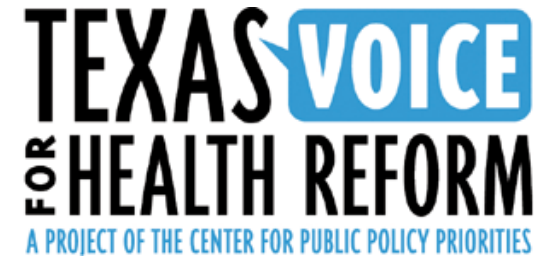
(6.1 million Uninsured in 2008)

Uninsured by Citizenship Status, 2007-08 Average



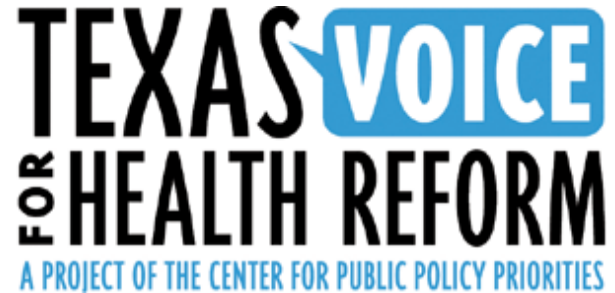
Source: CPS Annual Social & Econ. Supplement
www.census.gov/hhes/www/hlthins/hlthins.html

Texas: the Most to Gain



- in 2008, Texas remained the state with the highest uninsured rate in the nation with an uninsured population of 6.1 million people.
- With so many Texans lacking health security, Texas has more to gain than other states from national health reform legislation, which the Congressional Budget Office projects will cover 92-94% of Americans under age 65 in 2019.

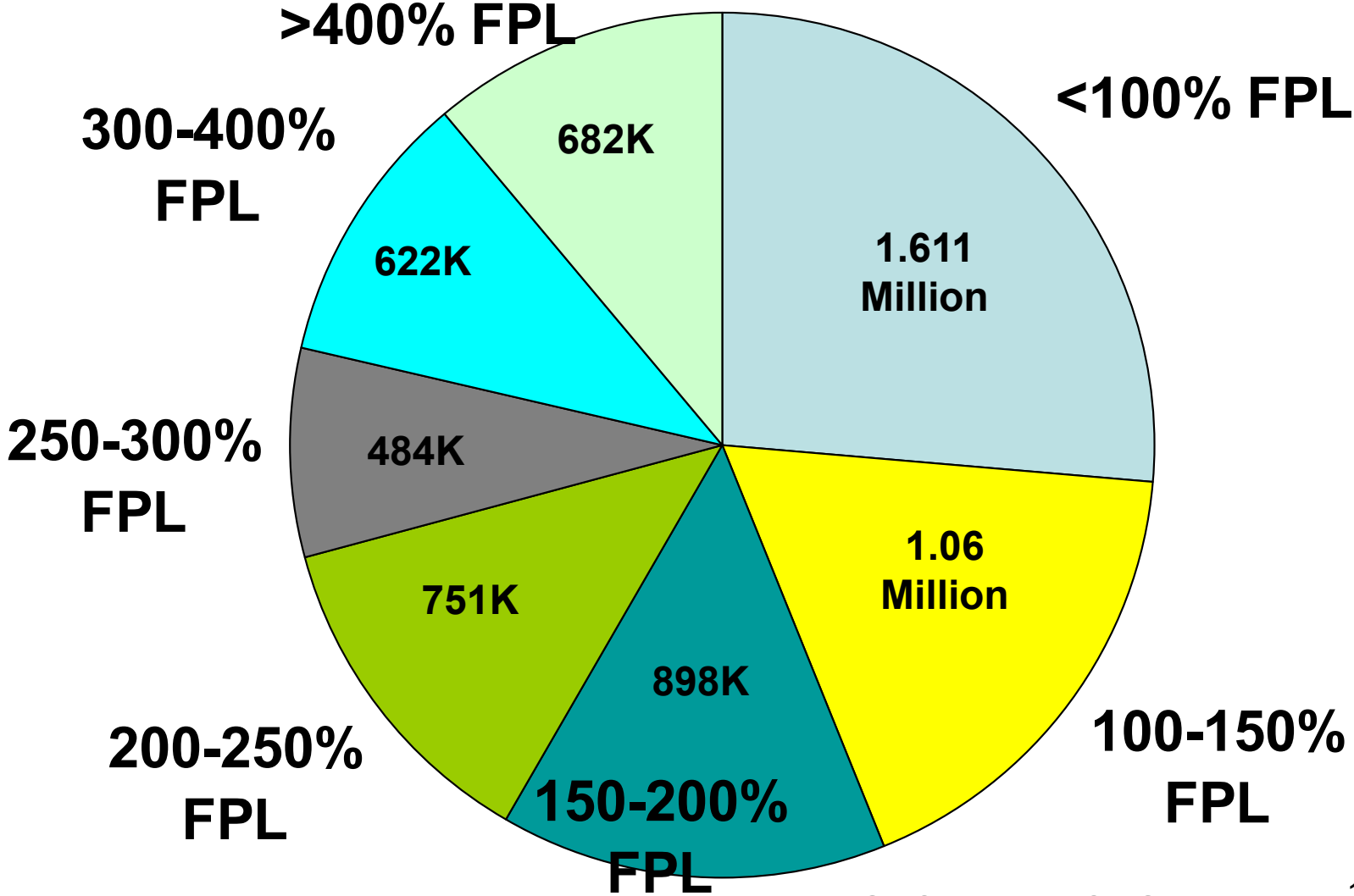
Health Reform Basics



- Key elements of both bills:
 - Build on current system.
 - **Medicaid expansion:** cover all up to 133% or 150% FPL (\$14,404-\$16,245 for one; \$29,327-\$33,075 for 4).
 - **Reform Private Health Insurance:** standardize benefits, no price variation for gender or occupation, limited age variation, no denial of coverage, no excluding pre-existing conditions, no annual or lifetime maximums. Changes first for individual, small employer coverage.
 - **New Health Insurance Exchange(s)** where private insurers' options can be compared and purchased (like Amazon or Travelocity for insurance).
 - May or may not include Public or Non-profit plan option?
 - HIE is only a framework: impact depends on subsidies, market reforms, standardized benefits, individual mandate, negotiating powers to be effective
 - **Premium assistance** up to 400% of FPL (\$88,200 for family of 4)
 - **Out-of-pocket subsidies (reduces out of pocket for all consumers) and stop-loss caps,** too, to increase affordability reduce medical bankruptcy
 - **Individual mandate** to have coverage (with exemptions)
 - Some **Requirements for employers to contribute,** with exemptions for small employers

Texas Uninsured by Income Today.....

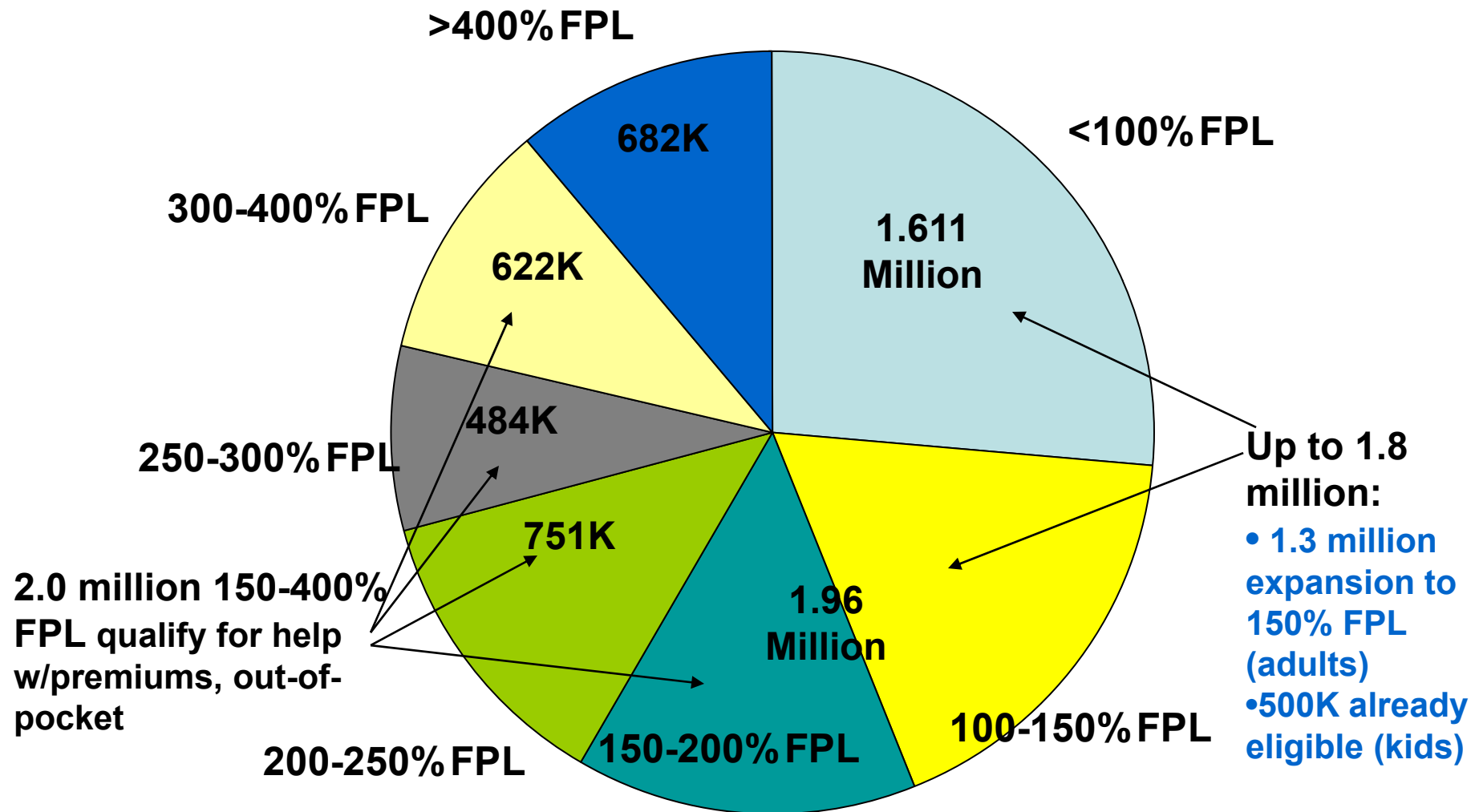
6.1 million uninsured in 2008



U.S. Census, CPS

...And if House Bill Fully Implemented Tomorrow

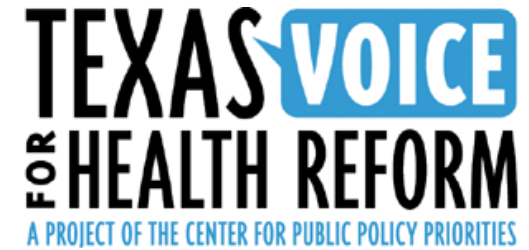
CBO: 3.7 to 4.7 million out of 6.1 million gain coverage



Who Remains Uninsured?

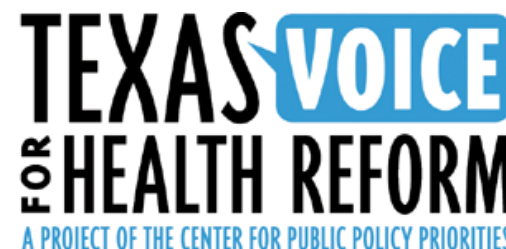
- CBO assumes small percentage opt not to be covered (no penalty for lowest income and penalties much lower than cost of coverage)
- If premium subsidies inadequate, (i.e., Senate version), larger share of low- & moderate income may stay uninsured.
- Undocumented:
 - no Medicaid/CHIP,
 - no premium subsidy, possibly cannot buy @ full cost from exchange
 - Best estimates say 40% of undocumented in US TODAY have private coverage
- Legal Permanent Residents:
 - continued exclusion from Texas Medicaid,
 - May be barred from subsidy, too, in first 5 years in US

Fiscal Benefit/Cost of Health Reform to State



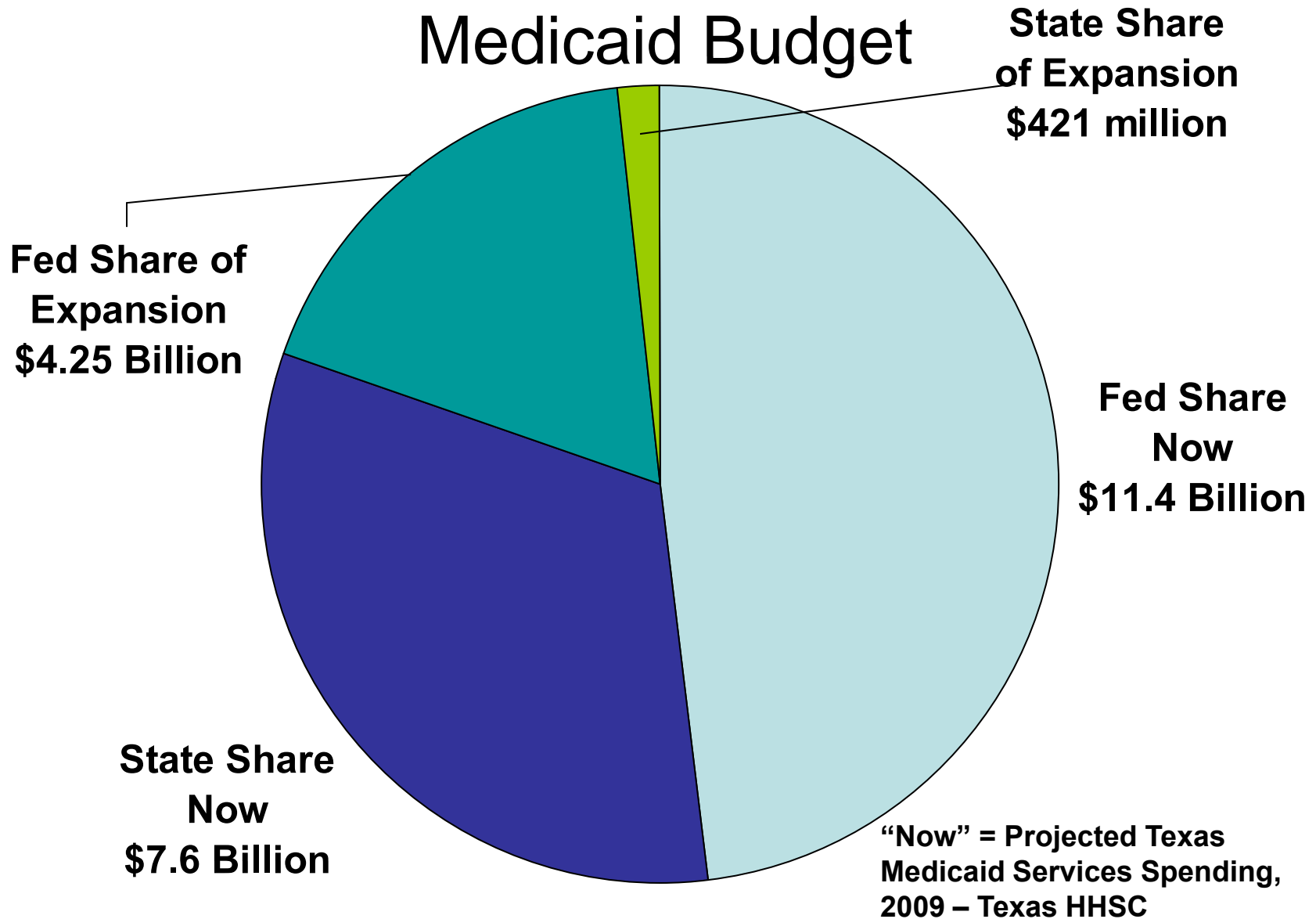
- Medicaid expansion—up to 133% FPL(S) or 150% FPL (H)
- “Static” Illustration based on current US Census data and Texas Medicaid costs:
- HOUSE:
 - in 2008, 1.3 million uninsured Texas adults aged 19-64 who (a) are U.S. citizens and (b) have incomes below 150% FPL.
 - At 2009 cost of ~ \$305 per adult/mo., covering 1.3 million more adults = about \$4.7 billion in new health care spending.
 - Under HR 3962, Feds pay 100% of costs for 2 years, and 91% after that.
 - In year 3, Texas’ 9% state share of the \$4.7 billion would be would be about \$421 million,
 - And Feds pay the remaining **\$4.25 billion**.
 - **In other words, about ten federal dollars in for every one state dollar.**
 - **Plus multiplier effect of over \$12.5 Billion (economic multiplier of 3.25 per Perryman). (↑State tax revenues + ↓Local taxes avoided) nearly = GR costs**
- Lesson: Medicaid expansion, while not “free” for Texas, will yield substantial economic benefits.
- Texas economy will also benefit from federal premium assistance and out-of-pocket cost help to families from 150-400% FPL, which will not require any state budget contribution at all.

Fiscal Benefit/Cost of Health Reform to State



- Medicaid expansion—up to 133% FPL(S); same “Static” Illustration based on current US Census data and Texas Medicaid costs:
- SENATE:
 - in 2008, 1.0 million uninsured Texas adults aged 19-64 who (a) are U.S. citizens and (b) have incomes below 133% FPL.
 - At 2009 cost of ~ \$305 per adult/mo., covering 1.3 million more adults = about \$4.7 billion in new health care spending.
 - Under HR 3590, Feds pay 100% of costs for **3** years: 2014, 2015, 2016
 - In 2017 the Texas would pay about 5.14% or \$188 million, with the federal share \$3.47 Billion
 - In 2018, Texas would pay 6.14% or \$225 million, with the federal share \$3.44 Billion
 - In 2019 and thereafter, Texas would pay 7.14% or \$261 million, with the federal share \$3.4 billion.
 - \$18 federal dollars for each \$1 the state spent in 2017 on expanded Medicaid coverage;
 - \$15 federal dollars for each \$1 the state spent in 2018; and
 - \$13 federal dollars for each \$1 the state spent in 2019 and thereafter
 - **Plus economic multiplier of 3.25 per Perryman**

How House Bill Illustration Changes Texas Medicaid Budget



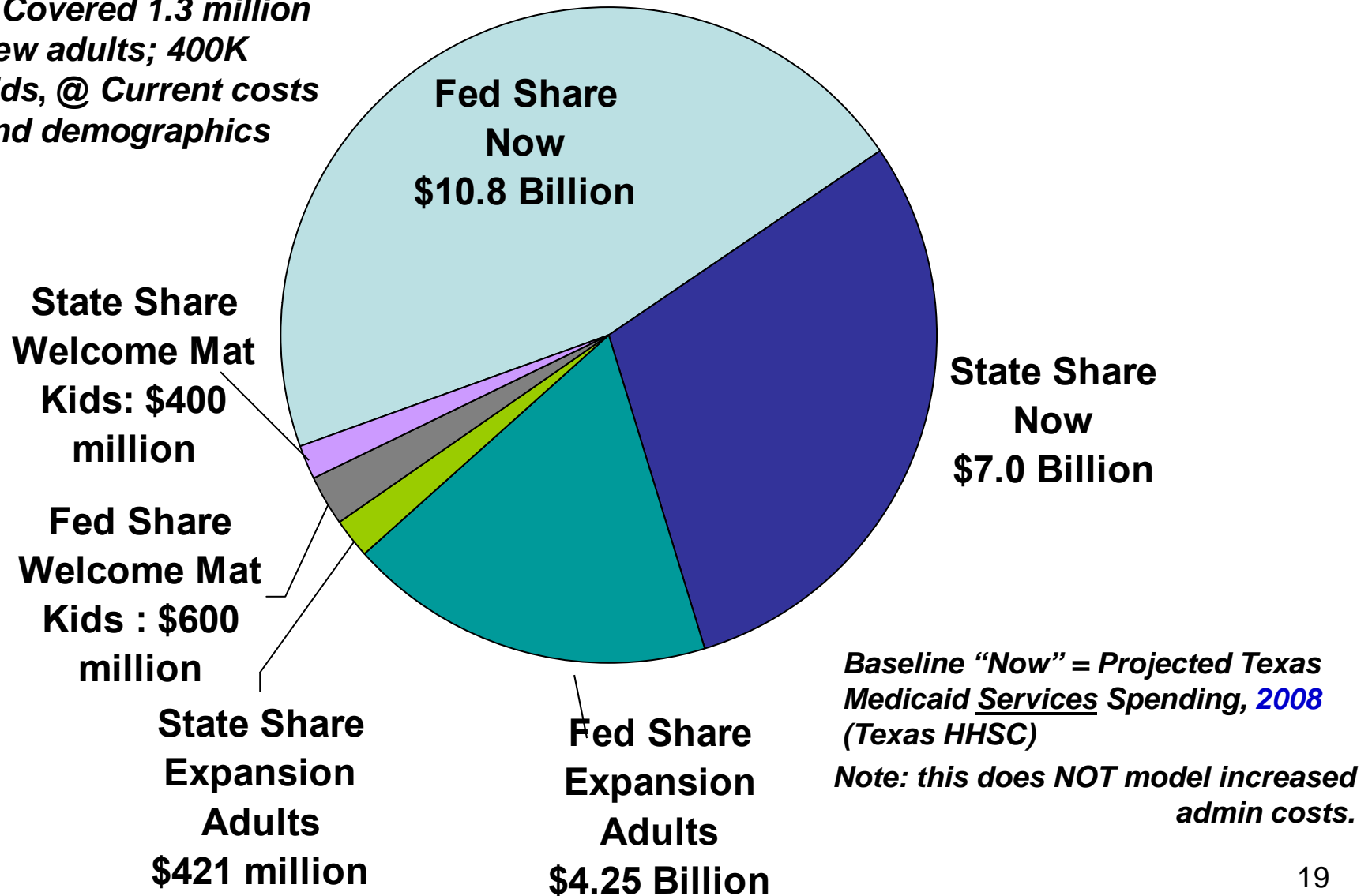
Note: this does NOT model admin or increased enrollment by already-eligible children.

Welcome Mat Effect

- States that cover all children found that 50%+ of enrollment after reforms were kids already eligible before reform but not enrolled: “Welcome Mat” effect.
- No Individual Mandate penalties apply to Texans below 100% FPL who remain uninsured, but based on other states, over time more of our currently-eligible Texas children will enroll in Medicaid.
- Because Texas has very limited eligibility for adults today, there is very low risk of Medicaid welcome mat effect for adults.)
- UNLIKE state costs for newly-eligible adults largely borne by federal budget, strong welcome mat response by already-eligible uninsured Texas children would add significant cost to the state budget, because state will be responsible for standard Medicaid share of just under 40% for those children.
- If welcome mat effect were as powerful as 12-month enrollment projected to be, the GR annual costs (at current costs and demographics) could amount to \$200 to \$350 million (LBB vs. HHSC).
- If 100% of the 440,000 Medicaid currently-eligible uninsured children were to enroll today, the current annual cost to the state budget would range from about \$350 million to \$466 million (LBB vs. HHSC costs), based on the “usual” state’s share of ~39%.

Illustration: How House Bill Would Change Texas Medicaid Budget

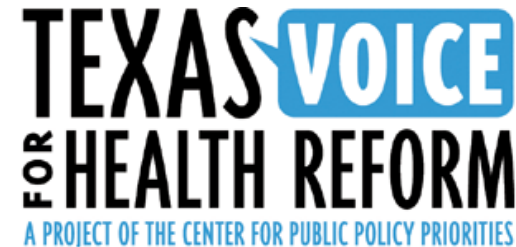
If Covered 1.3 million new adults; 400K kids, @ Current costs and demographics



Top Advocate Concerns for Final Bill

- Affordability remains the top focus of consumer and low-income advocates, and the experts we trust the most continue to advocate for these provisions in the compromise bill:
 - (1) House bill's superior premium assistance for people under 250% FPL;
 - (2) Senate premium assistance for people between 250-400% FPL.
 - (3) House's superior cost-sharing subsidies (which reduce out-of-pocket costs) for all incomes.
 - (4) House's broader expansion of Medicaid to 150% FPL.
 - (5) House's Medicaid primary care payment rate increases.
 - (6) National Health Insurance Exchange in House bill, or dramatically stronger minimum standards and federal oversight than in Senate bill at minimum.

Other New Roles, Costs for State



Roles/Functions

- Possible Administration of Health Insurance Exchange
 - Likely includes major enrollment/subsidy eligibility function
- Much Greater Role for TDI in Regulation
- Medicaid eligibility system enhancement
 - Accommodate both expansion & increased participation
 - Smooth interface with HIE system

Costs

- In addition to max. 9% share of Medicaid expansion & (possible) reimbursement increases from **2015 (H) or 2017 forward (S); and welcome mat kid costs...**
- Admin costs for state of expanded enrollment presumably @ 50%; financing of HIE interface costs unclear

Issues

- Will a Texas Executive opposed to reform implement new state functions competently?
- 9% share--even offset 9-to-1 with federal funds--must be funded in stated budget, and in context of a severe structural deficit in our state tax system.

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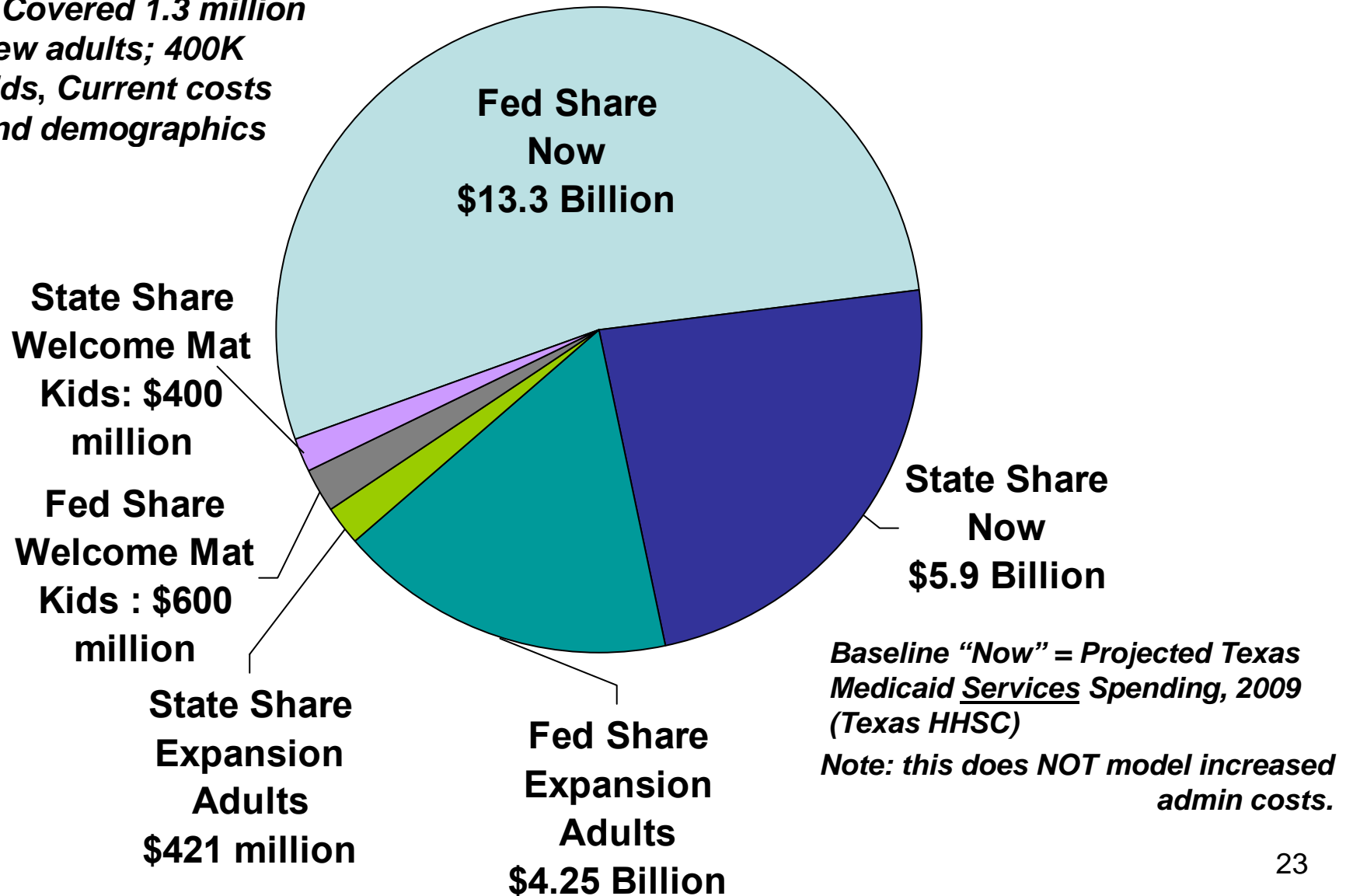
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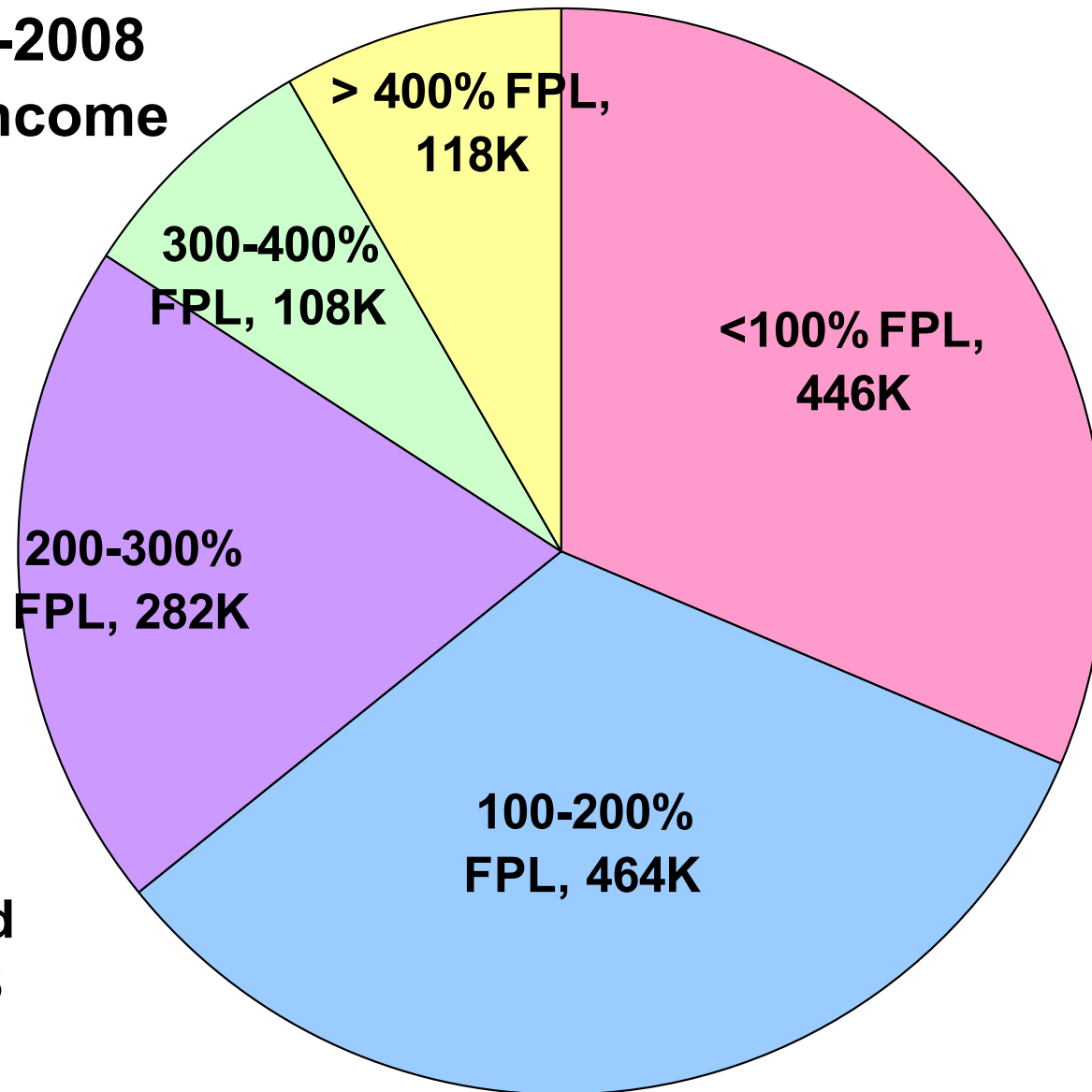
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Austin, TX 78702
P 512/320-0222 F 512/320-0227**

Illustration: How House Bill Would Change Texas Medicaid Budget

If Covered 1.3 million new adults; 400K kids, Current costs and demographics

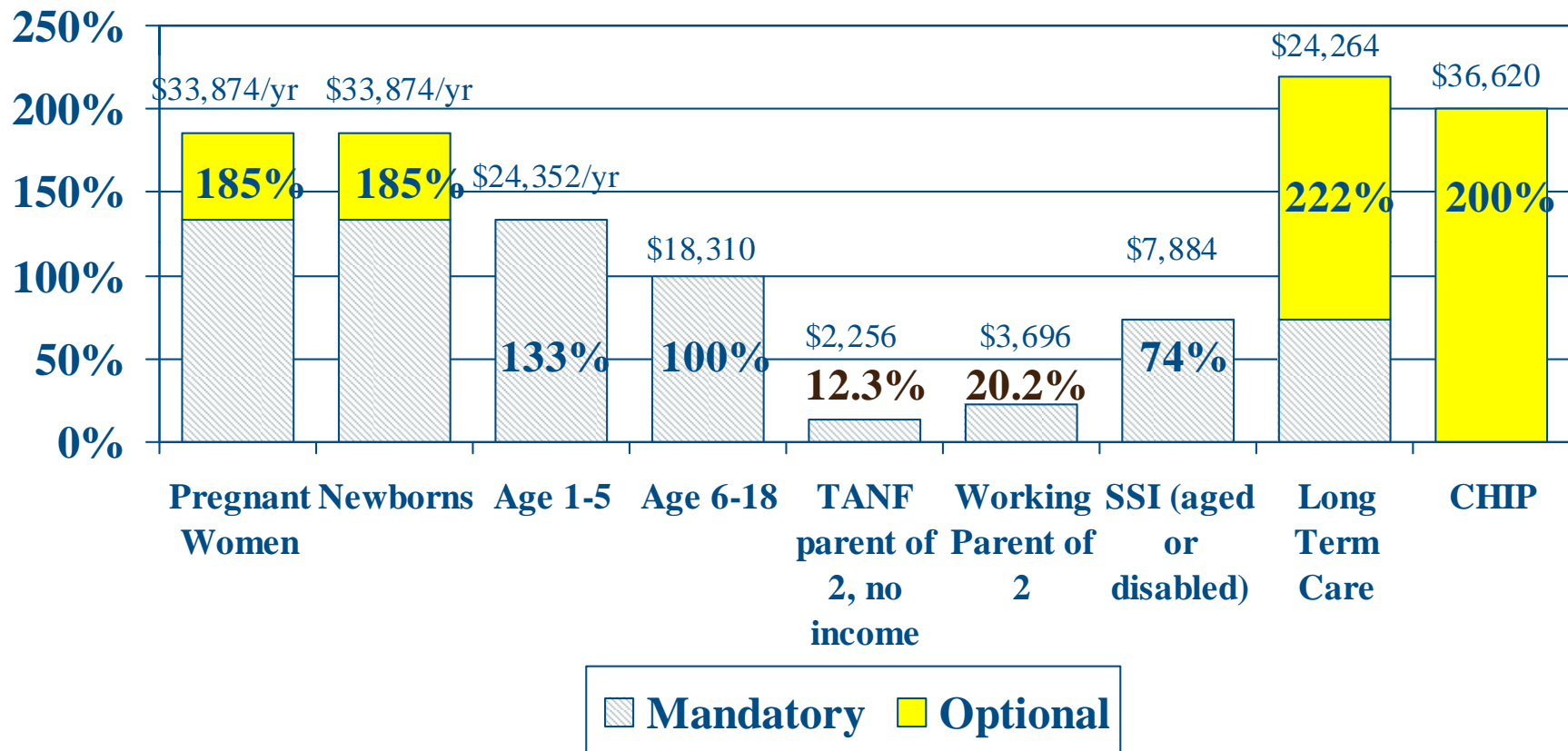


Uninsured Texas Children, (0-18) 2007-2008 By Family Income



**Total uninsured
children: 1.418
million**

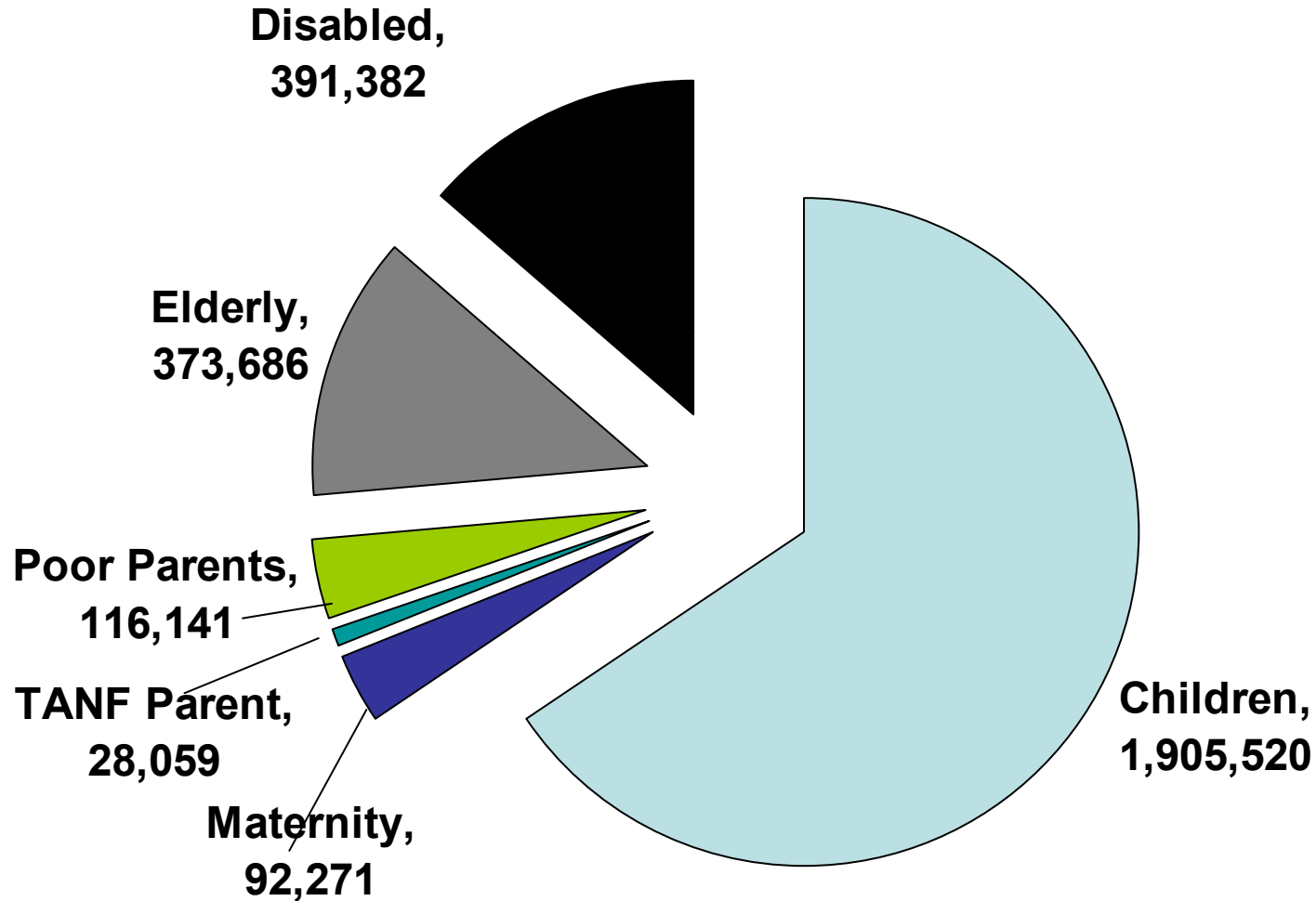
Income Caps for Texas Medicaid and CHIP, 2009



Income Limit as Percentage of Federal Poverty Income
Annual Income is for a family of 3,
except Individual Incomes shown for SSI and Long Term Care

Texas Medicaid: Who it Helps

April 2009, THHSC data.



Total enrolled 4/1/2009: 2.9 million