

CHIPing Away at Reform

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Since the Texas Legislature passed a series of reforms to the Children's Health Insurance Program (CHIP) in 2003, a strong contingent of legislators, advocacy organizations, and special interests has lobbied the legislature to reverse the Children's Health Insurance Program (CHIP) reforms of the 78th Legislature. Under pressure in 2004, the Governor rescinded the monthly premiums that certain CHIP recipients were to pay. In 2005, the Texas Legislature met the critics' demands to restore the vision, dental, mental health, and hospice benefits that were eliminated the session before. And today, the 80th Legislature brings renewed demands to expand the program by repealing the existing CHIP reforms still in place.

Maintaining these reforms is essential. Although those reforms were prompted by the legislature's attempts to close a \$10 billion shortfall by reductions in spending rather than raising taxes, these reforms were not merely about money—they were about good public policy. These reforms were motivated by an interest to ensure that so-called "safety net" programs are for those who are truly needy, without the resources to meet their own needs, and who share personal responsibility in proving eligibility and sharing in the cost of their care. Preserving these ideas is as important as maintaining the reforms themselves.

INCOME CALCULATION AND VERIFICATION

Children and pregnant women ineligible for Medicaid, but with incomes below 200 percent of the federal poverty level (FPL) are eligible for CHIP benefits. In 2007, a family of four at twice the poverty level could have an income of \$41,300 annually and be eligible for CHIP.

In 2006, the Texas Health and Human Services Commission (HHSC) aligned Medicaid and CHIP policy to require verification of income in applications and renewals, just as such verification was required for Medicaid eligibility. Prior to the verification requirement in CHIP, income was self-declared and enrollees reapplying for benefits simply affirmed that their income had not changed from their previous application.

Verifying income is essential to preserving the integrity of the program, and calculating income using gross income is the fairest application across all applicants. Without income verification, income eligibility requirements are effectively useless in governing enrollment to the program.

THE ASSETS TEST

As a result of House Bill 2292 of the 78th Texas Legislature, HHSC established an assets test for CHIP applicants with an annual income exceeding 150 percent of FPL (\$30,975 annually for a family of four). Contrary to the misrepresentations of the assets test, the state exempted funds in certain retirement accounts, pre-paid burial funds, certain qualified savings accounts for higher education such as the Texas Tomorrow Fund, educational grants and scholarships, and vehicles modified for a family member with a disability, in addition to real property. The assets test also makes generous provisions exempting vehicles used primarily to earn income. In addition, the assets test exempts the first \$15,000 of the highest valued vehicle and \$4,650 of any additional vehicle, allowing recipients to maintain cars with considerable value.

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Liquid assets like cash on hand, stocks, bonds, checking and savings accounts are not exempt from the asset review.

Following implementation of the assets test, the report of the Transition Legislative Oversight Committee identified both new and renewing applicants with assets that exceeded the limitations, including: an adult and one child with three vehicles totaling almost \$50,000 in value after the allowable deductions, a family of four with a monthly income of more than \$5,000 and three IRA accounts totaling almost \$160,000, and a number of cases where recent model Lexus, Pathfinder, Cadillac, and Suburban vehicles exceeded the allowable asset value.¹

As a safety net program, CHIP should not be the coverage of first resort for families looking to protect their assets while relying on the government for assistance. Similarly, the eligibility system should not encourage families with a temporary income problem to receive benefits when the value of significant assets is available to the family to support its health care costs. Taxpayers ought not be asked to pay the health care bills of Texans who have the resources to make health care a priority for their family.

SIX MONTHS OF CONTINUOUS ELIGIBILITY

Legislators passed a six-month period of continuous eligibility for Medicaid and CHIP, recognizing that a family's circumstances could change dramatically over the course of the year. Since CHIP is not an entitlement and the appropriation for the program is fixed, lawmakers also argued in 2003 that every penny of CHIP funding should go toward covering those who are truly eligible, rather than supporting someone who is no longer eligible after half the year. However, the fact that CHIP is not an entitlement has allowed legislators to play with the price tag for providing a lengthened period of continuous eligibility for the program.

Lieutenant Governor David Dewhurst recently told reporters that Texans don't have "a lot of sympathy for someone that can't fill out a two-page application every six months."² He is right. CHIP offers a valuable benefit at relatively little cost for recipients. Applicants should bear the responsibility

of proving they remain eligible to the state and the taxpayers and should do so as frequently as administratively efficient. Taxpayers should not be asked to support a "safety net" program for enrollees who are no longer eligible for the benefit, yet linger on the program while ineligible. Recertifying eligibility at regular intervals of at least six months ensures the state's limited resources are used only for those truly eligible for the benefits and willing to prove it.

90 DAY WAITING PERIOD

From the earliest discussions in the creation of the CHIP program at both the federal and state levels, guarding against "crowd out" has been a concern. Certainly the growth in the program and the level if not increasing rate of the uninsured demonstrates how public programs crowd out private sector alternatives. Cost sharing can be an effective tool in preventing crowd out, but so can efforts to prevent such migration from private to public coverage by instituting a waiting period to prevent a rush to CHIP coverage. Consider that many public and private sector employers also have a 30 to 90 day waiting period for health insurance coverage, and the CHIP waiting period prevents immediate enrollment in the program as a means of jettisoning private coverage.

ALIGNING MEDICAID AND CHIP

HHSC and the Texas Legislature have taken steps to align eligibility requirements for CHIP and Medicaid. It is important that the two programs remain connected for two primary reasons. First, because there are some families with a child in Medicaid and a child in CHIP due to the age of the child, it is administratively easier for the families to manage one set of program requirements. Second, Medicaid recipients already provide much of this proof and there can be no reason to make the lower income Medicaid clients work under a higher burden of proof than the comparatively higher income CHIP recipients. Finally, in 2001 the legislature approved legislation to make Medicaid more like CHIP when it came to continuous eligibility and program applications. Such efforts will continue in the future with changes to CHIP alone prompting future legislation to again make Medicaid more like CHIP.

¹Texas Transition Legislative Oversight Committee, "Biennial Report" (Dec. 2004) 22.

²Robert Garret, "Simpler CHIP law is sought," *Dallas Morning News* (25 Jan. 2007) <http://www.dallasnews.com/sharedcontent/dws/news/texasouthwest/stories/012507dntswchip.22ace31.html>.