TEXAS PUBLIC POLICY FOUNDATION
PolicyBrief

March 1, 2007
Center for Health Care Policy

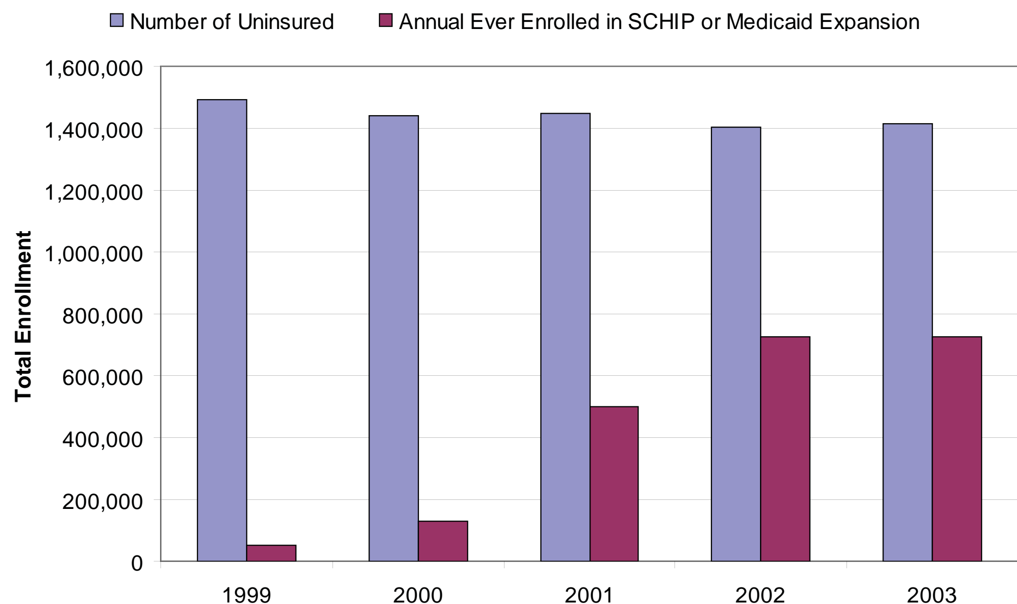
Reforming the Children's Health Insurance Program:
Expanding Coverage Without Expanding CHIP

by Mary Katherine Stout
Director, Center for Health Care Policy

When the Texas Legislature created the Children's Health Insurance Program in 1999, it made sweeping promises about the program's ability to reduce the number of uninsured children in the state. Legislative proponents promised that since the program is not an entitlement, spending would be controlled. Then-State Representative Patricia Gray, author of the CHIP legislation, told her colleagues that the worst case scenario was that the state would reach the appropriations cap and be forced to start a waiting list for the program. There has never been a waiting list for the program. CHIP appropriations have climbed each biennium. And there has never been a significant reduction in the state's uninsured children.

Among the unkept promises, the failure to make any meaningful step toward reducing the uninsured may be the worst since it was billed as the reason to create the program from the start. The graph below shows the increases in CHIP enrollment, including the May 2002 peak, yet with no real change in the number of uninsured. Even in the large increases in CHIP enrollment between years, the number of uninsured children remained steady.

Around the country, the focus on the uninsured generally leads to discussion of expanding public programs, yet taking on more people is not the solution to these already struggling private programs. Instead, states should be looking to not only ensure a robust and competitive private marketplace for health insurance, but look for opportunities to create a bridge between public programs and private coverage.



900 Congress Avenue
Suite 400
Austin, TX 78701
(512) 472-2700 Phone
(512) 472-2728 Fax
www.TexasPolicy.com

PB08-2007

continued on back

RECOMMENDATIONS

- The Legislature should require any health plan contracting with the Health and Human Services Commission for the Children's Health Insurance Program to sell, or agree to sell, at least a child-only health insurance product in the private market.

- Any health plan contracting with HHSC for the CHIP program should, as a part of their contract, be required to establish a plan for providing information on private health insurance alternatives to those CHIP recipients who lose or are denied eligibility for CHIP benefits.

- The Legislature should require any communication from HHSC or its vendors to CHIP recipients and/or applicants regarding renewal, disenrollment, or denied enrollment to include information on obtaining private health insurance.

- In contracting with health plans for the CHIP program, HHSC should evaluate a plan's success in enrolling former CHIP recipients or ineligible CHIP applicants in private, unsubsidized coverage. HHSC should also explore financial incentives, including possible performance bonuses, for plans enrolling children in private plans meeting established targets or leading their competitors.

- HHSC should regularly sample individuals disenrolled from CHIP to determine their health insurance status after losing CHIP benefits, whether health insurance was obtained individually or through work, to verify that information on purchasing private coverage was made available to them upon disenrollment, as well as reasons why a family may have chosen to go uninsured.

- The state should redesign CHIP cost sharing to include monthly premiums on a realistic sliding scale that would help smooth the transition for those whose incomes make them ineligible for CHIP, and subject to purchasing unsubsidized insurance in the private market in order to obtain coverage.

As families become ineligible for continued CHIP benefits, these program changes would help facilitate the transition from public benefits to private coverage. There are a number of health plans offering a child-only insurance product today, often ranging from $50-100 per child, per month, but none of the communication between the state and the recipient points recipients or applicants to these relatively low-cost alternative options.

Requiring health plans to put anything from a CHIP comparable plan to a child-only plan out on the private market and share that information with those CHIP applicants or former recipients emphasizes the importance of obtaining private coverage, rather than simply "cliffing off" the program to be uninsured. Furthermore, surveying the health insurance status of those who left the CHIP caseload can help paint a more accurate picture of the necessity of the program in providing insurance, as well as the value of such unsubsidized coverage.

Ultimately, CHIP should be viewed as a temporary and transitional benefit, and it is in the state's best interest to connect these individuals with private coverage, rather than expand public programs or look for ways to keep people enrolled in the program. By contracting with health plans that can establish a relationship with the client early, these plans must prove their value to the families on CHIP, with an incentive to expand their private market share, rather than maintain a grip on public programs.