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Health Care Policy: 80th Session In Review

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THE CHILDREN'S HEALTH INSURANCE PROGRAM

- Established in 1999 by the 76th Legislature, the Children's Health Insurance Program (CHIP) provides health care coverage to families who make too much for Medicaid, but are deemed to make too little to afford health insurance.
- Eligibility for the program is set at 200% of the federal poverty level (FPL), which amounts to slightly more than $41,000 in annual income for a family of four.
- Facing a budget shortfall in 2003, the 78th Legislature passed major reforms designed to ensure program integrity and reserve the benefit for those who are truly eligible and whose families have no other reasonable resources to pay for their care.
- This session the Legislature reversed those reforms with House Bill 109 by Representative Sylvester Turner, including: figuring eligibility on net income, rather than gross income to disregard certain expenses; removing a 90-day waiting period for coverage designed to prevent "crowd out;" increasing the liquid assets allowable to be eligible, along with the exempt value of vehicles; and granting coverage for 12 months, rather than six. In the bill eventually sent to the Governor, the Senate amended the period of eligibility to require an electronic check on CHIP families with the highest incomes at the six-month mark.
- The policy change is estimated to increase the CHIP caseload by 100,000 people who would have been otherwise ineligible or did not reenroll at the six-month mark under the current policy.
- The Foundation has opposed efforts to expand the program, arguing that taxpayers supporting a "safety net program" have an expectation that recipients are truly eligible and have no other reasonable alternatives to provide for their own care.
- The CHIP program is a generous benefit that comes at little or no cost to recipients. In fact, on a per capita basis, a family of four pays more in taxes to support the CHIP program than a family at the highest income would pay in cost sharing over two years.

MEDICAID

- Medicaid is projected to cover roughly 3 million Texans over the next biennium, including some 2 million children, as well as the aged, blind, and disabled who are the highest cost recipients—and growing as baby boomers enter the program. In addition, Medicaid pays for 58% of all births in the state.
- Recent Medicaid reforms contained in Congress' Deficit Reduction Act of 2005 were designed to give states more flexibility in managing their Medicaid programs. These changes are far from the fundamental reforms the program needs, but they provide the states with modest steps to better control Medicaid.
- During the interim and in legislative testimony in September 2006, the Foundation recommended that the Legislature pursue a waiver to tailor the Medicaid benefits package, increase cost sharing, use Health Savings Accounts to create better incentives for recipients, implement long-term care Medicaid reforms, and restructure the financing for

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hospitals. Senate Bill 10 by Senator Jane Nelson, the session's Medicaid reform legislation, included all of those aspects.

- In the future, the state must look for more opportunities to exercise flexibility, most notably by asking for a federal block grant for the Medicaid program. We continue to recommend that the state offer the federal government greater budget certainty for Medicaid in exchange for more program flexibility.

HEALTH SAVINGS ACCOUNTS

- Health Savings Accounts (HSAs) make people conscious of their health care costs by giving individuals more control in making decisions about their care and their health care dollars.
- The Foundation has supported efforts to make an HSA option available to state employees, whose health insurance costs have grown to almost $2.2 billion, an increase of $143 million over the previous biennium. House Bill 1269 by Representative Myra Crownover proposed this change for the second session in a row, but failed to get a vote in the House.
- Although the state made modest changes to the health benefits design in 2003, state employees have a benefits package that exceeds most offerings from private employers. In addition, state employees effectively have only one choice in health plans, preventing any real competition on price or service.
- The Foundation has argued that HSAs are an important way to enhance the current benefits with more choice and more control, while achieving important cost savings for the state. Furthermore, although the state pays the full premium for state employees, those employees paying for dependent coverage would benefit from a choice in benefits with greater competition on price.

HEALTH INSURANCE MANDATES

- Each session, disease association and medical providers lobby the Legislature for new mandates on health insurance coverage, requiring that every health insurance policy in the state must cover certain treatments and services.
- Texas already has 51 different mandates on health insurance, putting Texas among the five states with the most health insurance mandates.
- Although these mandates are an attractive option for many policymakers and interest groups alike, they artificially drive up the cost of health insurance.
- This session witnessed almost two dozen bills filed to require coverage for self-inflicted injuries, prosthetic devices, brain injury, and cardiac scans, among others.
- Most of the mandate bills died in committee, but a bill relating to mandated coverage for brain injuries made it to the Governor's desk, along with an amendment expanding mandatory coverage for children with autism.
- The Foundation has consistently reminded lawmakers that mandates drive up the cost of insurance, often making it a bad deal and encouraging people to "go bare" rather than pay high prices for care they believe unnecessary. It also eliminates important aspects of competition between health plans and limits consumer choice.

DEREGULATING HEALTH CARE

- While many legislators voice support for free market ideas in health care, there are few pieces of legislation that actually take necessary steps to free the market of unnecessary government control and regulation. Among the areas the Legislature regulates most heavily is the practice of medicine, or "scope of practice" laws, that limit what licensed professionals may do.
- This session there was one bill that stood out for its remarkable step in the direction of freer markets, looking to loosen restrictions on retail health clinics that are setting up shop in major retail centers like Wal-Mart and CVS.
- House Bill 1096 by Representative Rob Orr would have increased the number of nurse practitioners a doctor may oversee, loosened requirements on the percentage of time the doctor must be on premises at the clinic, as well as the distance from the clinic the doctor can practice. Each of these regulations contributes to unnecessarily driving up the cost of care.
- These clinics are intended to deliver basic, routine care, such as attention for pink eye, kidney infections, administering vaccinations, and testing for strep throat.
- The bill was voted from committee, but was never heard on the House floor. This is important legislation that the Foundation will continue to work on over the interim, championing reduced regulations in health care as a way to make health care more affordable and accessible.