

Health and Human Services Commission
Medicaid Reform Strategies for Texas

Strategy	CHIP Premium Assistance
Background:	<p>The state seeks to implement a premium assistance option under the Children’s Health Insurance Program (CHIP) called the CHIP Premium Assistance Program, or CHIP-PA. CHIP-PA is designed to use state and federal CHIP funds to pay a portion of the costs of enrolling CHIP-eligible individuals into private employer or group insurance coverage.</p> <p>Senate Bill 240, 78th Legislature, Regular Session, 2003, updated the existing Texas law on CHIP premium assistance to enable HHSC to develop a Health Insurance Flexibility and Accountability (HIFA) waiver proposal to create a premium assistance option under CHIP. HHSC has been working closely with the Centers for Medicare and Medicaid Services (CMS) since it submitted the waiver in December 2004. CMS is reviewing the state’s last response sent November 2006. HHSC anticipates approval because the program is consistent with the current administration’s priorities and with CMS’s public/private strategies.</p> <p>Under SB 240, HHSC was directed to:</p> <ul style="list-style-type: none"> ▪ Identify children who are otherwise eligible to enroll in CHIP who could enroll in group health coverage. ▪ Determine the cost-effectiveness of subsidizing the purchase of their coverage through group or employer coverage (the coverage has to cost less than it would have if the children were enrolled in traditional CHIP). ▪ Provide written notice to issuers of group coverage in accordance with the Texas Insurance Code. ▪ If cost effective, provide payment assistance for employee’s share of group coverage premium. • If cost-effective, assistance can be for employee plus children or employee family coverage. <p><u>Key Elements of the Waiver</u></p> <p><i>Eligibility</i></p> <p>In addition to CHIP-eligible children, the population that can participate in CHIP-PA consists of the following individuals:</p> <ul style="list-style-type: none"> • Parents of a CHIP-eligible child. • Spouses of parents of a CHIP-eligible child. • Other family members of a CHIP-eligible child who are not Medicaid-eligible. <p><i>Benefit Package</i></p> <p>Benefits under CHIP-PA would be the benefits offered under the private plan, but must include basic services such as emergency services, inpatient and outpatient hospital services, physician’s surgical and medical services, and well-baby and well-child care.</p>

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	<p><i>Cost Sharing</i></p> <ul style="list-style-type: none"> • The employer contribution to the cost of the premium must be at least 40 percent of the cost of the total premium. • The state premium assistance subsidy would be a maximum flat amount paid monthly for private coverage (employee plus children or employee plus family coverage) regardless of the number of children in the family. The amount will be based on the CHIP per member per month rates at the time CHIP-PA is implemented. • The CHIP family would be responsible for any remaining premium and any other cost sharing obligations required by the employer plan. <p><i>Reimbursement</i></p> <p>The state will directly reimburse the coverage holder, the employer or the insurer on a monthly basis based on the receipt of a payroll deduction form or other appropriate documentation showing the paid premium.</p> <p><i>Administration</i></p> <p>HHSC will outsource the administration of this program to a private vendor.</p>
Other States:	<p>Several other states have implemented premium assistance programs through an 1115 waiver. Illinois operates a program that is similar in design to CHIP-PA.</p> <p><u>Illinois – FamilyCare/All Kids Rebate</u></p> <ul style="list-style-type: none"> • In November 2001, the state submitted a HIFA waiver to: <ul style="list-style-type: none"> ○ Use unspent federal State Children’s Health Insurance Program (SCHIP) funds to expand eligibility to <u>parents</u> up to 185 percent of the federal poverty level (FPL) over a five-year period. ○ Refinance the state’s existing premium assistance program for children between 133 percent and 185 percent of FPL that had previously been funded with state funds only. • CMS approved the waiver in September 2002. • Under the waiver, children who were previously enrolled in the premium assistance program could either switch to the state’s regular SCHIP program or remain in premium assistance.¹ • The waiver also allowed the state to receive federal Medicaid and SCHIP matching funds for those children and parents who choose premium assistance. <ul style="list-style-type: none"> ○ For parents and children who come to the premium assistance program with private insurance, the state receives the lower Medicaid matching rate. For parents and children who come to the program without private insurance, the state receives the higher

¹ The waiver was amended in 2004 to extend eligibility for KidCare Rebate to children up to 200% of FPL.

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	<p style="text-align: center;">SCHIP matching rate.</p> <p><i>Key Elements of FamilyCare/All Kids Rebate</i></p> <ul style="list-style-type: none"> • The families receive a subsidy of up to \$75 per person per month (this amount is linked to the state’s average SCHIP per member per month costs in 1998). • The family is responsible for all premium costs remaining after the state subsidy amount and employer contribution, as well as all other cost sharing. • There is no minimum employer contribution requirement. • The benefit package of the private plan must cover, at a minimum, physician and inpatient hospital services. • The state provides immunizations not covered by the private plan as a wrap-around service. <p>Other states with premium assistance programs implemented through an 1115 waiver include:^{2,3}</p> <ul style="list-style-type: none"> • Idaho - Adults and children up to 185 percent of FPL; enrollment not reported. • Oklahoma - Adults up to 185 percent of FPL; 712 enrollees. • Oregon – Adults and children up to 185 percent of FPL; 15,776 enrollees. • New Mexico – Uninsured employed adults up to 200 percent of FPL; 4,509 enrollees. • Utah – Uninsured adults up to 150 percent of FPL; 61 enrollees. • Maine – Childless adults up to 100 percent of FPL; 297 enrollees. • Massachusetts – Children up to 200 percent of FPL, parents up to 133% of FPL, small employers and their spouses up to 200 percent of FPL; 33,318 enrollees. • New Jersey – Families up to 200% of FPL, children up to 350 percent of FPL; 770 enrollees. • Virginia – Children up to 200 percent of FPL; 1,629 enrollees. • Wisconsin – Children up to 200 percent of FPL, families up to 185% of FPL; 1,691 enrollees. • Arkansas – No data available.

² Enrollment data is current as of May 2006.

³ National Health Policy Forum, “Premium Assistance in Medicaid and SCHIP: Ace in the Hole or House of Cards?” Issue Brief, No. 812, (July 17, 2006). Online. Available: http://nhpf.org/pdfs_ib/IB812_PremiumAssist_07-17-06.pdf. Accessed: September 18, 2006.

⁴ Kaiser Commission on Medicaid and the Uninsured, “Serving Low-Income Families through Premium Assistance: A Look at Recent State Activity.” (October 2003). Online. Available: <http://www.kff.org/medicaid/kcmu4143brief.cfm>. Accessed: September 18, 2006.

⁵ Participation rates are calculated as a percentage of children and non-disabled/non-elderly adults participating in Medicaid for MA, OR and WI. Participation rates are calculated as a percentage of total SCHIP enrollment for NJ and VA.

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	<p>According to a 2003 report by the Kaiser Commission on Medicaid and the Uninsured,⁴ the following are participation rates for various premium assistance programs implemented through an 1115 waiver:⁵</p> <ul style="list-style-type: none"> • Massachusetts - 0.76 percent • New Jersey - <0.5 percent • Oregon - <0.5 percent • Virginia - <0.5 percent • Wisconsin - <0.5 percent 							
Application to Texas – Advantages & Disadvantages:	<p><u>Advantages:</u></p> <ul style="list-style-type: none"> • Funds that the state was expending to cover individual children can now be used to cover an entire family, resulting in the expansion of coverage and a slight reduction in the number of uninsured in Texas. • CHIP-PA promotes participation in private health insurance coverage. • CHIP-PA enables families to cover all family members under one health insurance plan. <p><u>Disadvantages:</u></p> <ul style="list-style-type: none"> • To achieve overall savings, enrollment must be high enough to generate sufficient savings to cover start-up and ongoing administrative costs. Given other states’ premium assistance enrollment experience, high enrollment in CHIP-PA is not expected. • Children enrolled in CHIP-PA may have a more limited benefit package and higher out-of-pocket costs under the private health insurance plan than they would have under regular CHIP. 							
Meets Medicaid Reform Goal(s):	Cost Reduction or Avoidance		Maximizes federal funds		Improves Program Sustainability		Consumer Choice/Responsibility	
	Reduces Number of Uninsured	X	Supports Private Market Coverage	X	Improves Quality		Improves Access	
	Benefit Options							
Populations Affected:	<p>The population that can participate in CHIP-PA consists of the following:</p> <ul style="list-style-type: none"> • A CHIP-eligible child. • Parents of a CHIP-eligible child. • Spouses of parents of a CHIP eligible child. • Other family members of a CHIP-eligible child who are not Medicaid-eligible. <p>To be eligible, these individuals must be:</p> <ul style="list-style-type: none"> • Texas residents. • Residing in the same household as the CHIP-eligible child. • Uninsured for at least 90 days. 							

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	<ul style="list-style-type: none"> Not residing in a public institution. Eligible to participate in an employer-sponsored health insurance plan, with an employer contribution level of 40 percent of the total premium cost. <table border="1" style="margin: 10px auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">Projected # of Parent Participants</th> <th style="text-align: center;">Projected # of Child Participants (CHIP Eligibles)</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">3,800</td> <td style="text-align: center;">4,600</td> <td style="text-align: center;">8,400</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">5,000</td> <td style="text-align: center;">6,000</td> <td style="text-align: center;">11,000</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">6,300</td> <td style="text-align: center;">7,500</td> <td style="text-align: center;">13,800</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">6,400</td> <td style="text-align: center;">7,600</td> <td style="text-align: center;">14,000</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">6,500</td> <td style="text-align: center;">7,800</td> <td style="text-align: center;">14,300</td> </tr> </tbody> </table> <p>The model utilized to project enrollment in CHIP-PA includes the following assumptions:</p> <ul style="list-style-type: none"> Parents of children enrolled in CHIP with income between 100 percent and 150 percent of FPL who have access to employer-sponsored health insurance would participate at a rate of 2 percent in year one of the waiver; 3 percent in year two; and 4 percent in years three through five; Parents of children enrolled in CHIP with income between 151 percent and 200 percent of FPL who have access to employer-sponsored health insurance would participate at a rate of 4 percent in year one; 5 percent in year two; and 6 percent in years three through five; and There are 1.2 children per parent. 				Year	Projected # of Parent Participants	Projected # of Child Participants (CHIP Eligibles)	Total	1	3,800	4,600	8,400	2	5,000	6,000	11,000	3	6,300	7,500	13,800	4	6,400	7,600	14,000	5	6,500	7,800	14,300
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General Revenue Impact:	Moderate program savings are anticipated to be generated by reducing the per member per month (PMPM) cost for CHIP-PA enrollees. The premium subsidy paid to each family is calculated by multiplying the total average PMPM cost for a child in regular CHIP by the average number of children per family. That amount is then reduced by 8 percent to offset the cost of administering the program and to generate savings.																											
Other Considerations	Stand Alone Option	X	This Option should be considered in conjunction with other Medicaid Reform Strategy(ies)																									
State and Federal Approval(s) Required:	Federal	1115 Waiver	X	State																								
		Other Waiver(s), [LIST]		Rules																								
		State Plan Amendment		Legislation																								
Implementation Considerations & Timeframes:	<p><u>Affected Stakeholders</u></p> <ul style="list-style-type: none"> Parents and other family members of CHIP-eligible children. Employers. <p><u>Systems and Resource Considerations</u></p>																											

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	<ul style="list-style-type: none"> • HHSC will have additional responsibilities related to eligibility determination and enrollment that are likely to result in increased costs to the state. For example, parents will have to verify their immigration status if they are not a U.S. citizen to participate in CHIP-PA. • The state would contract with an outside entity to administer the program. • House Bill 2292, 78th Legislature, Regular Session, 2003, directs HHSC to “develop and implement a plan to consolidate and coordinate the administration” of CHIP-PA and the Health Insurance Premium Payment (HIPP) Program, the State’s premium assistance program for Medicaid clients. • System changes will be required. For example, a new code will be needed to distinguish CHIP-PA enrollees from CHIP enrollees. • The application will have to be revised, new letters developed, staff trained, etc. <p><u>Implementation Timeframes (in months)</u></p> <ul style="list-style-type: none"> • Approximately 12 months from CMS approval of the waiver due to the need to procure a contractor to administer the program, state rule adoption, and outreach to families of this new opportunity.