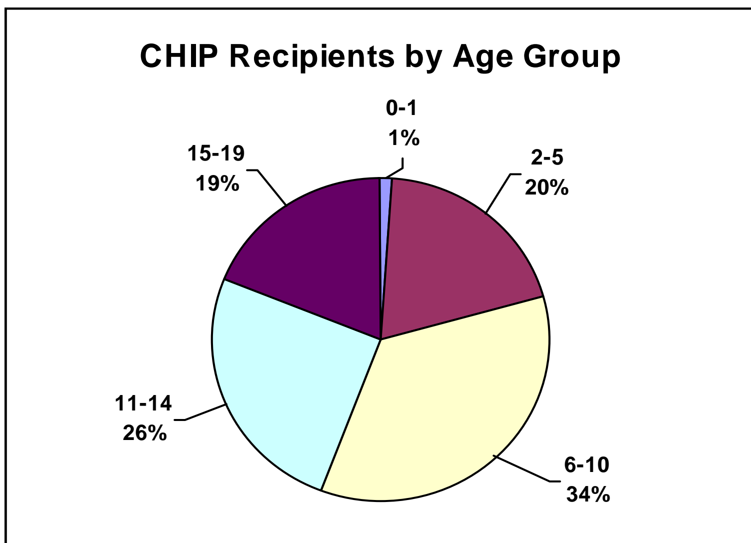
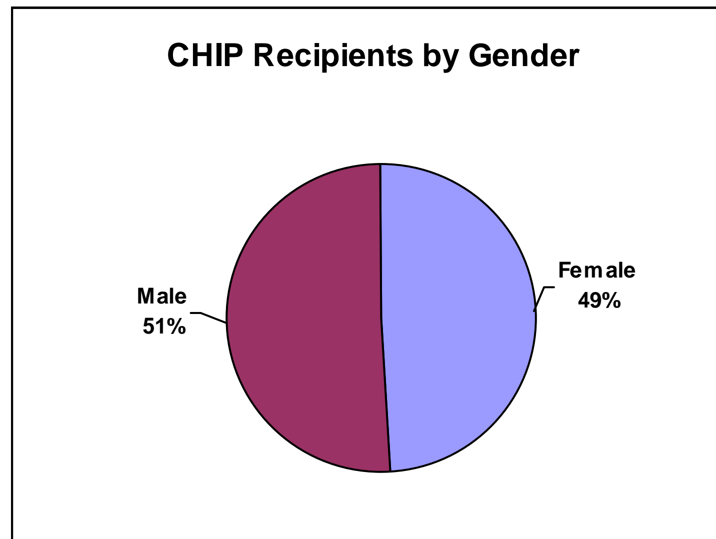
Health and Human Services Commission

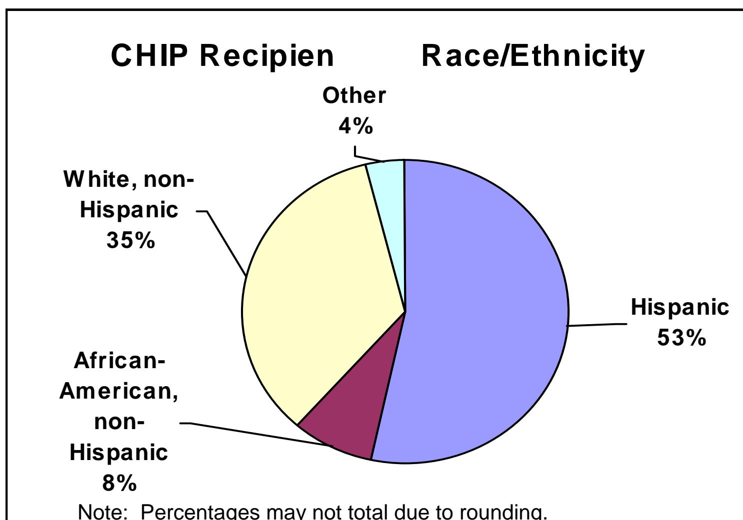
Presented to the
Senate Finance Committee
Subcommittee on Medical Costs

May 13, 2002

CHIP Demographics – FY 2002



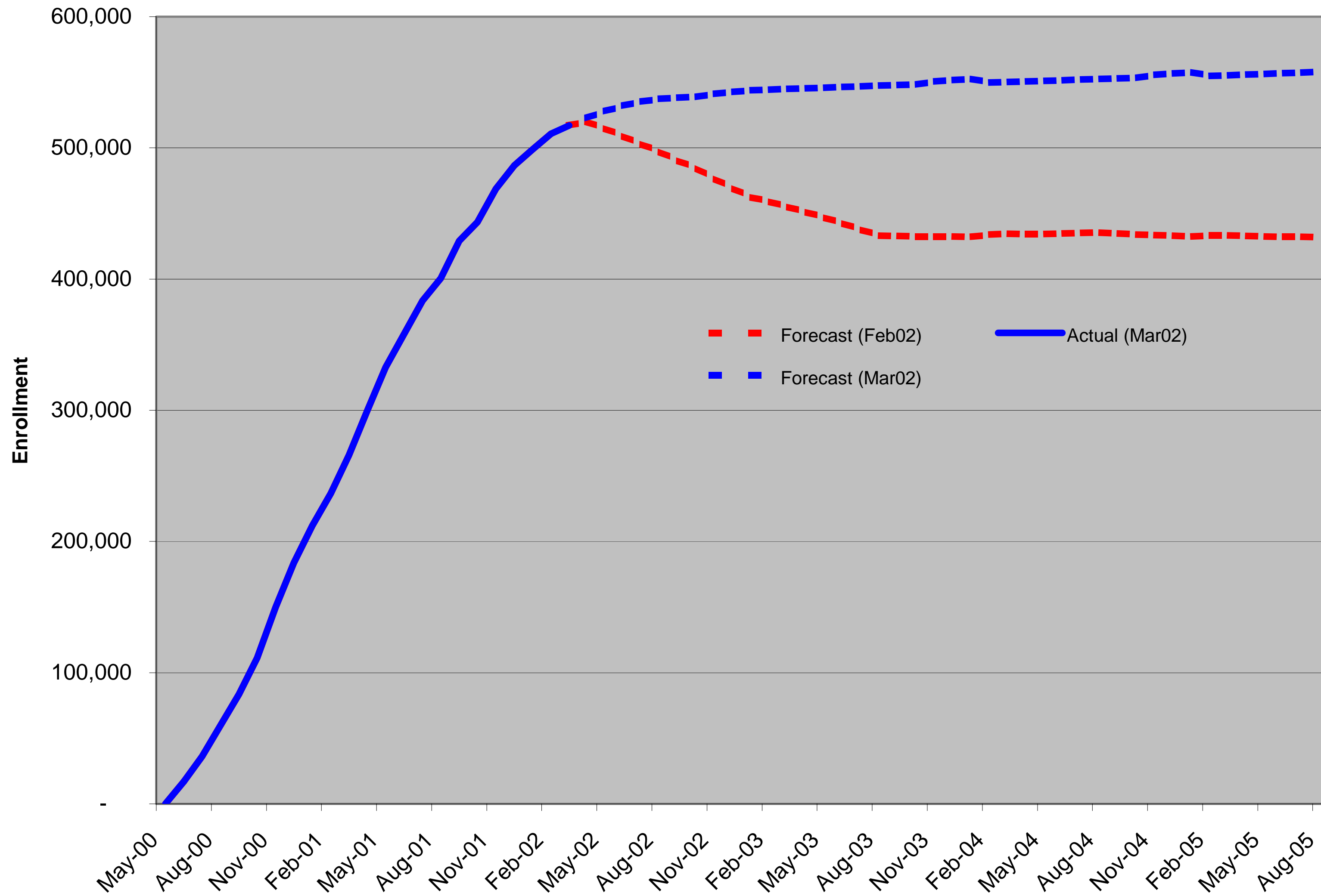




What is CHIP? CHIP provides health insurance for children from low-income families.

Who is covered? The program serves Texas children under the age of 19, whose household income does not exceed 200 percent of the federal poverty level ($36,200 for a family of four), and who are deemed ineligible for Medicaid.

What are the benefits? CHIP enrollees receive health care and dental care from participating health plans, medical groups and dentists. The health and dental care includes services that are similar to those offered to state employees.


CHIP Caseload Forecast Comparison - Feb 2002 & Mar 2002
600,000
500,000
400,000
300,000
200,000
100,000
-
Enrollment
Forecast (Feb02)
Actual (Mar02)
Forecast (Mar02)
May-00
Aug-00
Nov-00
Feb-01
May-01
Aug-01
Nov-01
Feb-02
May-02
Aug-02
Nov-02
Feb-03
May-03
Aug-03
Nov-03
Feb-04
May-04
Aug-04
Nov-04
Feb-05
May-05
Aug-05

CHIP Caseload (April 2002) - Includes CHIP Phase II and Legal Immigrants

Month	Total Enrollment	New Enrollment	Renewals	Total Disenrollment
May-00	30	30		-
Jun-00	17,048	17,023		5
Jul-00	36,196	19,431		284
Aug-00	59,926	24,305		583
Sep-00	83,538	24,297		887
Oct-00	111,317	28,900		1,156
Nov-00	149,935	39,664		1,123
Dec-00	183,597	34,870		1,219
Jan-01	212,066	30,087		1,626
Feb-01	236,547	25,979		1,567
Mar-01	265,805	31,189		1,961
Apr-01	299,896	36,932		2,841
May-01	332,802	35,816	21	2,910
Jun-01	358,163	30,603	12,525	6,429
Jul-01	383,588	35,582	13,346	10,157
Aug-01	400,456	29,647	16,415	12,779
Sep-01	429,066	38,467	16,345	9,857
Oct-01	443,468	30,749	19,132	16,347
Nov-01	468,790	42,444	24,927	17,329
Dec-01	486,574	37,236	20,966	19,452
Jan-02	498,818	30,506	17,620	18,260
Feb-02	510,878	30,549	13,501	18,489
Mar-02	517,025	29,156	14,480	23,009
Apr-02	524,392	31,827	16,417	24,460

CHIP Renewal Update
April 2002

(Based on information from B&D administrative system and preliminary information from Institute for Child Health Policy member survey)

- CHIP monthly renewal rate for FY 2002 to date has averaged about 72% of those completing their twelve-month enrollment period.

- Non-renewers (averaging about 28% in FY 2002) include members who did not complete the renewal process and also those who did, but were no longer eligible for CHIP.

- Of those who completed the renewal process, but were not renewed in CHIP:

    - A little over half were Medicaid-eligible
    - The other half either had income >200% FPL or were otherwise no longer eligible for CHIP (SKIP children, aged out, etc.).

- Of those children who were disenrolled in the 13th month, 26% reenrolled within 1 to 3 months.

- 80% of families report the renewal process is “ as easy as it could be.” About half of those surveyed thought too much documentation was required.

- The most common reason reported for not completing the renewal process was that they “forgot” or “did not get around to doing it.” The second most common reason was that they were planning on getting other health insurance coverage for their children.

- Institute for Child Health Policy is finalizing a comprehensive report that surveyed CHIP members on renewal and disenrollment outcomes.

What is Driving CHIP Costs?

The CHIP premium rates for the second year of the program increased approximately 17.7 percent, on average, as compared to first-year rates.

- Over the first 13 months of operation, 11 of 16 CHIP health plans reported significant losses. Reported losses totaled $36 million.
- In developing the premium rates for this year, we assumed that the average cost of medical services would increase six percent and the average cost of prescription drugs would increase 18 percent per year. These cost increase factors include both utilization and inflation components.
- Regarding utilization rates, while trend assumptions for inpatient hospital services utilization was as expected, outpatient hospital services, physician services, lab and X-ray services, behavioral health, prescription drugs, and other services utilization exceeded expectations by 25 percent on average.

CHIP Cost Containment Initiatives

CHIP Prescription Drug Benefit (PDB) Carve-out

- Prescription drugs remain a significant cause of inflation in the cost of health care services purchased by CHIP, conservatively estimated at 18 percent per year.
- Carving out the CHIP prescription drug benefit (PBD) was first raised with the CHIP health plans last spring as a possible strategy for helping to address the financial risk faced by the program over the long term.
- HHSC is in a better position than individual health plans to negotiate prices and rebates with manufacturers because of the volume of prescription medications purchased by the Medicaid and CHIP programs.
- Implemented on March 1, 2002
- Planning has included making improvements to the data provided to both CHIP and Medicaid health plans by the Vendor Drug Program (VDP) to facilitate their on going utilization management.
- Key assumption: Medicaid-level rebates (21 percent)
- Federal share of rebates must be returned to the federal government.
- Estimated impact of carve-out is $15-20 million in GR for ’02-’03 biennium.
- HHSC has requested authority to have rebates applied to the program.

CHIP Cost-Sharing Effective March 1, 2002

Federal Poverty Level	Office Visit Co-pay	Emergency Room Visit	Generic Prescription	Brand Name Prescription	Facility Co-pay	Annual Enrollment Fee	Monthly Family Premium	Annual Cost Sharing Caps
Below 100%	$0	$3 ~~$0~~	$0	$3 ~~$0~~	$0	$0	$0	$100 per family ~~$0~~
101%-150%	$2	$5	$0 ~~$1-2~~	$5 ~~$1-2~~	$25 per inpatient hospital admission	$15	$0	$100 per family
151%-185%	$5	$50 ~~$25~~	$5	$20 ~~$10~~	$50 per inpatient hospital admission	$0	$15	5 % of annual income
186%-200%	$10	$50 ~~$35~~	$5	$20 ~~$10~~	$100 per inpatient hospital admission	$0	$18	5 % of annual income

Note: Where the co-payments have changed, the new amount is underlined.

- Changes from previous co-pays include the following:
  - Increasing co-pays for emergency room visits and prescription drugs
  - Replacing deductibles with an inpatient hospital admission co-pay

- Co -pays for medical services or prescription drugs are paid to the health care provider at the time of service.
- No co-pays are made for dental services or for preventive care such as well-child or well-baby visits or immunizations.
- Federal law places a cap on the amount families with incomes above 150% FPL can pay for CHIP-related expenses within a CHIP enrollment period (12 months).
- Expenses applicable to the cost sharing caps include co-pays, the enrollment fee and monthly premiums.
- Families are responsible for tracking expenses and reporting that they have reached the cap.