



# Children's Health Insurance Program

2006 Status Report



## **Children's Health Insurance Program 2006 Status Report**

The Children's Health Insurance Program (CHIP) is designed for families who earn too much to qualify for Medicaid, yet cannot afford to buy private insurance for their children. CHIP provides eligible children with coverage for a full range of health services including regular checkups, immunizations, prescription drugs, lab tests, X-rays, hospital visits and more. Combined, CHIP and Children's Medicaid covered 2.2 million low-income children in 2006 – or one out of every three Texas children.

In January 2006, the state's CHIP caseload was 317,408. In the spring, the caseload declined as the state implemented new policies to verify recipients' income every six months. The rolls began to stabilize after all CHIP families had completed the new renewal process at least once. In addition, the state launched an outreach campaign in 2006 to ensure that low-income families understand the benefits of children's health insurance and know how to apply for state programs. In December 2006, CHIP enrollment was 326,231. During the year:

- 287,145 children enrolled in CHIP.
- 286,117 completed the renewal process and remained eligible for CHIP.
- 80,623 completed the renewal process but were not eligible for CHIP.

The most common reasons families were disenrolled from the program in 2006 were:

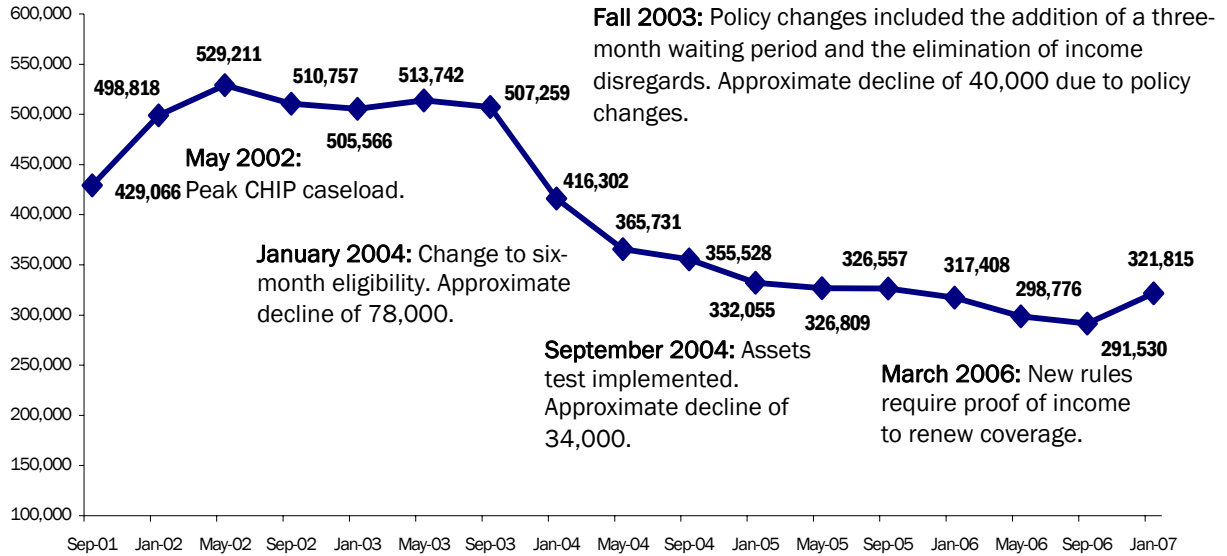
- 34 percent (98,833) did not return the renewal packet.
- 16 percent (45,245) did not return missing information when requested. The most common piece of missing information was proof of income, such as a recent paycheck stub.
- 14 percent (41,523) exceeded CHIP income limits.
- 14 percent (39,100) had incomes that qualified for Medicaid.
- 12 percent (33,179) were already enrolled in Medicaid.

When a family seeking to renew CHIP coverage is found to be eligible for Medicaid, the application is automatically sent to state workers who complete the processing. The family does not have to submit a new application or start the process over.

CHIP underwent a number of changes in 2006. The state implemented new policies to ensure that families renewing their coverage continued to meet the state's eligibility requirements, a new vendor took over call center operations and application processing, and families in higher income categories were required to pay an enrollment fee.

HHSC has been carefully monitoring the effects of these changes. The state has surveyed CHIP families, reviewed every aspect of vendor performance, and analyzed enrollment trends. This report looks at the review findings, discusses the state's response and includes a look at recent changes in CHIP.

## CHIP Enrollment Trends and Policy Changes



## II. CHIP Enrollment Trends

CHIP enrollment is influenced by several factors, starting with the state and federal policies that establish the eligibility guidelines for the program. Other factors include the state's job market, the level of poverty, and the availability of employer-based insurance.

The 78<sup>th</sup> Texas Legislature in 2003 authorized several key policy changes – including moving to a six-month enrollment period and implementing an assets test that affected CHIP enrollment. However, enrollment began declining in June 2002, a year before these changes were signed into law.

In late 2005, CHIP eligibility and enrollment services moved to a new vendor. At that time, HHSC was able to complete implementation of the 78<sup>th</sup> Texas Legislature's goal of aligning CHIP policies with those for Children's Medicaid. CHIP policy changes implemented in January 2006 included:

- Requiring CHIP families to report their income during each renewal period and provide proof of income, such as a recent paycheck stub. In the past, the client could check a box indicating there were no changes in income and return the form.
- Verifying the income and asset information provided by the family through an independent source.
- Screening all children for Medicaid before CHIP to ensure proper program enrollment.

Before these changes, a family's income could go unverified for years while still maintaining enrollment in CHIP. Families become subject to new policies when they renew coverage so it takes six months for a change to ripple through the entire CHIP client base. CHIP enrollment declined in the first half of 2006 before rebounding in the fall. An examination of the reasons for disenrollment indicates the effect of the state's new policies to verify income and test for Medicaid eligibility. The most common reasons for disenrollment in 2006 were failure to return a renewal packet (34 percent); failure to return required information, such as a paycheck stub (16 percent); exceeded CHIP income limits (14 percent); had an income that qualified for Medicaid (14 percent); and already enrolled in Medicaid (12 percent).

The effect of other policy changes authorized by the 78<sup>th</sup> Legislature can be seen beginning in the fall of 2003. These changes included:

- **Assets test:** HHSC established an assets test for CHIP families modeled after similar rules for food stamps and Medicaid. These rules ensure that families earning more than 150 percent of the federal poverty level are not enrolled in CHIP if they own vehicles or boats with a trade-in value of more than \$15,000 or have bank accounts that exceed \$5,000. Retirement accounts, educational grants and vehicles used in business are excluded from these rules. In 2006, families found ineligible for CHIP due to the assets test included one with more than \$50,000 in savings, a family with a 2006 Lincoln Town Car, and another with a 2005 GMC Yukon. One family was found to own a 2004 Toyota Sequoia, a 2003 Toyota Camry, and a 2000 Mitsubishi Diamante.
- **Six-month enrollment period:** Before 2003, CHIP families were required to renew coverage every 12 months. In 2003, the Legislature changed the CHIP enrollment period to six months – the same enrollment period long used by Medicaid. Families are sent a renewal packet and pre-addressed, postage paid return envelope more than 60 days before their coverage ends. Most questions on the renewal packet are already filled in for the family based on their previous application. The family is asked to write in income and assets information, sign the form, and include one recent paycheck stub or other proof of income.
- **Income calculations:** The 78<sup>th</sup> Legislature retained eligibility for CHIP at 200 percent of the federal poverty level. This is the same level Texas set when it implemented CHIP, and the same level used by 25 other states. Although the income limit did not change, some CHIP policies were aligned with requirements for Medicaid. These revisions involved changes in how household composition and self-employment income are calculated.

### **III. Survey of CHIP Families**

HHSC contracted with the Institute for Child Health Policy to survey families enrolled in CHIP and those who had been recently disenrolled to better understand families'

experiences with the renewal process. The surveys were conducted in April and May 2006. Among the findings:

- Among families whose coverage was not renewed, 24 percent said they did not submit a renewal application.
- 94 percent of families who renewed coverage and 90 percent of families who did not renew said the renewal materials were easy to understand. Similar percentages in each category said the forms were easy to fill out.
- 84 percent of those who renewed coverage said the process was “about as easy as it could be.” Even among those who did not renew their children’s coverage, 52 percent said the process was easy.
- The primary language spoken in the home appears to be a factor in the renewal process. Spanish was the primary language in the homes of 25 percent of those renewing coverage vs. 30 percent of those who did not.
- Among families whose coverage was not renewed, 28 percent said their children now have health-care coverage through another source.

Families who did not renew coverage were asked why they didn’t complete the renewal process. The most common reasons given were:

- 25 percent said they were planning on getting other insurance coverage.
- 23 percent said they forgot or did not get around to doing the paperwork.

In terms of the new policy changes, 6 percent said they were dissatisfied with the new enrollment fee, 6 percent said the renewal packet was confusing, and 8 percent said they couldn’t provide the documentation requested.

Among those who were disenrolled from CHIP, 60 percent said they were told their applications were missing information. More than half of those families said they were given less than two weeks to provide that information.

#### **IV. Policy and Processing Changes**

Based on the preliminary results of the consumer survey, state reviews and feedback from stakeholders, HHSC undertook a number of efforts in the spring of 2006 to improve vendor performance and help families comply with the renewal process.

- Call center staff received additional training to ensure that consumers receive accurate information.
- Families are now allowed to provide some missing information over the phone, instead of requiring documentation to be mailed in or faxed.
- Timeframes were adjusted to give families more time to complete the renewal process.

- Letters requesting additional information have been rewritten so they are more specific and easier to understand. HHSC sought stakeholder feedback on the previous materials to help determine where revisions needed to be made.
- A new outreach campaign provided Texans with more information about how to apply for CHIP and Children's Medicaid and how to renew their coverage.
- HHSC began extending CHIP coverage for applicants who may qualify for Medicaid but have not yet completed the application process for that program. Once the child completes the Medicaid process, the CHIP coverage is discontinued.
- Vendor staff began using other records, if available, to verify a family's income even when the family does not submit proof of income. If the vendor can verify income through an independent source, the verification can substitute for a paycheck stub or other documentation in the case file.

## **V. Vendor Performance and State Oversight**

CHIP eligibility processing and call center operations have been handled by a private company under contract with the state since the program's inception in 2000. The contract responsibilities transitioned to a new vendor – the Texas Access Alliance (TAA) – on November 28, 2005, after a competitive procurement for a variety of new services. In addition to CHIP processing, the new contract includes enrollment broker functions, call centers for other services such as food stamps and Medicaid, and maintenance of key computer systems.

State quality assurance staff listen to CHIP calls at random and review cases to monitor the vendor's performance. In addition, HHSC has engaged Science Applications International Corporation (SAIC) as an independent verification and validation contractor. SAIC reviewed the receipt of application process from end to end and has assisted in the review of other CHIP processes. As a result of these reviews, HHSC directed TAA to take a number of actions to improve the performance of CHIP operations in the spring of 2006. These included:

- New staff training on income processing to address errors found by the state's quality assurance reviews.
- More training for call center representatives to ensure better accuracy of information provided to clients.
- Improved quality review on all letters to clients.
- Stronger review process to improve accuracy of enrollment files for health plans and to the community-based organizations under contract with the state for outreach.

After making these changes, the state noted significant improvement in some areas of vendor performance, including lower call abandonment rates and hold times. The results in other areas indicated the need for further improvements. The most serious ongoing

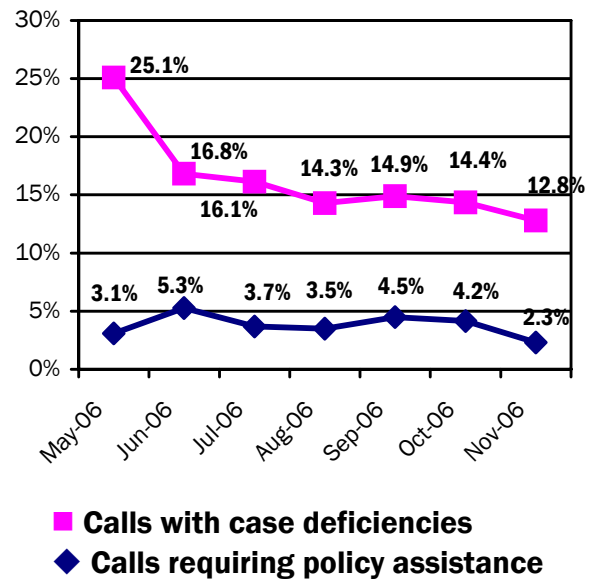
issue involved unnecessary letters to CHIP applicants requesting more information. A review found that in some of the cases, the requested information was either on the original application or had been received by the subcontractor and not attached to the case properly or within required timeframes. This issue led the state to implement manual checks to ensure that families were not inappropriately disenrolled.

In December 2006, HHSC announced a number of changes in its contract with TAA. Among the changes designed to further improve CHIP performance:

- **CHIP management was changed.** Within the contract, Accenture took over responsibilities previously handled by Maximus.
- **The client appeal process was transferred to the state.** Vendor staff had handled applicants' appeals of case decisions since CHIP's inception in 2000. Moving the appeal process to the state will ensure proper case decisions for clients and greater accountability for vendor performance.
- **Tracking of client correspondence was improved.** The vendor is adding barcodes to client letters and forms to ensure that information submitted in response to the correspondence is promptly attached to the correct case file.

### Accuracy of Call Center Information and Processing

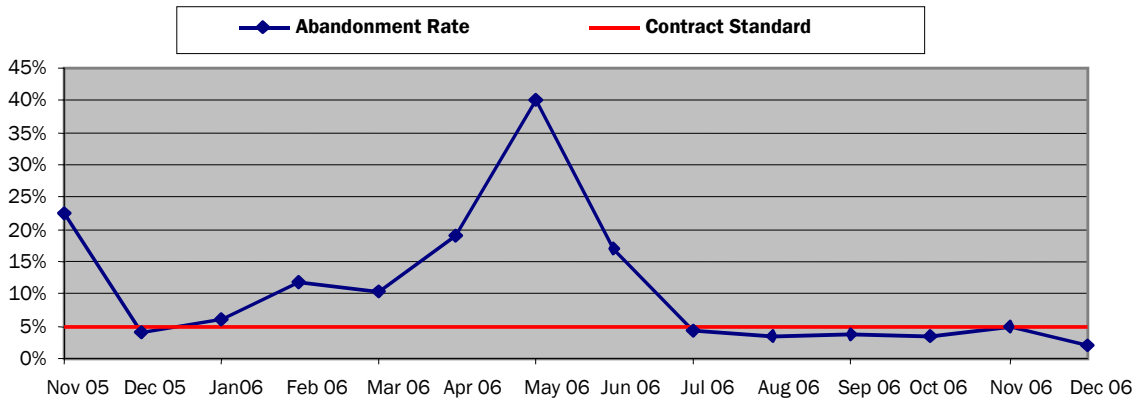
HHSC quality assurance staff monitor TAA calls to ensure that consumers receive accurate information and cases are processed correctly. After state staff noted problems in this area, TAA staff received additional training to correct these issues. HHSC staff have monitored more than 10,000 calls since May and have noted improvements in the number requiring policy or processing assistance. While the vast majority of callers receive accurate information, HHSC continued to note problems in the area of case processing in late 2006. The state took steps to address these issues when it announced a restructured contract with TAA in December 2006.



One of the key issues identified in case processing is the vendor's ability to appropriately identify when an application is missing information necessary to complete the processing, request that information in a timely manner, and properly attach it to the case when it's received.

When the vendor processes a CHIP case, the application is reviewed to ensure that the family submitted the information necessary to determine income and eligibility for CHIP. This includes information on income and assets. If the application does not include this information, the vendor can use other sources – if available – to determine eligibility. If the vendor cannot get this information, a letter is sent to the family requesting the information. The vendor’s ability to appropriately identify when an application is missing information necessary to determine if the family qualifies for state assistance was identified as an issue by both HHSC quality assurance staff and SAIC, the independent verification and validation contractor. Because of these issues, HHSC began running manual checks before the disenrollment process to extend the CHIP coverage of families listed as having missing information.

### Call Center Hold Times and Abandonment Rates



The CHIP call center received more than 2 million calls in 2006. HHSC closely monitors call center performance statistics to ensure that consumers have access to accurate and timely information. HHSC’s contract with TAA includes a number of performance measures that emphasize the importance of good customer services, including keeping the average time a client is on hold to less than three minutes and maintaining an abandonment rate (when the caller hangs up while on hold) of less than 5 percent. After implementing the corrective actions, TAA has shown significant improvement in these areas and is now meeting the standards set in the contract. In December 2006, the abandonment rate averaged 2 percent, and calls were answered within 31 seconds on average.

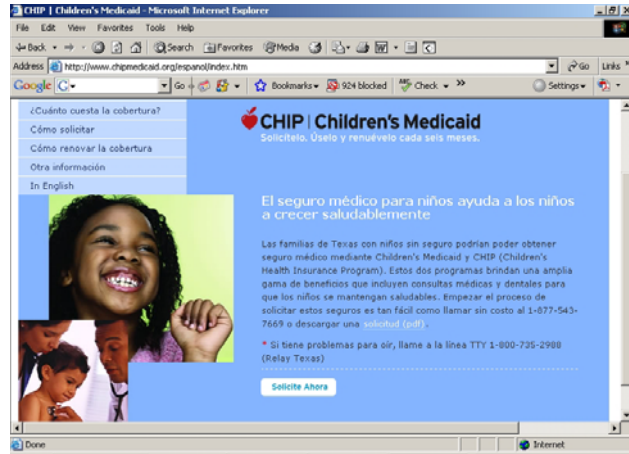
## VI. Outreach and Education

Along with the changes in the renewal process, HHSC increased efforts to ensure that families understand the importance of renewing their coverage on time and know how to complete the process. The agency sent additional reminder letters to families who didn’t submit renewal forms, called families who didn’t complete the process and extended the deadline to submit the re-enrollment form. HHSC also launched a \$3 million outreach



and education campaign in May to raise consumer awareness of CHIP and Children's Medicaid.

The outreach campaign included statewide radio ads in May and August. The ads, produced in English and Spanish, ran on 79 radio stations across the state. The outreach campaign also included messages on buses and bus benches; ads in publications that serve primarily African-American and Hispanic communities; ads for Spanish-language television stations; and new brochures in English, Spanish and Vietnamese. The state also launched a new website, [www.chipmedicaid.com](http://www.chipmedicaid.com), which received more than 10 million hits from May through December.



HHSC also worked with legislators and community-based organizations to sponsor a series of CHIP and Children's Medicaid enrollment drives throughout the summer. These events took place in Austin, Corpus Christi, Dallas, El Paso, Houston, San Antonio and San Marcos.

HHSC's outreach effort also includes a pilot project targeting the faith-based population in the Houston area. This initiative has established a coalition of 12 of Houston's largest churches and most extensive faith-based ministries. The coalition is providing information about CHIP and Children's Medicaid to low-income families who participate in faith-based activities such as church services, church-sponsored activities and church-sponsored outreach work.

## VII. Addition of CHIP Perinate Coverage

In January 2007, HHSC implemented an innovative new program to draw down additional federal funds while expanding prenatal care to low-income women. This new CHIP perinate coverage is made possible by a federal provision that allows states to extend CHIP benefits to unborn children. The Texas 2006-2007 General Appropriations Act (Article II, Health and Human Services Commission, Rider 70) authorized HHSC to implement this coverage in Texas. HHSC received federal approval for a State Plan Amendment for the new program on May 26, 2006.

Under the current federal Medicaid regulations, states are required to pay for labor and delivery costs for women, including non-citizens, who meet eligibility criteria. Children born to non-citizens are eligible for Medicaid if they meet financial eligibility criteria.

Before the addition of CHIP perinate coverage, these labor and delivery costs, and a majority of the newborns' subsequent health insurance, were provided by Medicaid. Texas draws a 60 percent federal match for Medicaid. Providing coverage under CHIP rather than Medicaid allows the state to draw the higher federal CHIP match rate, which is more than 70 percent. This difference in match rates allows the state to save General Revenue by implementing CHIP perinate coverage.

CHIP perinate coverage provides 12 months of continuous coverage for children from the month of enrollment in the program, including months before the birth. For example, if an unborn child is enrolled during the third month of pregnancy, the child would maintain continuous CHIP coverage until he or she reached the age of 6 months. The unborn child, not the mother, is being enrolled for benefits.

### Comparison of State Coverage Before and After CHIP Perinate

Income Group	Coverage Before Perinate Program	Coverage After Perinate Program
<b>0-185% FPL</b>	<p><b>Prenatal:</b> Available through Medicaid if mother is a citizen</p> <p><b>Labor/delivery:</b> Medicaid if mother is a citizen; Emergency Medicaid if mother is not a citizen</p> <p><b>Child:</b> Medicaid</p>	<p><b>Prenatal:</b> Pregnant women's Medicaid if mother is citizen; CHIP if mother is a non-citizen</p> <p><b>Labor/delivery:</b> Medicaid pays facility fees; CHIP pays professional fees</p> <p><b>Child:</b> CHIP</p>
<b>186-200% FPL</b>	<p><b>Prenatal:</b> None</p> <p><b>Labor/delivery:</b> None</p> <p><b>Child:</b> CHIP</p>	<p><b>Prenatal:</b> CHIP</p> <p><b>Labor/delivery:</b> CHIP</p> <p><b>Child:</b> CHIP</p>

The state reaps several advantages by implementing this program:

- It allows the state to draw down the higher CHIP match rate for services currently being provided by Medicaid.
- Implementation provides a net cost savings to the state.
- States have more control and flexibility in designing the benefit package for CHIP than Medicaid.
- It reduces uncompensated care costs for public hospitals.
- The program is designed to encourage prenatal care and improve health outcomes of newborns.