

An Option to Expand Medicaid in Texas

Investing in Texas:

Financing Health Coverage Expansion

The LBJ School of Public Affairs

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http://www.utexas.edu/lbj/profdev/candt/uninsured/2002_drafts.html

Presentation Overview

- Landscape of public coverage in Texas
- Section 1931 expansion to adults
- Section 1115 Waiver (childless adults): HIFA
- Present model for Texas using 1931 & 1115 to cover parents & childless adults
- Assumptions
- Highlight the costs & benefits of the model

Who is covered under Medicaid & CHIP in Texas?

- Children 18 & under in families earning less than 200% of the FPL
- Pregnant women with incomes below 185% of the FPL
- TANF Eligibles (parents)
- SSI Recipients
- Medically Needy Parents (Spend down to 24% of the FPL each month)

Who is not covered?

- 47% of adults (ages 19-64) with incomes less than 200% of the FPL are uninsured in Texas
- At least 50% of this uninsured low-income population in Texas works
- Texas law requires that counties only provide care for their indigent populations at or below 21 percent of the FPL

Ways to Expand to Low-Income Populations in Texas

Section 1931 of the Social Security Act

- Texas can insure low-income parents through the use of increased income and resources disregards through a State Plan Amendment
- Texas will receive federal matching funds for adding these low-income parents

Ways to Expand to Low-Income Populations in Texas

Section 1115 Medicaid Waiver

- Statute allows the Secretary of HHS to waive specific provisions of certain programs including Medicaid and CHIP
- One population Texas could develop a waiver to cover: childless adults

Ways to Expand to Low-Income Populations in Texas

Section 1115 Medicaid Waiver (continued)

- Proposals must be deemed budget neutral by HHS and OMB
- States often take advantage of waivers to:
 1. Increase access to federal match for the categorically ineligible
 2. Waive Federal Program Requirements
 3. Redirect Federal Funds (DSH)

Ways to Expand to Low-Income Populations in Texas

Section 1115 HIFA Waiver

- The Health Insurance Flexibility and Accountability (HIFA) demonstration initiative was announced by the Bush Administration in August 2001
- HIFA is a new approach to Section 1115 research and demonstration waivers for Medicaid and CHIP
- Targets the uninsured under 200% of the FPL using the current level of Medicaid and CHIP funding

Ways to Expand to Low-Income Populations in Texas

Section 1115 HIFA Waiver

- Defines three Medicaid populations: Mandatory, Optional & Expansion
- Allows States to provide reduced benefit packages to Optional & Expansion populations
- Allows States to impose more cost-sharing to help obtain a budget neutral waiver

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This Presentation

- Combines Section 1931 to parents and a Section 1115 Waiver to cover both parents and childless adults
- Takes advantage of the HIFA Initiative to provide more Texans with health care
- Allows Texas to draw down federal matching funds

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Proposed Approach to Expansion

Hypothetical Section 1931 Expansion to Parents



**Propose a HIFA Waiver Reducing Benefits and
Applying Cost-Sharing to this Newly Covered Population**



**Propose a HIFA Waiver to Expand the Reduced Benefit
Package and Cost-Sharing to Uninsured Childless Adults**

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The Cost of Medicaid Expansion

Cost in Year X =

State match rate * Number of eligible people * Participation rate * Phase-in factor for year X * Cost per participant in base year * Inflation factor

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Assumptions: Matching Rate

- Texas Federal Matching Rate: 59.99% for FFY 2003
- State pays \$.401 of every Medicaid dollar spent
- Used same rate for all five years of the waiver in our model

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Assumptions: Number of Eligibles

- Used March CPS averaged over three years
- Eliminated those not eligible for federal match:
 1. 50% of foreign born are assumed undocumented
 2. Eliminated immigrants in the US less than five years, BUT kept those who have met the five year bar

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Documented and Citizen Uninsured Parents Eligible for Medicaid Expansion by Income

Percent of the Federal Poverty Level	Number of Uninsured Parents
Under 50%	58,029
50 - 99%	176,256
100 - 149%	150,070
150 - 199%	125,243
200 - 249%	99,129
250% or Higher	99,448
Total	708,175

Data Source: March 1999, 2000, 2001 Current Population Survey, Bureau of Labor Statistics.

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Documented and Citizen Uninsured Adults with no Children Under Age 18 Eligible for Medicaid Expansion by Income

Percent of the Federal Poverty Level	Number of Uninsured Childless Adults
Under 50%	199,176
50 - 99%	129,025
100 - 149%	224,432
150 - 199%	195,003
200 - 249%	203,497
250% or Higher	757,277
Total	1,708,410

Data Source: March 1999, 2000, 2001 Current Population Survey, Bureau of Labor Statistics.

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Assumptions: Participation Rate

- 0%, 2%, and 5% of family income cost-sharing and utilized participation rates of 67%, 45%, 17%, respectively
- Assets test not applied

Participation Rate Source: Inquiry Journal

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Assumptions: Phase-In Factors

- Used three year phase-in over five years: 50%: 75%: 87.5% of population expected to participate

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Assumptions: Cost per Participant

- The cost of providing Medicaid to non-pregnant, non-elderly, non-disabled adults in Texas will cost approximately \$253 per member per month
- \$3,036 per person for State Fiscal Year SFY 2002
- Average acute care, which includes everything Medicaid covers including prescription drugs, transportation

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Assumptions: Inflation Factors

- Two Options:
 1. Medical Consumer Price Index

 2. Looks at the historical trends for the last five years in the Medicaid program
(We estimated 6% inflation)

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COST/PARTICIPATION MEDICAID

Possible Models of a HIFA Medicaid Waiver in Texas

(see green hand-out)

FPL of Parents/ FPL of Childless Adults: Cost- sharing Imposed	% of Benefits Package in relation to Texas TANF Adult	Per Member per Month Premium	Amount of State Revenue Needed over Five Years	Amount of State Revenue Needed for the Next Biennium	Number of Uninsured Texans Covered
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Equation to Determine Size of the Benefit Package

$$\frac{\text{Cost of offering full Section 1931 benefits}}{\text{Cost of offering full Section 1931 benefits} + \text{Cost of offering full benefits to childless adults}} = \text{Percentage of the full benefit package per member that can be offered under the Section 1115 constraint of budget neutrality}$$

Pursuing a HIFA Waiver through CHIP

- Possible to apply for a waiver using excess federal CHIP allotment
- Does not appear Texas has enough remaining federal allotment to effectively expand using federal CHIP dollars
- Texas must meet the CHIP waiver guidelines set by HHS

Conclusions

- Covering uninsured adults through a reduced benefit package has tremendous potential
- Decisions to be made based on number of people covered vs. wealth of the benefit package
- Legislators, County officials, hospital administrators, providers, health care advocates, and health care consumers should be part of the discussion

Implications

- A strong commitment to financing health care in Texas is fundamental component to reducing the number of uninsured in Texas
- Possible financing options of a this type of model will be presented this afternoon

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