

# A VISION FOR CHANGE: POLICY SOLUTIONS FOR INCREASING HEALTH COVERAGE IN TEXAS

## Executive Summary

Texas has the highest rate of uninsured in the nation. More than 5.59 million Texans—nearly 25 percent of the state’s total population—lacks basic health coverage.

Of the \$65 billion in healthcare delivered to the uninsured in the U.S., one-third of the cost is paid for by the uninsured. Of the remaining two-thirds, the government pays one-third and the rest is paid for by people with insurance –*we all already pay for the uninsured.*

We pay directly through higher insurance premiums and indirectly through property taxes and other taxes in cities and counties that have hospital districts and indigent healthcare programs. In fact, according to a study by Families USA in 2005, annual health insurance premiums for Texas families were about \$1,551 higher than they would otherwise have been due to the cost of caring for uninsured patients.

A nationwide poll conducted by Americans for Health Care reported 86 percent of Americans support providing affordable healthcare for all Americans. An April 2006 Texas Hospital Association poll found nearly nine out of 10 Texans agreed with the statement “Texas should find a way to increase health insurance among those who need it so that the portion paid by those with health benefits does not continue to increase.”

The economic benefits resulting from increased healthcare coverage can be broadly categorized as increased labor force participation, greater worker productivity, and reduced sick days. In addition, increased access to healthcare coverage is associated with decreased mortality and an enhanced quality of life. With a growing consensus that something needs to be done and Texas’ forecasted \$14.3 billion plus budget surplus, Texas is well-positioned to adopt a plan of action for increasing health coverage for Texans.

With that in mind, the Texas Health Institute, an independent, non-partisan think-tank, undertook a study to develop public policy solutions that, when combined together, could cut the number of Texans without health coverage almost in half. The study also examines the corresponding economic impact of increasing the number of Texans with health coverage.

Some of the report’s finding may surprise readers.

- *The uninsured work* - At least 72 percent of Texas’ uninsured live in households where one or more family members work full-time; another 10 percent live in households with a family member who works part-time. Most of these individuals work in one of Texas’ small businesses – those with 2-50 employees.
- *The uninsured are young* – Twenty-three percent of our uninsured are children younger than 18 years of age. An additional 36 percent are between the ages of 18 and 34 years of age.

- *The uninsured are not all poor* – Forty percent of families without health coverage have incomes of \$40,000 a year or more. However, in 2004 the cost of health coverage for a family of four would have been more than \$11,000 or 25 percent of their annual income.
- *Geography matters* – Every county in Texas has uninsured, but almost half live in Texas' five largest urban counties: Bexar, Dallas, El Paso, Harris, and Tarrant. The counties whose populations have the highest percent of uninsured however, are along the Texas-Mexico border where between 29 to 34 percent of the residents are uninsured.
- *Ethnicity matters* – Hispanics – a dramatically growing segment of the population – are three times more likely, and Blacks twice as likely, as Anglos to be uninsured.

### **How Covering the Uninsured Can Help the Texas Economy**

Although the negative consequences of the uninsured have been carefully documented by many studies, the economic and fiscal benefits that may result from *increasing* the number of covered lives has rarely been examined. To help bridge this critical information gap, the Texas Health Institute commissioned an economist to answer the question: *What are the economic impacts of cutting the number of uninsured Texans in half?*

The economist determined that reducing the state's uninsured by one half would be beneficial economically. Specifically, the analysis showed that in 2005:

- The Texas economy would have seen a total increase in annual economic activity of just over \$9.4 billion.
- Direct healthcare expenditures in the economy would have increased by an additional \$3.7 billion.
- Nearly 90,000 new jobs would have been created in all sectors of the economy.
- Total income (compensation to employees and employers) would have grown by more than \$3.2 billion.
- Texas state government would have received more than \$162 million in new revenues.

### **Health Coverage Affordability**

Most uninsured Texans lack coverage because their employer does not offer health insurance, they cannot afford the coverage offered, or they are ineligible for employer supported insurance or publicly-funded programs such as the Children's Health Insurance Program (CHIP) or Medicaid. Currently, only 24 percent of Texas' small businesses offer health coverage.

Small employers and individuals tend to pose a higher risk for insurers than large employers, therefore health insurance premiums for small employers' employees and individuals are higher than those for employees of large firms. Affordability is the number one reason cited by small businesses for not providing health insurance for their employees.

However, there are people who can afford the average individual health insurance policy premium, but their risk – due to health conditions – makes coverage inaccessible. For these people, lack of coverage is both an affordability and availability issue. For others, the issue is not necessarily affordability, but whether they see the value of health coverage. For some people – most of them young – they do not believe they need health coverage.

## Policy Solutions

Covering the uninsured will require solutions that address affordability and availability of health coverage as well as an outreach effort to educate the public about the importance of having coverage. This report contains a dozen policy solutions for creating a vision for change that will ultimately reduce the number of uninsured by almost half.

This vision includes addressing the high cost of premiums for small employers with ideas that lower insurers' risks, encourage employer participation by reducing premium costs, make coverage more available for individuals with health conditions and low-income children and adults, and persuade young adults to obtain health coverage through colleges and universities.

These policy solutions are presented briefly below with the estimated numbers of Texans who would be covered. Together, they could help nearly 2.7 million Texans obtain health coverage for an annual cost to the state of about \$1.6 billion. Additionally, these recommendations would bring more than \$1.7 billion in federal funds to the state.

### ◆ Working Texans

**Solution 1.** Provide Technical Assistance and Seed Funding for 3-Share/Multi-Share Programs – By providing a modest amount of state funding, the number of these public-private, cost-sharing arrangements can be increased, and ones already under development strengthened. (*Texans To Be Covered - 150,000*)

**Solution 2.** Expand Use of Medicaid Health Insurance Premium Program (HIPP) – By changing the rules for the HIPP premium assistance program, more Medicaid eligible workers who have access to – but can't afford – employer supported insurance, should be able to obtain and retain access to this coverage. (*Texans To Be Covered – 7,000*)

**Solution 3.** Enact Employer Tax Credits – By creating financial incentives for small employers that lower the cost of offering employer-based health coverage, the number of small businesses providing coverage to their employees will increase. (*Texans To Be Covered - 316,614*)

**Solution 4.** Replace State's Existing Reinsurance Program – By lowering insurers' risk, state-funded reinsurance can lower premiums, making health coverage more affordable for businesses and individuals who previously could not afford it. (*Texans To Be Covered - 200,000*)

**Solution 5.** Expand Eligibility for Texas' Insurance Health Risk Pool (TIHRP) – By changing eligibility criteria to permit individuals to combine plans and enroll in TIHRP before exhausting transition benefits available as result of a job loss or change in family status,

Texans who are more difficult to insure will have access to health coverage. (*Texans To Be Covered* - 7,868)

**Solution 6. Increase Access to Pre-paid Medical Plans** – By encouraging the development of these low-cost primary care plans, low-income workers will be able to replace the emergency room as their *de facto* source of healthcare with a regular medical home such as a primary care physician. (*Texans To Be Covered* – 200,000)

◆ **Young Adults**

**Solution 7. Require All Texas Higher Education Students to Have Health Coverage** – By obliging young adults in school to take advantage of the low-cost, comprehensive coverage available to them, they would learn the value and appropriate use of health insurance and be more likely to purchase coverage after leaving school. (*Texans To Be Covered* - 400,000)

◆ **Children**

**Solution 8. Allow CHIP Buy-In at Full Premium Cost** – By allowing working parents whose employers do *not* offer dependent coverage to buy into the state's Children's Health Insurance Program (CHIP) (and pay all or a portion of the costs depending on their incomes), Texas will enable these parents to better protect their children's health. (*Texans To Be Covered* - 405,452)

**Solution 9. Fully Restore the Children's Health Insurance Program (CHIP)** – By removing barriers to CHIP enrollment, children who currently have little or no access to needed medical services, will be able to secure the care they need. (*Texans To Be Covered* - 152,615)

**Solution 10. Align Medicaid and CHIP Renewal Policies** – By allowing annual Medicaid and CHIP renewals, low-income children will be less likely to have gaps in coverage and more likely to maintain better overall health. (*Texans To Be Covered* - 609,164)

◆ **Poor/Medically Needy Adults**

**Solution 11. Expand Access to Medicaid for Poor Parents** – By increasing Texas' income eligibility criteria for parents of Medicaid eligible children, the state would give adults who otherwise have little or no access to medical services an opportunity to have healthier, more productive lives. (*Texans To Be Covered* - 417,688)

**Solution 12. Encourage Expansion of Federally Qualified Health Centers** – By encouraging the expansion of community health centers, the state will promote access to medical care in medically underserved and rural areas of the state. (*Texans To Be Covered* - 60,000)

Once Texas has taken steps to reduce its uninsured, there will be one more thing to do – make sure that the solutions adopted actually succeed in increasing the number of Texans with health coverage. **A VISION FOR CHANGE: POLICY SOLUTIONS FOR INCREASING HEALTH COVERAGE IN TEXAS** uses recently released numbers on the uninsured by county and region in Texas developed by the Texas State Data Center. These numbers should be updated annually, giving decision-makers the ability to track annual progress made to increase covered lives in Texas.

