

medicaid
and the uninsured

**Children's Medicaid and SCHIP in Texas:
Tracking the Impact of Budget Cuts**

EXECUTIVE SUMMARY

Prepared by

*Anne Dunkelberg of the Center for Public Policy Priorities and
Molly O'Malley of the Kaiser Commission on Medicaid and the Uninsured*

July 2004

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The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, DC office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bipartisan group of national leaders and experts in health care and public policy.

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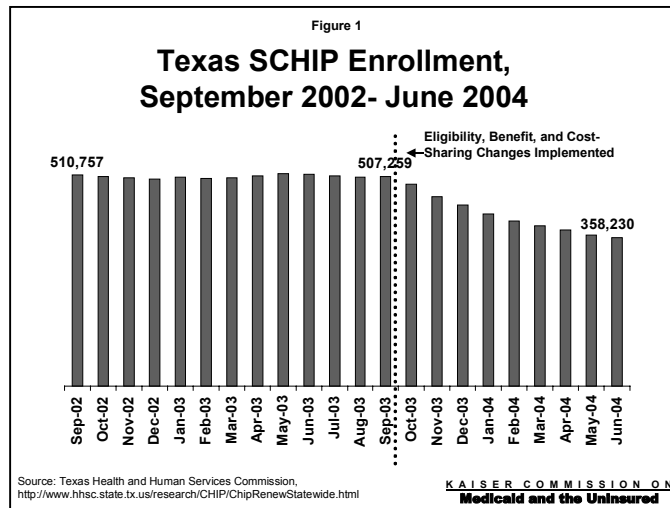
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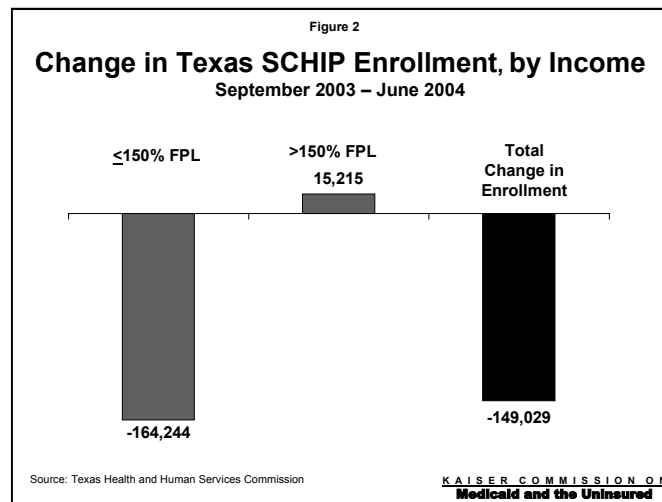
Enrollment in the Texas State Children's Health Insurance Program (SCHIP) has declined steeply over the past year on account of recent policy changes that have significantly impacted children. Cuts to Medicaid and SCHIP were deep, and even after several incremental restorations, are projected by state officials to reduce total spending for the FY2004-2005 biennium budget by more than \$1.6 billion. Savings were achieved by making changes to Medicaid and SCHIP eligibility and benefits. Policy changes in these programs have reduced the role of public health insurance coverage for low-income children in Texas who rely on Medicaid and SCHIP for comprehensive preventive and primary care health services. The state of Texas has one of the nation's lowest rates of employer-sponsored coverage and the highest rate of uninsured in the nation. Over 1.4 million children were uninsured in Texas in 2002. Health insurance programs such as Medicaid and SCHIP are vital to the health of many low-income children who otherwise would be unable to afford or obtain health insurance coverage. This policy brief provides a summary of recent Medicaid and SCHIP policy changes and their impact on coverage for children.

Many of the policy changes to Medicaid and SCHIP, earmarked for FY 2004 and FY 2005, affected the health coverage of children. Most of the cuts to Medicaid and SCHIP were targeted toward eligibility and benefit reductions in order to reduce overall Medicaid and SCHIP spending. The SCHIP eligibility changes were designed to reduce continued or new coverage through a reduction in continuous coverage from 12 months to 6 months, establishment of a 90-day waiting period, higher premiums particularly for families with incomes between 101-150% FPL, and higher co-payments. SCHIP benefit reductions included eliminating a number of previously covered services such as dental, hospice, skilled nursing, tobacco cessation, vision care and eyeglasses, and a reduction of about 50% in coverage of mental health and substance abuse services. The budget also reduced payment rates for a number of Medicaid and SCHIP providers.

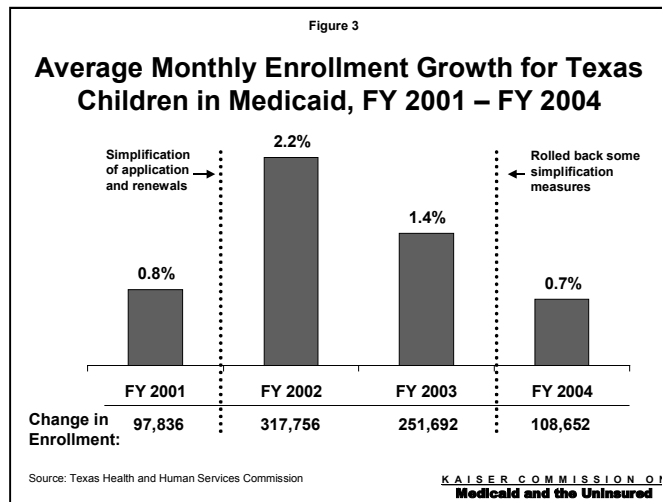
SCHIP enrollment has dropped by more than 149,000 children (a 29 percent decline) since the beginning of FY 2004 in response to numerous program changes (Figure 1). Data show that fewer children are being enrolled in SCHIP and more enrolled children are being disenrolled. The decline to date is related to failure to renew, reduced rates of new applications, and to some extent the exclusion of income disregards. Once the state ends the moratorium on terminations for nonpayment of premiums and applies the new asset limit in August 2004, the downward decline in enrollment could intensify in the months to come.



Lower income families are disproportionately affected by the changes in SCHIP. Data show that virtually all the net reduction in SCHIP enrollment has been among children in families with incomes below 150% FPL (Figure 2). The number of below-poverty children has dropped by more than 68 percent and the number of children between 101-150% FPL has dropped by more than one-third since September 2003. These numbers point to a need for a better understanding of how cost-sharing changes and benefit reductions have affected enrollment and parents' perceptions of the affordability and ability to secure SCHIP coverage. Although cost containment actions can produce short-term savings for the state, increased procedural complexities in the application and renewal process can result in large coverage losses for children enrolled in public health insurance programs.



Recent enrollment numbers show the growth rate for children in Medicaid has slowed over the past two years. Previously, the Texas Medicaid program experienced robust growth in children’s enrollment largely due to outreach and simplification measures aimed at aligning children’s Medicaid enrollment and renewal processes with those of SCHIP. More recently however, slowing monthly enrollment growth has occurred, with the average increase for FY 2004 year-to-date down to just 0.7 percent (an increase of 108,652 children), lower than in the period just prior to implementation of simplified application and renewals (Figure 3). Growth in enrollment is slowing, likely due to both natural slowing that occurs as enrollment reaches increasingly higher percentages of those who are eligible and to the impact of increased procedural complexities in the application and renewal process that took effect in September 2003. Total combined child coverage in May 2004 (the most recent month for which both Medicaid and SCHIP data are available) was over 39,000 below the August 2003 level – the last month before the new SCHIP and Medicaid cost containment policies took effect.



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