

# TEXAS VOICE FOR HEALTH REFORM

## Health Reform & Coverage Expansion: What's In It for Texas?

Health Reform bills in the Senate and House (as of the start of the August recess) are not identical, but they share major features. At this point, both bills provide major benefits to Texans from every walk of life, and millions of uninsured Texans would gain coverage.

In this fact sheet, CPPP provides rough estimates of the scale of impact and benefits for Texans from health reform coverage expansion proposals. Because the House bill is more clearly defined at this time, most examples below are from that bill. We will update this fact sheet to reflect House and Senate developments.

Overall, the U.S. Census estimates that 5.9 million Texans were uninsured in 2007.

The Congressional Budget office estimates that the House reform bill would result in 94 percent of non-elderly Americans having coverage (98 percent of Americans age 65 or over are insured). Per these CBO estimates, about **4.5 million Texans would gain health insurance coverage.**

To be conservative, our estimates below include only (1) uninsured Texans and (2) the 4.44 million of these who are U.S. Citizens (Health reform bills will not cover undocumented immigrants, and may not cover all legal immigrants).

## Affordable Insurance Coverage at Every Income Level

Middle-class Texans who have coverage today face rising out-of-pocket costs and shrinking benefits every year.

- Under the reform bills, **every Texan will have new security** because you cannot lose, be denied, or be priced out of coverage no matter your age or health status or employment status. You will no longer have to worry about changing jobs or being self-employed, because you will be able to get affordable coverage no matter where you work.
- Both bills include **annual caps on out-of-pocket costs** as part of the minimum benefit package for health reform. The House caps out-of-pocket costs at \$5,000 for an individual or \$10,000 for a family (at any income level), and the Senate HELP Committee caps out-of-pocket costs at \$5,800 for an individual or \$11,600 for a family. The bills also **prohibit annual and lifetime benefit limits** to coverage. By capping the amount owed out-of-pocket and removing benefit limits, these bills provide critical financial protection that families do not have today, and which would eliminate most health-care-cost-related bankruptcies.
- ***About 650,000 uninsured Texans with incomes above 400 percent of (four times) the federal poverty income level could gain coverage under the House reform bill.<sup>1</sup> (income exceeding \$88,000 a year for a family of four)***

**Low-to-moderate-income Texans** will have all the protections above, plus:

- Help buying high-quality health insurance at sliding-scale prices, with a guarantee that premiums won't take more than a predictable percentage of family income. In the House bill, family premiums costs are capped on a sliding scale, from 3 percent of income for families just above the poverty level (about \$29,300 for a family of four) to 12 percent of income for families up to four times the poverty level (about \$88,000 for a family of four).
- Both bills also set sliding-scale caps on out-of-pocket costs for low- and moderate-income individuals and families who get subsidies to purchase insurance through the health insurance exchange.
- ***About 2.3 million uninsured Texans with incomes from 125-400 percent of the federal poverty income level (from about \$27,600 to \$88,000 for a family of four) would qualify for sliding-scale help with premiums and out-of-pocket costs.***<sup>2</sup>
- ***If Sliding-Scale help limited to 300% FPL:*** Some members of Congress advocate limiting help with premiums and out-of-pocket costs to Texans under 300 percent of poverty, rather than 400% FPL. This would make about 3 million fewer Texans (those with average incomes from about \$66,000 to \$88,000 for a family of four) ineligible for sliding-scale help with health care costs. Of these, 2.8 million are U.S. citizens and about 385,000 are currently uninsured.
- Sliding-scale help with premiums and out-of-pocket costs will be available not just for the uninsured, but also for low- and moderate-income Texans with coverage today who struggle to pay premiums. For example, in the House bill, premium and cost-sharing credits are available to individuals with employer-sponsored coverage if their share of premium costs exceed 12 percent of their income. An estimated total of 4.9 to 5.5 million Texans—including both insured and uninsured today—will be potentially eligible for sliding-scale help, though the number who actually need help and choose to use it will be smaller.<sup>3</sup>

**The poorest Texans** without insurance will benefit from a major extension of Medicaid to adults. In Texas today, most of the parents whose kids get Medicaid do not qualify, and poor adults without children do not qualify at all. Only adults who are seniors, fully disabled, pregnant women, and a small handful of parents with almost no income can get Medicaid today.

- Under the House reform bill, most parents whose children qualify for Medicaid could also enroll in Medicaid, as will adults without children at that same income level.
- Many states already cover the parents in Medicaid, but Texas and a number of other states chose to exclude them.
- ***About 1 million uninsured Texas adults under 125 percent of the federal poverty income level (under \$27,600 for a family of four) would qualify for Medicaid coverage.***<sup>4</sup>

Thus, the largest group of Texans gaining new coverage under health reform as currently proposed will be low-to-moderate income working families—precisely the folks struggling hardest to afford care today. A smaller group of working poor adults currently excluded by Texas Medicaid will gain coverage, and higher-income uninsured Texans will gain access to fairly-priced, decent coverage that cannot be denied or taken away.

## Economic Benefits to Texas from Increased Health Coverage

The House has not finalized provisions for how increased Medicaid coverage of poor parents and adults will be financed; the filed bill would have the cost borne entirely by the federal government, while one House committee amendment would require states begin in the third year to pick up 10 percent of the cost of covering the new adults (i.e., federal government would pay 90 percent thereafter).

- Because of Texas' high uninsured rate and low-income cut-off for adult Medicaid coverage, Texas stands to gain more in coverage from the new "floor" for covering adults than any other state.
- At the same time, the stakes for Texas state government are likewise highest among the states as Congress decides whether the expanded Medicaid coverage for adults will be fully federally funded, or whether states will share a portion of the cost.
- To illustrate, the average monthly cost per Texas Medicaid adult (who is not disabled, aged, or pregnant) today is about \$305.<sup>5</sup> Thus, federally funded coverage of 1 million additional adults would bring about \$3.66 billion additional federal dollars into the state in one year.
  - This direct influx of federal funds could reverse Texas' long-held "donor state" status; so that Texas taxpayers would get back in federal services as much or more than they send to the U.S. Treasury in taxes.
  - According to Texas Economist Ray Perryman, this health spending has a short-term multiplier of 3.25, meaning that the new \$3.66 billion in health care spending would generate a total of \$11.9 billion in economic activity in the near term, as those health care dollars are spent in local economies.
- If the House Energy and Commerce Committee's proposal is adopted to have the states eventually assume 10 percent of the cost of new adult Medicaid coverage, in year 3 after implementation the federal funding influx for covering 1 million new adults would drop to \$3.3 billion, yielding \$10.7 billion in total near-term economic benefits. With the state picking up \$366 million (10 percent), the net benefit to the Texas economy would still be \$10.3 billion per year.

## Small Business Impact

Health reform bills specifically address the needs of small employers, who face many challenges finding high-quality, affordable health coverage. Only 30 percent of Texas businesses with fewer than 25 employees offer coverage today.

- Small businesses will be able to buy health insurance through an "exchange"—a marketplace where employers can easily compare a variety of health insurance options, including a public option and non-profit insurance options, and get clear information on price, quality, and benefits.
- Reform bills include generous tax credits to help small businesses afford coverage. Under the House bill, businesses with fewer than 25 employees—over 300,000 employers in Texas or 67

percent of all private businesses in Texas<sup>6</sup>—could qualify for tax credits if they pay average wages of under \$40,000 a year.

- An estimated 82.5 percent of Texas employers have annual payrolls under \$500,000 a year,<sup>7</sup> and under the House reform bill would be exempt from a requirement to provide coverage or pay an assessment if they do not.

### **House Energy & Commerce Committee Estimates:**

The House Committee on Energy and Commerce has released projections of selected impacts of the Tri-Committee health reform bill HR 3200, by Congressional District. Texas totals are provided below, and the full set of E&C estimates can be accessed at

[http://energycommerce.house.gov/index.php?option=com\\_content&view=article&id=1717&catid=156&Itemid=55](http://energycommerce.house.gov/index.php?option=com_content&view=article&id=1717&catid=156&Itemid=55).

- **206,600 Texas seniors would** avoid the “donut hole” in the Medicare Part D prescription medication coverage;
- **18,050 Texas families would avoid** bankruptcy due to unaffordable health care costs;
- **\$4.95 billion in payments to health care providers** for what would otherwise have been uncompensated care each year.

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<sup>1</sup> 2008 U.S. Census Current Population Survey, Uninsured U.S. citizens all ages and above 400% FPL.

<sup>2</sup> 2008 U.S. Census Current Population Survey, Uninsured U.S. citizens all ages from 125% to 400% FPL. House reform bill currently would make all US citizens adults below 133% FPL eligible for Medicaid; 125% of FPL is used here as a proxy measure because it is a standard income category used in public-access CPS files.

<sup>3</sup> HealthReform.gov, How Health Reform will Benefit Texas. Estimates using 2007 and 2008 U.S. Census Current Population Survey.

<sup>4</sup> 2008 U.S. Census Current Population Survey, Uninsured U.S. citizens 19-64 with income below 125% FPL.

<sup>5</sup> Texas Health and Human Services Commission, Legislative Appropriations Request for 2010-2011.

<sup>6</sup> Agency for Healthcare Research and Quality, 2008 Medical Expenditure Panel Survey-Insurance Component.

<sup>7</sup> Estimate from August 2009 Texas Workforce Commission data on Texas employers contributing to Unemployment Insurance with payrolls under \$500,000 per year.