

CHIP: Saving Texans Money, Keeping Families First

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Children's Defense Fund

UNINSURED CHILDREN IN TEXAS

- Texas has the nation's highest rate of uninsured children, with 20.2% lacking coverage, compared to 11.6% nationally. (2006 U.S. Census)
- More than 80% of uninsured children have at least one working parent. (U.S. Census)
- More than half of the 1.4 million uninsured children in Texas are eligible for but not enrolled in CHIP or Children's Medicaid.
- According to the Texas Department of Insurance, the average cost of private family health coverage is \$11,000 a year, or \$917 a month.

CHIP SAVES TEXANS MONEY WHILE KEEPING FAMILIES FIRST!

SAVINGS ON MEDICAL COSTS

- Emergency room care is three to four times more expensive than regular office visits. (National Hospital Ambulatory Medical Care Survey, March 1994). Uninsured children are five times more likely than insured children to use the emergency room as their primary source for medical care. Treatment for children with chronic conditions who do not receive preventive care is even more costly.
 - According to Parkland Health and Hospital Center in Dallas, a preventive visit for diabetes costs \$42 compared with an inpatient stay of \$6,700.
 - According to the Harris County Hospital District, the average cost to treat an established patient's mild asthma attack in a doctor's office is \$94 - \$103 using oxygen, or a nebulizer and medicine, while the cost of ER treatment is \$9,209 for asthma patient with full symptoms who has to be hospitalized for three days, the average length of stay.
 - An analysis by Community First Health Plan in San Antonio found that emergency room treatment was anywhere from three to ten times the cost of a preventive visit in the doctor's office.
 - According to a Texas Health and Human Services Commission Report to the Senate Finance Committee on September 19, 2006, the average cost of a doctor's visit is \$36.13, as compared to \$144.51 in an emergency department setting.
- A recent study by the Institute of Medicine found that emergency room visits increased from 90.3 million in 1993 to 113.9 million in 2003. Numerous studies have found that a

number of these visits are for non-urgent medical care that could be treated in primary care settings.

SAVINGS ON ADMINISTRATIVE COSTS

- As many as twenty elements of missing information may be required to process a renewal application, and over 260,000 requests for missing information have been mailed to families. Once families provide information, an independent data broker runs time intensive checks to identify discrepancies with data reported by the client, causing major delays in processing children's cases. Requiring families to reenroll once a year instead of every six months will allow for verification of income and assets while reducing the burden on the state and contractor and lowering administrative costs.
- Texas Children's Health Plan documented the costs per member over a 23 month period and found that the longer children were on coverage, the lower the health care costs were. Overall costs went down from \$72.00 to \$60.000 per member over 23 months, costs for doctor visits went down from close to \$28.00 to \$12.00 per member, and costs for inpatient hospital care went down from \$20.00 per member to \$14.00 per member.

SAVINGS ON EDUCATION

- Children without health insurance are 25% more likely to miss school because of illnesses, and school districts in Texas lose \$4 million per day in funding because of absenteeism. (Texas House of Representatives Committee on Public Health Report, 1996)
 - Enrolling children in health insurance maximizes school attendance funds and also helps school districts to obtain Medicaid Administrative Claiming (MAC) funds. MAC funds reimburse school districts for Medicaid/CHIP related activity and yielded over \$2.8 million for HISD from State Fiscal Year 2003 - 2006.
 - School absences dropped by a staggering 91 percent among CHIP/Children's Medicaid children participating in a pilot asthma treatment program at Corpus Christi's Driscoll Children's Hospital. Missed school days among participating students dropped from 439 to 38 after the program was implemented. Emergency room usage dropped from 47 visits before the start of the program to only 3 after the program was instituted, while the number of hospitalizations dropped from 12 to 5.

SAVINGS FOR EMPLOYERS

- Premiums for private health coverage have increased by 87% over the past six years and 2006 premiums increased more than twice as fast as workers' wages and overall inflation. (Kaiser Family Foundation, Employer Health Benefits Study, September, 2006).

- According to a comprehensive analysis by the Perryman Group, the CHIP program contributes \$1.4 billion in Gross State Product and 22,562 jobs to the Texas economy. (The Perryman Group, April 2003)
- For every dollar cut in state spending on CHIP, business productivity drops \$19.14, state revenues drop by 47 cents; health insurance premiums increase \$1.34; local taxes increase 51 cents and the Texas health care system loses \$2.81 in federal funds. (The Perryman Group, April 2003)

SAVINGS FOR LOCAL COMMUNITIES AND TAX PAYERS

- Texas receives \$2.63 in federal matching funds for every \$1 invested in CHIP and \$1.54 for every \$1 invested in Medicaid. When children lose coverage and receive care in local clinics and emergency rooms, local taxpayers pick up the tab, without the benefit of federal matching funds.
- Texas has already lost \$832 million in federal matching funds for not fully funding the Texas CHIP program.
- Cuts to preventive care strain already overcrowded emergency rooms and put all Texans at risk. When parents have no other option but to seek treatment for their child's ear infection or toothache in the emergency room, all Texans are at risk that trauma beds will be unavailable for true emergencies. For example, Emergency rooms in Harris County are on divert status up to 30% of the time. In a 2004 study, the death rate for severely injured patients increased by 78% when Harris County Level 1 trauma hospitals were on divert status.
- Health insurance coverage drives down inappropriate emergency room usage. A long-term study of families in the Rio Grande Valley conducted by the School of Rural Public Health at the Texas A & M System Health Science Center and the Children's Defense Fund of Texas found that emergency room usage fell by 79% when children are insured through CHIP or Medicaid. A study by the Institute for Child Health Policy found that the percent of children using the ER as their primary source of care fell dramatically - from 20 to 2 percent - after they enrolled in CHIP.
- The Greater Houston Partnership Public Health Task Force documented what they refer to as a “Death Spiral” of rising health insurance costs.
 - When children lose CHIP, some move into Children’s Medicaid, but a majority remain uninsured.
 - When children are uninsured they rely on treatment in the most expensive setting—the emergency room—at three times the cost of an office visit.
 - When the uninsured visit the emergency room for care, the deficit for the provider is tripled.
 - Providers recoup on average less than 10% of the cost of care for the uninsured.

- Providers must recoup their costs, or else they will go out of business.
- For the publicly funded agencies, taxpayers bear most of these costs. For providers with privately insured patients, like hospital systems, costs are shifted to private insurers.
- Insurers pass along increased costs to their customers, most of whom are employers who sponsor insurance plans for their employees.
- When costs of private health insurance rise, more people cannot afford coverage and become uninsured.

SAVINGS FOR FAMILIES

- Below is an average monthly budget for a typical CHIP family, with two parents working full time with two children. Private health coverage, which averages \$917 a month according to the Texas Department of Insurance, puts the families in the red by \$828.

- Total Monthly Income = \$2500
- Rent or Mortgage with Utilities = \$777
- Childcare = \$347
- Car Payment and Gas = \$471
- Groceries = \$401
- Social Security and Medicare Taxes = \$180
- Federal Income Taxes = \$235
- Private Family Health Insurance = \$917
- TOTAL EXPENSES = \$3328
- What's Left = \$828 IN THE RED

*Budget does not include clothing, school supplies, out-of-pocket medical or other essential items.

Family income used is 150% of the Federal Poverty Level (FPL). Sources Include: Texas Dept. of Insurance, Texas Early Childhood Education Coalition, Kaiser Commission on Medicaid and the Uninsured

Children's Defense Fund of Texas, 4500 Bissonnet, Suite 260, Bellaire, Texas 77401
713.664.4080, 713.664.1975 (FAX), www.cdftexas.org