



**Testimony Before the  
Committee on Energy and Commerce, Health Subcommittee, House of Representatives  
Hearing on “Examining the Extension of Safety Net Health Programs”**

**Written Testimony by Jami Snyder, Associate Commissioner for Medicaid and CHIP Services,  
Texas Health and Human Services Commission**

**June 14, 2017**

Good morning Chairman Burgess and members of the subcommittee on health. Thank you for the opportunity to provide testimony on the Children’s Health Insurance Program (CHIP). My name is Jami Snyder. I serve as the director of the Medicaid and CHIP programs for the state of Texas. This morning, I would like to provide the subcommittee insight into how CHIP has worked for the state of Texas, including its successes and challenges under current law, in response to the subcommittee’s inquiries concerning the reauthorization legislation.

Under the direction of the state legislature and executive leadership, the Texas Health and Human Services Commission implemented the state’s CHIP program in 1998. The program currently serves approximately 380,000 children.<sup>1</sup> Since CHIP implementation, the state has seen a notable reduction in the overall rate of uninsured children below 200 percent of the federal poverty level, from approximately 18 percent in 1998 to approximately six percent in 2015.<sup>2</sup> This reduction is attributable, at least in part, to the availability of CHIP as a coverage option for children under the age of 19.

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<sup>1</sup> Texas Health and Human Services Commission, System Forecasting. June 2017.

<sup>2</sup> CHIP Annual Report to the Centers for Medicare and Medicaid Services, Federal Fiscal Year 2016.

The CHIP statute allows states the flexibility to operate CHIP as a Medicaid expansion program, as a separate state program, or as a combination of the two. Texas has historically operated CHIP as a separate program. Implementing and operating CHIP as a standalone program has afforded Texas freedom to design a system that aligns with the state's philosophy of ensuring accountability and stewardship in the management of public funds and increasing personal responsibility for program participants.

Unlike the Medicaid program, which offers an extensive, yet prescriptive medical benefit for children, federal CHIP regulations afford states flexibility to tailor their CHIP benefit package to meet the unique needs of the population served. This flexibility in benefit package design also allows CHIP to function as a nimble program that is more easily able to respond to changes in the state's fiscal outlook, new federal legislation, as well as the evolving needs of beneficiaries.

The CHIP benefit package in Texas aligns more closely with comparable benefit packages available through the commercial insurance market. Tailoring CHIP in this way has facilitated the establishment of a predictable program budget and the provision of CHIP services to more children, consistent with federal funding levels. This approach has also allowed Texas to remain within its federal funding allotment, in turn, preventing the need to establish a waitlist for CHIP applicants. The state's benefit package is cost-effective, including a basic set of health care benefits that focus on primary health care needs.

In addition to basic medical benefits, other benefits offered in Texas' CHIP program include inpatient and outpatient behavioral health services, vision exams and corrective lenses, hearing exams and hearing aids, physical, occupational, and speech therapy, and durable medical equipment. All CHIP members may also receive up to \$564 in dental benefits per enrollment period.

CHIP allows states to place reasonable limitations on the scope of services members may receive. For example, Texas imposes a \$20,000 annual limit on durable medical equipment. By way of comparison, hard service caps are not allowable for children in the Medicaid program under federal Early and Periodic Screening, Diagnostic and Treatment requirements. Such limitations allow the state to more effectively operate the program within its federal allotment.

Since implementation, Texas has delivered CHIP services through a managed care model, rather than a fee-for-service delivery system which is common to many states' Medicaid programs. Texas currently contracts with 17 managed care organizations (MCOs), delivering services to CHIP members statewide. Operating CHIP through this model facilitates administrative efficiency by alleviating the need to concurrently maintain and administer an operationally complex, resource intensive fee-for-service system. The managed care delivery system offers additional advantages, as MCOs are incentivized through a risk-based, capitated payment system to contain costs while implementing innovative service delivery and provider payment mechanisms to improve health outcomes for their members. MCOs are also able to offer health-related value-added services not covered under CHIP, such as sports physicals and car seats, at no cost to state and federal taxpayers. These services are similar to those available in commercial insurance plans.

Federal Medicaid regulations make it difficult for states to implement effective cost-sharing mechanisms for the full range of Medicaid beneficiaries. In contrast, CHIP offers states greater flexibility to design programs in which families retain a measure of responsibility for the cost of their child's care. Most families in CHIP pay an annual enrollment fee to cover all children in the family. All CHIP families make co-payments for office visits, prescription medications, inpatient hospital care, and non-emergent care provided in an emergency room setting. CHIP annual enrollment fees and co-payments vary based on family income. The total amount a family is required to contribute out of pocket toward the cost of health care services is capped at five percent of family income.

CHIP is a critical part of the health care safety net in Texas, offering a benefit package to children who do not qualify for the Medicaid program. Texas' overall experience is that CHIP simply works. It provides reliable medical and dental benefits to the covered population at a rate of \$156 per member per month, which is \$67 less on a per member basis than the cost of coverage for the state's Medicaid population. While the CHIP and Medicaid regulatory structures differ, in Texas, the MCOs responsible for delivering Medicaid managed care services for low-income Medicaid beneficiaries also administer the CHIP product. As such, the Texas CHIP program benefits from economies of scale, allowing the state to leverage innovations across both programs. This includes enhancing health outcomes through the state's Pay for Quality initiative and maintaining a robust network of providers, consistent with network adequacy standards established for MCOs serving both the CHIP and Medicaid populations. The state's quality data offers evidence of the efficacy of the program as currently structured, indicating a 21 percent increase in children, age three to six, accessing well child visits, and a 90 percent increase in children receiving recommended vaccines in the first two years of life for measurement years 2011 - 2015.

A decision to not reauthorize the CHIP program would result in a loss of over \$1 billion in funding annually to the state of Texas and a corresponding loss of health care coverage for more than 380,000 Texas children. If funding for the program is not extended beyond September 2017, it is estimated the state will exhaust remaining resources by February 2018. As such, the state would be faced with the prospect of dismantling the CHIP program, an endeavor that would require a minimum of seven months, given considerations such as the need to ensure proper member notice, the implementation of an enrollment freeze in advance of program termination, regulatory changes, state plan amendment approval, the execution of contract amendments as well as necessary system changes. As mandated by the Patient Protection and Affordable Care Act, the state would also be expected to continue adherence to maintenance of effort requirements at the lower Medicaid federal matching rate for over 253,000

children now served under the state's Medicaid program. Through its routine budgetary planning process, Texas has assumed continued funding for the CHIP program for fiscal years 2018 and 2019 at the enhanced federal matching rate. Should Congress elect not to move forward in reauthorizing CHIP, the state of Texas will no longer be able to administer this critical program, which has a proven track record of success, stemming from its adherence to the fundamental principles of state administrative flexibility, personal responsibility and innovation aimed at enhancing outcomes for beneficiaries.

## Summary of Major Points

### House Committee on Energy and Commerce, Health Subcommittee Hearing on “Examining the Extension of Safety Net Health Programs” June 14, 2017

- The CHIP program in Texas currently serves approximately 380,000 children.
- In Texas, CHIP has resulted in a notable reduction in the overall rate of uninsured children below 200 percent of the federal poverty level, from approximately 18 percent in 1998 to approximately 6 percent in 2015.
- CHIP regulations afford states flexibility to tailor their CHIP benefit package to meet the unique needs of the population served. The CHIP benefit package in Texas aligns more closely with comparable benefit packages available through the commercial insurance market.
- Tailoring the CHIP benefit package in this manner has facilitated the establishment of a predictable program budget and has allowed Texas to remain within its funding allotment.
- Texas’ CHIP benefit package is cost-effective, including a basic set of health care benefits that focus on primary health care needs, and the imposition of reasonable limitations on the scope services members may receive.
- CHIP offers states greater flexibility to design programs in which members retain a measure of responsibility for the cost of their care. Most families enrolled in CHIP in Texas pay an annual enrollment fee to cover all children in the family. All CHIP families make co-payments for office visits, prescription medications, inpatient hospital care, and non-emergent care provided in an emergency room setting.
- CHIP provides reliable medical and dental benefits to the covered population at a rate of \$156 per member per month, which is \$67 less on a per member basis than the cost of coverage for the state’s Medicaid population.
- The state’s quality data offers evidence of the efficacy of the program as currently structured, indicating a 21 percent increase in children, age three to six, accessing well child visits, and a 90 percent increase in children receiving recommended vaccines in the first two years of life for measurement years 2011 - 2015.
- CHIP is a critical part of the social safety net in Texas, offering a benefit package to children who do not qualify for the Medicaid program.
- A decision to not reauthorize the CHIP program would result in a loss of over \$1 billion in funding annually to the state of Texas and the corresponding loss of health care coverage for over 380,000 Texas children.
- Should Congress elect not to move forward in reauthorizing CHIP, the state of Texas will no longer be able to administer this critical program, which has a proven track record of success, stemming from its adherence to the fundamental principles of state administrative flexibility, personal responsibility and innovation aimed at enhancing outcomes for beneficiaries.