TEXAS STATE PLANNING GRANT
INTERIM REPORT

OCTOBER 2001

Texas Department of Insurance
State Planning Grant Division

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Executive Summary

In the spring of 2000, the Texas Department of Insurance (TDI) was asked by then Texas Governor George W. Bush to apply for a State Planning Grant for the state of Texas. Although Texas was not selected as one of the original grantees, TDI received the official notice from HRSA in February 2001 that Texas' grant application would be funded as part of the second round of SPG awards which were effective March 1, 2001.

Upon receipt of the official notification, Texas immediately began making arrangements necessary for implementing any new state program. Although the SPG research is fully funded with federal money, Texas state agencies are required to comply with all state administrative requirements as they relate to purchases, staffing, and program reporting requirements. As such, Texas encountered numerous logistical issues that delayed immediate implementation. This factor was slightly compounded by the fact that the Texas Department of Insurance has never received federal funding, so several additional steps were required to enable TDI to actually receive federal funds. Nonetheless, by mid-May, most of the SPG staff was hired, office equipment was ordered, and temporary furnishings were provided by TDI. The first Working Group meeting was held in May and the grant activities were in full swing by the end of the month.

As with all second round states, most of the focus so far has been on the development of survey instruments and methodologies, procurement of contractors for survey and focus group activities, and identifying and collecting information needed to develop preliminary policy options. As such, most of the policy development and data collection activities are still ongoing and only limited information requested for this report is available at this time. Following is a brief summary of the status of the major project components.

Data Collection Activities

As outlined in the grant application, Texas' survey activities were designed to obtain information that would be most useful in developing policy options for expanding health insurance. Following is a brief summary of the four survey projects.

a) Small Employer Survey

Because so many of the uninsured Texans work in firms with 50 or fewer employees, data regarding this particular group is critical to the success of a statewide health insurance expansion plan. Like other states, Texas implemented a number of significant small employer reforms designed to increase the

availability and affordability of health insurance, but has experienced limited success with such initiatives. Texas legislators have been very interested in this particular segment of the uninsured population, but have relied largely on anecdotal information with little concrete data. The information obtained from this small employer survey will provide extremely useful information on the reasons small employers do not offer health insurance, their interest in offering health insurance, how much they are willing to spend for coverage, the types of benefit plans they prefer, the degree to which they support a variety of insurance expansion programs, and other meaningful data.

The development and oversight of this survey activity has been conducted in-house by SPG staff. During the months of August and September, 50,000 surveys were sent to small employers throughout the state. To date, approximately 13,500 completed surveys have been received. Surveys will continue to be accepted through the end of October and detailed data analyses will begin in November. Some preliminary findings are provided under Section 1 and Section 2 of this report.

b) Survey of Households under 200 Percent of Federal Poverty Level

The SPG staff contracted with the Texas A&M University Survey Research Laboratory (SRL) to conduct a survey of uninsured households above 200% of FPL. While the survey instrument is modeled after a similar study conducted by the California Health Care Foundation, the survey questions were revised to address the need for specific information from Texas' uninsured residents. Individuals above 200% of FPL were selected due to the fact that most studies have concluded that families below 200% of FPL require some type of subsidy or substantial premium assistance from employers or other entities. More than 1.7 million uninsured Texans reside in families with incomes above 200% poverty level, but very little statistical data are available regarding the reasons this large group of people remains uninsured. The household survey will provide a detailed picture of this population, including: the reasons they are uninsured; whether employment-based insurance is available; the reasons they decline such coverage; how much they are willing to pay for insurance; the extent to which they desire health insurance; the types of medical benefits they prefer in a health plan; their interest in a variety of public and private insurance options; and other important demographic and attitudinal information. The survey is currently being fielded, and should be completed sometime in November. Survey results will be available by late December.

c) Survey of Health Insurance Carriers and Health Maintenance Organizations

All licensed HMOs and 40 of the largest health insurers in Texas (writing approximately 70% of all health insurance premiums) are being surveyed to collect information on the healthcare marketplace in Texas. Companies are required to provide information on health insurance premium rates and how those costs vary by group size; claims cost information; data regarding small employer plans required to be offered under Texas law; the prevalence of stop-loss coverage and administrative-services-only (ASO) contracts; the extent to which managed care plans are offered; cost-sharing and benefit information; demographic information on the people insured; and other information that will assist in the development of insurance expansion options. SPG staff is administering the survey under a Texas law that requires carriers to respond. Thus, unanimous participation is expected from both insurers and HMOs.

d) Insurance Agents Survey

Although not included in the original proposal of grant activities as submitted to HRSA, the SPG team has decided to conduct a survey of health insurance agents in Texas to obtain information specifically related to the small employer market in Texas . During the early months of this project, agents expressed frustration in dealing with small employer carriers, and provided anecdotal information that suggests some carriers may not be in compliance with state requirements related to the sale and marketing of small employer health insurance. However, no concrete data exists to substantiate such claims, and agent associations report that agents are reluctant to file complaints against carriers for fear of retribution. A survey has been drafted to obtain information on the extent to which agents experience such problems. Agents will also be surveyed regarding their level of support for various policy options, recommendations for improving their ability to market small employer plans, and other issues related to expanding health insurance in Texas.

Focus Group Activities

In addition to the data collected under the surveys described above, the Texas SPG is also conducting focus group sessions with uninsured Texans and small employers across the state. The Texas A&M University Public Policy Research Institute is under contract to conduct focus group meetings in 15 towns across Texas representing all of the major geographical areas of the state. Three sessions are being held in each town (a total of 45 sessions statewide), including one each for uninsured unemployed individuals, uninsured employed individuals, and small employers both offering and not offering health insurance. Initially, the staff planned to only include small employers who do not offer health insurance, but at the request of various groups decided to also include small employers who do offer health insurance since many expressed concern that they will be forced to drop the coverage they currently offer if costs continue to rise. While some preliminary information is available from the focus group sessions that have already been held, the sessions continue through the end of October. The report on the focus group findings will be available in late November or early December.

Working Group Participation

Throughout this process, the SPG staff has worked in conjunction with a supportive stakeholder group officially referred to as the Oversight and Implementation Working Group. This diverse group of people represents numerous organizations that have a crucial interest in the provision of health care in Texas. Members of the working group include staff of the Governor's, Lt. Governor's and Speaker's offices; members of the both the Texas Senate and the Texas House of Representatives; the Director of the Texas Legislative Budget Board; state agency representatives from eight different agencies, including the Department of Health, the state Medicaid Office, the Children's Health Insurance Program, the Health and Human Services Commission, the Texas Health Care Information Council, and the Office of Public Insurance Counsel; other representatives of consumer organizations such as the Texas Mental Health Association, Consumers Union, and Advocacy, Inc.; provider representatives from the Texas Hospital Association and the Texas Medical Association; representatives of insurance industry and agent associations; public health and indigent care coalition advocates; and public health policy researchers and experts. The Working Group has held three meetings to date, with a fourth planned for November 29th. The working group meetings are all broadcasted via the internet and are open to the public.

Statewide Conference Plans

To provide all Texans with the opportunity to participate in the SPG process and to provide a forum for discussing the various policy options that are developed as part of this study, Texas is holding a statewide conference on January 31- February 1, 2002. The focus of the conference will be a presentation of all survey and research work, and how that information was used to develop the policy options that will be discussed in detail. At the conclusion of the conference, all participants will be asked to rank their level of support for the various policy options that are discussed in order to determine whether there is a consensus as to the best programs for expanding health insurance in Texas.

Development of Policy Options

Although the SPG staff has begun the initial development of proposed policy options, many of the decisions regarding the details of the plans cannot be reached until the surveys and an actuarial analysis are completed. During the next three months of the study, SPG staff will be working with an actuarial consulting firm to develop plan details, enrollment estimates, and conduct cost/benefit analysis of the various policy options. That information is crucial in the development of the policy options. As such, the Texas SPG is still in the developmental stage of developing the expansion plan options and is unable at this time to discuss in detail the options being considered. However, it should be pointed out that a wide array of possible options is being studied, including: the creation of a statewide purchasing pool; changes in the small employer insurance market in Texas; expansion of public health insurance programs to include more children and/or adults; public/private partnership opportunities; and other programs. The details of those options will be forthcoming in the final report of the Texas State Planning Grant.

Section 1: Uninsured Individuals and Families

Because the Texas SPG is in the middle of several significant data collection activities, much of the data that will be used to answer specific questions in this section are not yet available. As such, throughout much of this section, the annual Current Population Survey (CPS) is the primary source for data on Texas' uninsured population. Other resources include the Medical Expenditure Panel Survey (MEPS) and information obtained through various data calls at the Texas Department of Insurance.

1.1 What is the overall level of uninsurance in your state?

Consistently over the last decade Texas continues to have one of the highest rates of uninsured in the nation. Currently, Texas has the second highest rate of uninsured in the United States behind New Mexico. Current Population Survey (CPS) data for 2000 shows that there were 4.5 million people without health insurance in Texas, which is about 21.4% of the total population. It is estimated by Texas' Health and Human Services Commission (HHSC) that roughly 1 million of these uninsured people (23%) are eligible for Medicaid but not enrolled. HHSC also estimates that approximately 1.4 million of the uninsured in Texas are children.

Table 1.1.1 depicts the growth rate of Texans lacking health insurance over a ten-year period.

Table 1.1.1: Number and Rate of Texas' Uninsured for Ages 0 through 64: 1994-2000

Year	Uninsured Rate	Estimated # of Uninsured
1994	26.5 %	4.5 million
1995	27.0 %	4.6 million
1996	26.7 %	4.7 million
1997	26.7 %	4.8 million
1998*	26.9 %	4.9 million
1999*	25.7 %	4.6 million
2000*	21.4%	4.5 million

Source: United States Census Bureau, Current Population Survey

* **Important Note:** In the Medicare, Medicaid and State Children's Health Insurance Program (CHIP) Balanced Budget Refinement Act of 1999, Congress allotted $10 million to the United States Census Bureau's FY 2000 budget to address weaknesses in CPS data. In an effort to increase the precision of states' insurance estimates, the Census Bureau expanded the number of households sampled by 34,000 and added a verification question to the survey that is intended to correct the high rate of over-reporting of uninsurance. As a result, the estimated uninsured rates are significantly lower in 2000. CPS also estimates that if the same verification question was applied to the 1998 and 1999 survey results, the adjusted uninsured rates would be 23.2% in 1998 and 22.0% in 1999. You may visit www.shadac.org for tables that compare CPS insurance rates with and without the verification question and for issue briefs that assess the impact of CPS revisions on state health insurance estimates.

The rate of uninsurance in Texas is about eight percentage points higher (21.4%) than in the nation as a whole, which is currently estimated at 14 percent.

Table 1.1.2: Texas Uninsurance Rates Compared to U.S. Average

Year	United States Uninsured Rate	Texas Uninsured Rate
1995	17.4%	27.0%
1996	17.7%	26.7%
1997	18.3%	26.7%
1998*	15.0%	23.2%
1999*	14.3%	22.0%
2000*	14.0%	21.4%

Source: United States Census Bureau, Current Population Survey

1.2 What are the characteristics of the uninsured?

Characteristics by Income/Poverty Level

Eligibility for Texas' public health programs is determined by the federal poverty level (FPL) guidelines, which are established by the United States Census Bureau.

Table 1.2.1: 2001 Federal Poverty Level Income Guidelines

Family Size	100% FPL	133% FPL	150% FPL	185% FPL	200% FPL
1	$8,590	$11,425	$12,885	$15,891.50	$17,180
2	$11,610	$15,441	$17,415	$21,478.50	$23,220
3	$14,630	$19,458	$21,945	$27,065.50	$29,260
4	$17,650	$23,475	$26,475	$32,652.50	$35,300
5	$20,670	$27,491	$31,005	$38,239.50	$41,340
6	$23,690	$31,508	$35,535	$43,826.50	$47,380
7	$26,710	$35,524	$40,065	$49,413.50	$53,420
8	$29,730	$39,541	$44,595	$55,000.50	$59,460

Source: United States Census Bureau

As shown in Table 1.2.2, 58 percent of Texas' uninsured population, a total of 2,692,658 Texans, have household incomes at or below 200 percent of national poverty guidelines, and more than one quarter of

uninsured people are below 100 percent of FPL. Approximately 36 percent of uninsured Texans have incomes above 200 percent of the FPL.

Table 1.2.2: Texas Uninsurance Rates by Poverty Range

Income/Poverty Level	1999 Estimated # of Uninsured	1999 Percent of Total Uninsured	2000 Estimated # of Uninsured	2000 Percent of Total Uninsured
Under 50%	472,852	10.2 %	466,670	10%
51% to 99%	849,294	18.3 %	744,113	17%
100% to 149%	716,544	15.4 %	787,617	18%
150% to 199%	653,968	14.1 %	647,229	14%
200% to 249%	446,225	9.6 %	551,402	12%
250% +	1,504,171	32.4 %	1,289,019	29%
Total	**4,643,054**	**100.0 %**	**4,486,050**	**100%**

Source: 1999 and 2000 Demographic Profile of Texas Uninsured Population Based on March 2000 and 2001 CPS, Research and Forcasting Department, Texas Health and Human Services Commission.

As in other states, the Medicaid and CHIP programs in Texas both rely heavily upon FPL guidelines for their eligibility requirements, as shown in Charts 1.2.1 and 1.2.2 below.

Chart 1.2.1: Medicaid Eligibility in Texas

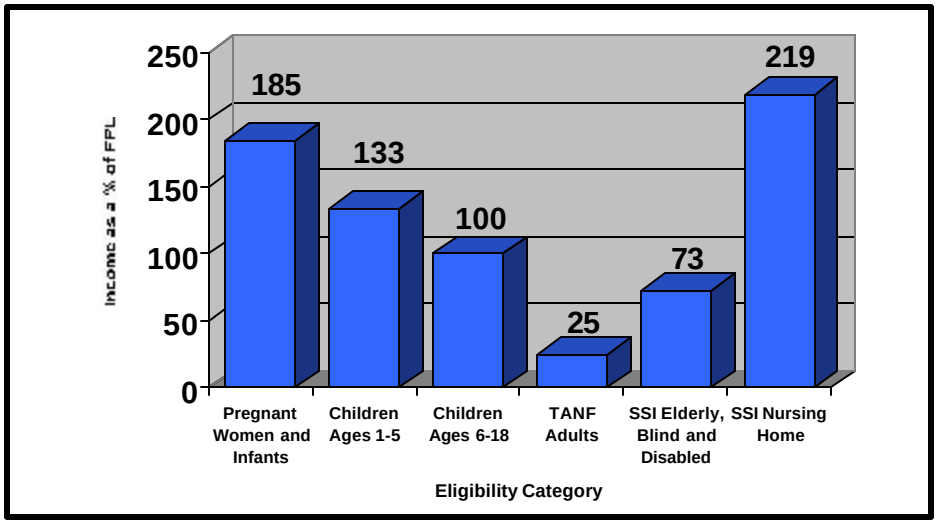
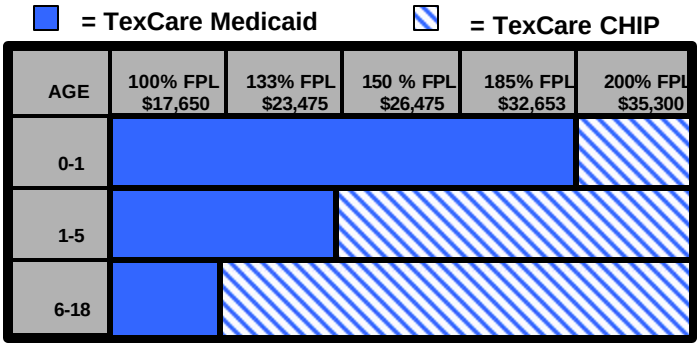


Chart 1.2.2: 2001 FPL Guidelines for TexCare Medicaid and TexCare CHIP



NOTES: 1) Income amounts reflect 2001 federal poverty guidelines for a family of four.
2) Children may be added or excluded, however, based on income deductions and asset tests.

Among persons under the age of 65, the rate of uninsurance is substantially higher for those with incomes at or below 200 percent of the FPL. About 3 out of every 4 uninsured dependent children under the age of 18 live in families and/or households with incomes under 200 percent of the FPL. Dependent children in families with incomes of less than 100 percent of the FPL have an uninsurance rate of about 36 percent; another 35 percent uninsured children live in families with incomes between 100 and 199 percent of the FPL. The uninsurance rate decreases to 14 percent for children from families with incomes of 200 percent of the FPL or higher.

Characteristics by Age

Table 1.2.3: Texas Uninsurance Rates by Age

Age Range	Estimated # of Uninsured	Percent of Total Uninsured	Percent Uninsured by Age
0 through 6	521,111	11.2 %	22.9 %
7 through 17	821,665	17.6 %	25.0 %
18 through 24	720,667	15.4 %	36.1 %
25 through 34	874,098	18.7 %	29.0 %
35 through 44	822,187	17.6 %	25.0 %
45 through 64	869,366	18.6 %	21.1 %
65 +	35,531	0.8 %	1.7 %
Total	**4,664,632**	**100 %**	**23.3 %**

Source: 1999 Demographic Profile of Texas Uninsured Population, Research Department, Fiscal Policy Division, Texas Health and Human Services Commission

Characteristics by Gender

Table 1.2.4: Texas Uninsurance Rates by Gender

Gender	Estimated # of Uninsured	Percent of Total Uninsured	Percent Uninsured by Gender
Male	2,390,467	51.2 %	24.2 %
Female	2,274,165	48.8 %	22.4 %
Total	**4,664,632**	**100 %**	**23.3 %**

Source: 1999 Demographic Profile of Texas Uninsured Population, Research Department, Fiscal Policy Division, Texas Health and Human Services Commission

Characteristics by Employment Status

Contrary to public perception, most uninsured Texans are employed or live in families with an employed adult. Approximately two-thirds of uninsured, non-retired adults ages 18 and older are employed. Less than eight percent of uninsured adults are unemployed.

Table 1.2.5: Texas Uninsurance Rates by Employment Status (Non-retired persons 18 and older)

Labor Force	Estimated # of Uninsured	Percent of Total Uninsured	Percent Uninsured by Employment Status
Employed	2,190,293	68.3%	23.0%
Unemployed	243,728	7.6%	50.9%
Not in Labor Force	774,365	24.1%	31.5%
Total	**3,208,386**	**100%**	**25.8%**

Source: 1999 Demographic Profile of Texas Uninsured Population, Research Department, Fiscal Policy Division, Texas Health and Human Services Commission

One of the primary explanations for Texas' higher uninsured rate is that Texas workers generally are less likely than workers in other states to have access to employment-based health insurance coverage. Data from the 1998 Current Population Survey indicate that 66.2 percent of Texas workers have employment-based health insurance coverage, compared to a national average of 72.8 percent. Among individuals ages 18-64, 72.7 percent of all full-time workers had health insurance compared to 52.5 percent of part-time workers.[1]

Studies conducted by the Texas Department of Insurance indicate that most insurers or employers have provisions that exclude part-time employees, contract workers, and seasonal employees which partly explains why certain occupations are more likely than others to remain uninsured. The occupational

composition of Texas workers has long been recognized as a contributing factor to Texas' uninsured problem. Texas has a higher than average employment in both retail trade and service industries which traditionally are least likely to offer insurance, and a lower than average employment in the manufacturing sector where health benefits are more frequently provided. Texas workers are most likely to be uninsured if they work in private households, where 61.85% are uninsured. Other industries with high rates of uninsurance include:

- Personal Services – 36.47% uninsured
- Agriculture – 33.40% uninsured
- Construction – 48.61% uninsured
- Retail – 28.86% uninsured

It is important to note that these employees combined represent nearly one half of all uninsured Texans.[2]

Characteristics by Availability of Private and Public Coverage

Despite the number of uninsured residents, Texas is widely recognized as having one of the healthiest commercial insurance markets in the country. In 1998, accident and health insurers reported more than $10 billion in premiums written in Texas. Based on information reported to TDI, an estimated 3.6 million Texans were covered under fully insured health plans regulated by TDI. An additional 3 million Texans were enrolled in basic service commercial Health Maintenance Organization plans. An additional estimated 3.5 million Texans were covered under self-insured employer group plans not subject to state regulation. When combining these figures with the Medicare and Medicaid population, the total number of Texans with some type of insurance coverage (public or private) exceeds 15 million.[3]

The number of Texans enrolled in HMOs has grown significantly in recent years. However, like many other states, HMOs in Texas have suffered significant financial losses. Most if not all health plans have increased premium rates for plans issued in 1999 and 2000, and sizable premium increases are being reported for 2001. Despite these significant losses, the market for health coverage in Texas has remained competitive. Availability of insurance – either group or individual – has not been a problem for most Texans. Due to revisions in the regulation of group insurers and implementation of the Texas Health Insurance Risk Pool, even individuals with serious pre-existing medical conditions are guaranteed access to insurance. However, contribution and participation requirements continue to have an impact on the availability and affordability of coverage for some employers, and particularly for the smallest businesses.

Recognizing the physical and financial consequences of living without health insurance, lawmakers and policymakers have diligently worked to provide access to health care for those people without insurance. A report prepared by the State Comptroller's Office estimates that state and local government costs of providing care for uninsured Texans in 1998 totaled more than $4.7 billion– or nearly $1,000 per person. [4] This included state and local disproportionate hospital share program eligible expenses; programs under the Texas Department of Health, Texas Department of Mental Health and Mental Retardation, Texas Department of Human Services, and other state agencies; local health care programs operated by county and city health agencies and school districts, charity care provided by individual

physicians and university physician practice plans, and other charitable donations. It does not include out-of-pocket spending by uninsured individuals or state Medicaid and CHIP expenditures.

In fiscal year 2001, an average 1.8 million Texans were enrolled in Medicaid at any given time, and as of October 22, 2001, 476,844 children were enrolled in CHIP.

Race/Ethnicity

Approximately two-thirds of Texans without health insurance are African-American or Hispanic. Hispanics comprise 50 percent of uninsured.

Table 1.2.6: Texas Uninsurance Rates by Race or Ethnicity

Race/Ethnicity	Estimated # of Uninsured	Percent of Total Uninsured	Percent Uninsured by Race/Ethnicity
Anglo/Other	1,687,135	36.2 %	15.0 %
African American	633,447	13.6 %	26.1 %
Hispanic	2,344,050	50 %	36.6 %
Total	**4,664,632**	**100 %**	**23.3 %**

Source: 1999 Demographic Profile of Texas Uninsured Population, Research Department, Fiscal Policy Division, Texas Health and Human Services Commission

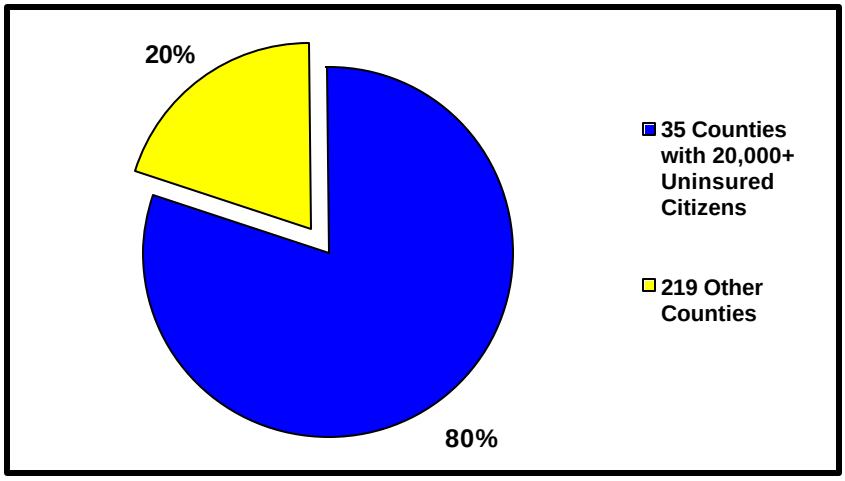
Immigration Status

Not surprisingly, the rate of uninsurance is substantially higher among non-citizens than among citizens. Non-citizens comprise about 1 out of every 5 uninsured Texans. Approximately 21 percent of native U.S. citizens, 31 percent of U.S. naturalized citizens, and 56 percent of those who are not U.S. citizens are uninsured in Texas.

Geographic Location

A widely held misconception is that Texas' uninsured population is primarily concentrated in the state's border counties. While the uninsured rate per capita is indeed significantly higher in the border region, only 25 percent of uninsured citizens reside in this area. The heaviest concentration of uninsured persons live in the larger urban areas, with an estimated 80 percent of uninsured Texans residing in 35 of the state's 254 counties.

Chart 1.2.3: Texas Counties with More than 20,000 Uninsured Citizens



Source: Texas Health and Human Services Commission, 2000

Table 1.2.7: Texas Counties with the Ten Largest Uninsured Populations

County Name	Uninsured Population	Percent of Statewide Total
Harris	812,628	17.2%
Dallas	499,970	10.6%
Bexar	349,043	7.4%
Tarrant	325,556	6.9%
El Paso	231,534	4.9%
Hidalgo	173,769	3.7%
Travis	147,461	3.1%
Cameron	103,474	2.2%
Denton	81,413	1.7%
Nueces	79,930	1.7%
All Other	1,907,434	40.5%

Source: Texas Health and Human Services Commission, 2000

1.3 and 1.4

The information for sections 1.3 and 1.4 is not yet available. These questions were addressed in various survey and research activities that are currently in progress. Findings from these surveys will be included in the final report.

1.5 Why do uninsured individuals and families not participate in public programs for which they are eligible?

While the following information generally focuses on children, zero through 18 years old, who are eligible for, but not enrolled in Texas public health insurance programs, additional information that is specific to the adult population is forthcoming. The Household Survey is currently being conducted, and it will provide more detailed information regarding why individuals and families do not enroll into the public programs for which they are eligible. In addition, information from the SPG Focus Group sessions is currently being compiled, and the final report will provide further information regarding this issue. Anecdotal Focus Group evidence suggests the following possible explanations for this report:

- Many residing in border towns in Texas rely on care across the border in Mexico because of the cost factor, and therefore do not utilize U.S. health care or believe they need public programs.
- Language barriers may be a factor for those not enrolling, with participants reporting difficulty completing applications and communicating with public program representatives.
- The complexity of enrollment requirements and the need for documentation with the appropriate signatures has deterred some from enrolling.

In Texas there are close to 600,000 children eligible for, but not enrolled in Medicaid. In addition, more than 400,000 children may be eligible for CHIP. Some explanations for this non-participation include:

- Many families do not realize they may qualify for this program.
- Many families think that Medicaid is a "welfare" program, instead of a health insurance program.[5]
- For a majority of Texas families, the application process for Medicaid has been too burdensome.

Most cumbersome among the previously stated reasons for not enrolling in Texas has been the application process. Federal law and rules adopted by the Centers for Medicaid and Medicare have minimal requirements for states related to children's Medicaid eligibility, which include a signed application, a social security number, a declaration of citizenship or immigration status of a child and an income and eligibility verification system. Additionally, re-certification for Medicaid is only required every 12 months. Until very recently, Texas requirements have included an assets test (the family could not have any assets over $2,000), a face-to-face interview at the local Texas Department of Human Services (DHS) office and a re-certification period of 6 months. These requirements have acted as an enrollment obstacle for many Medicaid eligible individuals.[6] However, to address the various obstacles in providing coverage to Medicaid eligible children and streamline the enrollment process, the Texas Legislature recently passed legislation to simplify Medicaid enrollment for children.

Under Senate Bill 43, the Medicaid program will implement a one-page application as well as a simplified enrollment procedure that eliminates the face-to-face interview. In addition, DHS must adopt rules between September 1, 2002 and June 1, 2003 to provide continuous eligibility for 12 months. The legislation also removes the assets test from the eligibility requirements.

The goal of dramatically improving Medicaid enrollment of children, which will increase the success of the CHIP program as well, is a significant step towards assuring public coverage for those eligible.

1.6 Why do uninsured individuals and families disenroll from public programs?

Although information specific to the issue of disenrollment is not currently available for the state of Texas, the household survey will address this issue from a "voluntary" and "non-voluntary" perspective, and data will be available for the final report. Also, TDHS is going to field a CHIP survey in the near future that will also address the issue of disenrollment. Experience from other states suggests that disenrollment is largely due to increased income thresholds, failure to pay CHIP premiums, and alternate coverage sources. Anecdotal focus group findings point sharply to the issue of increased income thresholds, especially among single mothers who were able to find employment.

1.7, 1.8 and 1.9

The information for sections 1.7, 1.8 and 1.9 is not yet available. These questions are addressed in various survey and research activities that are currently in progress, and findings from these surveys will be included in the final report.

1.10 What other barriers besides affordability prevent the purchase of health insurance?

While most of the data to answer this question is not yet available, preliminary focus group information suggests the following factors may play a role:

- Pre-existing Conditions: Many focus group participants cited the difficulty obtaining adequate, affordable health insurance when pre-existing health conditions are present.
- Policy Benefit and Price Comparison: Many focus group participants noted difficulty and frustration when shopping for health insurance, particularly in the individual market.
- Lack of Education: Many of the uninsured do not understand how health insurance works, how to shop for coverage or how to use it.
- Insurance Being Tied to Employment: Participants noted the difficulty obtaining individual coverage and cited the link between employment and health insurance as one of the causes.
- Use of Government Facilities: Many of the uninsured state they can obtain health care through free or low-cost clinics, and do not feel the need to purchase health insurance.
- Language Barrier for Hispanics: Hispanic focus group participants report significant difficulty with health insurance concepts.
- Part-time Employees: Many jobs in Texas are part-time and generally do not offer health insurance benefits.

Section 2: Employer-based Coverage

Many of the uninsured in Texas work for small employers who either do not provide health insurance or the insurance offered is unaffordable to employees. In light of this situation, the Texas State Planning Grant has focused particular attention on the small market (2-50 employees). Therefore, the data collected by the Texas State Planning Grants for Section #2 of this report predominantly addresses the questions in the context of small employers.

2.1A What are the characteristics of firms that do not offer coverage, as compared to firms that do?

Employer Size

Table 2.1A.1: MEPS Survey Data for All Employees (1998)

Category	All Employers	Small Employers	Large Employers
Total Employees	7,906,500	2,231,600	5,674,900
Accepted Coverage	4,477,300 56.63%	784,900 35.17%	3,692,400 65.07%
Declined Coverage	693,500 8.77%	141,800 6.35%	551,700 9.72%
Ineligible Employees	1,594,700 20.17%	334,100 14.97%	1,260,600 22.21%
Not Offered Coverage	1,141,000 14.43%	970,800 43.50%	170,200 3.00%

Source: Agency for Healthcare Research and Quality, Analysis of the 1998 Medical Expenditure Panel Survey

According to analyses of Texas-specific Medical Expenditure Panel Survey data provided by the Agency for Healthcare Research and Quality (AHRQ), large employers are much more likely than small employers to offer health insurance to their employees. Nearly 44 percent of small employers did not offer health insurance, compared to only 3 percent of large employers.[7]

The MEPS survey does not specify whether those who declined coverage were covered by some other means (i.e., a spouse's plan) or were uninsured. The survey also does not indicate the reasons why some employees are ineligible for coverage. Other studies, however, suggest that ineligible employees often have not been with a company long enough to meet waiting period requirements or work too few hours to qualify for benefits.

Industry Sector

Table 2.1A.2:Texas Uninsured by Industry Sector

Industry Sector	Number Insured	Number Uninsured	Total	Percent Insured	Percent Uninsured
Agriculture	169,613	85,044	254,656	66.60%	33.40%
Mining	159,000	5,527	164,527	96.64%	3.36%
Construction	386,245	365,284	751,530	51.39%	48.61%
Manufacturing	1,029,517	189,037	1,218,554	84.49%	15.51%
Transportation	333,838	86,350	420,188	79.45%	20.55%
Communications	173,891	12,486	186,377	93.30%	6.70%
Utilities and Sanitary Services	73,773	1,471	75,244	98.05%	1.95%
Wholesale and Retail Trade	1,362,708	552,955	1,915,663	71.14%	28.86%
Finance, Insurance, and Real Estate	564,293	64,469	628,762	89.75%	10.25%
Private Households	32,443	52,592	85,035	38.15%	61.85%
Business, Auto, and Repair Services	507,699	187,829	695,528	72.99%	27.01%
Personal Services, Excluding Households	164,241	94,300	258,541	63.53%	36.47%
Entertainment and Recreation Services	66,633	37,141	103,774	64.21%	35.79%
Hospitals and Medical Services	594,752	146,301	741,053	80.26%	19.74%
Educational Services	754,544	71,695	826,239	91.32%	8.68%
Social Services	177,989	60,820	238,809	74.53%	25.47%
Other Professional Services	396,863	49,658	446,522	88.88%	11.12%
Forestry and Fisheries	4,730	Not Available	4,730	Not Applicable	Not Applicable
Public Administration	360,391	24,796	385,186	93.56%	6.44%
Total	**7,313,163**	**2,087,755**	**9,400,918**	**77.79%**	**22.21%**

Source: Analysis of 2001 Current Population Survey, Texas Health and Human Services Commission, Research and Forecasting Department

According to the March 2001 CPS survey, the level of uninsurance in different industry sectors varies significantly in Texas. Several industries, including mining, communications, utilities, educational service, and public administration, have less than 10 percent uninsured employees. Other industries, however, report significantly higher uninsured rates including agriculture, construction, personal services, and entertainment, where more than 30 percent of the employees are uninsured. Workers in

construction, manufacturing, and wholesale and retail trade industries account for more than half (54%) of all uninsured Texas workers.[8]

Employee Income Brackets

Comment: Edli is working on this.

The most useful data available at this time that addresses income levels of the uninsured is the Current Population Survey. Additional information on employee income levels is currently being collected as part of the small employer survey and household survey and will be included in the final report.

As shown in the chart below, lower-income individuals are more likely to be uninsured than those with higher incomes. Individuals with incomes below $20,000 are three times as likely to be uninsured as individuals with incomes above $50,000. However, it is important to note that more than 1.5 million uninsured Texans report family incomes of more than $35,000.

Table 2.1A.3: Texas Uninsured by Income Level

Income	Insured	Uninsured	Total	Percent Insured	Percent Uninsured
$0-10,000	1,336,454	769,597	2,106,051	63%	37%
$10,001-15,000	897,978	512,958	1,410,936	64%	36%
$15,001-20,000	984,240	636,622	1,620,862	61%	39%
$20,001-25,000	1,039,616	354,225	1,393,841	75%	25%
$25,001-35,000	1,861,893	697,516	2,559,409	73%	27%
$5,001-50,000	2,621,495	601,826	3,223,321	81%	19%
$50,001 +	7,804,707	927,909	8,732,617	89%	11%
Total	**16,546,384**	**4,500,653**	**21,047,037**	**79%**	**21%**

Source: Analysis of 2001 Current Population Survey, Texas Health and Human Services Commission, Research and Forecasting Department

Although Small Employer Surveys are still being received, processed and analyzed, a preliminary analysis of the surveys processed to date indicate that the level of insurance coverage increases significantly as the company's average salary increases. Over 80 percent of companies with average salaries less than $15,000 do not offer insurance, while companies with higher salaries are much more likely to provide health benefits.[9]

Table 2.1A.4: Average Annual Salary of Small Businesses Not Offering Health Insurance

Average Company Salary	Offers Insurance	Does Not Offer Insurance	Total	Percent Offering Insurance	Percent Not Offering Insurance
Less than $10,000	44	288	332	13%	87%
$10,001-$15,000	184	780	964	19%	81%
$15,001-$20,000	639	1085	1724	37%	63%
$20,001-$25,000	1223	1071	2294	53%	47%
$25,001-$50,000	2772	1151	3923	71%	29%
$50,001-$75,000	346	86	432	80%	20%
More than $75,000	121	46	167	72%	28%
Total	**5329**	**4507**	**9836**	**54%**	**46%**

Source: Texas State Planning Grant 2001 Survey of Small Employers; Preliminary Survey Results.

Percentage of Part-time and Seasonal Employees

Data from the 1998 MEPS survey indicates that full-time employees were much more likely to be offered health insurance than part-time employees. The data shows that over twice as many part-time employees were not offered health coverage when compared to full-time employees. In addition, part-time employees were three times as likely to be ineligible for coverage.[7]

Table 2.1A.5: MEPS Survey Data for Full-time Employees (1998)

Category	All Employers	Small Employers	Large Employers
Total F-T Employees	6,847,500	1,802,800	5,044,700
Accepted Coverage	4,371,000 63.77%	767,900 42.59%	3,603,100 71.42%
Declined Coverage	638,700 9.36%	133,400 7.40%	505,300 10.02%
Ineligible Employees	1,018,400 14.87%	218,300 12.11%	800,100 15.86%
Not Offered Coverage	819,500 12.00%	683,300 37.90%	136,200 2.70%

Source: Agency for Healthcare Research and Quality, Analysis of the 1998 Medical Expenditure Panel Survey

Table 2.1A.6: MEPS Survey Data for Part-time Employees (1998)

Category	All Employers	Small Employers	Large Employers
Total P-T Employees	1,059,000	428,800	630,200
Accepted Coverage	106,300 10.04%	17,000 3.96%	89,300 14.17%
Declined Coverage	54,800 5.17%	8,400 1.96%	46,400 7.36%
Ineligible Employees	576,300 54.42%	115,800 27.01%	460,500 73.07%
Not Offered Coverage	321,500 30.36%	287,500 67.05%	34,000 5.40%

Source: Agency for Healthcare Research and Quality, Analysis of the 1998 Medical Expenditure Panel Survey

According the 1998 MEPS survey, full-time employees were much more likely to be offered health insurance than part-time employees. The data shows that over twice as many part-time employees were not offered health coverage as were full-time employees. In addition, part-time employees were three times as likely to be ineligible for coverage.[7]

Geographic Location

While we know that Texas' uninsured population is located across the state, we do not at this time have information regarding employment distribution as is requested in this section. Both the small employer survey and the household survey will provide information that will be used to answer this question in more detail in the final report. For information on the geographic distribution of the uninsured population, please see Section One of this report.

2.1B For those employers offering coverage, please discuss the following:

Cost of Policies

Cost information is not yet available, but it will be included in the final report.

Level of Contribution

According to preliminary results of the Texas State Planning Grant's survey of small employers, the majority of employers surveyed who offer health insurance benefits to their employees require no

employee contribution. Over 75 percent of the employers surveyed require employees to contribute less than $50.00 each month.

2.2 What influences the employer's decision about whether or not to offer coverage? What are the primary reasons employers give for electing not to provide coverage?

According to preliminary results of the survey of small employers, the main reason employers do not offer health insurance benefits to their emp loyees is cost. Over 60 percent of respondents either assume that health insurance is too expensive or have tried to purchase health insurance and found it to be unaffordable. The next highest reason for not purchasing health insurance was because employees already had coverage through other means (16 percent of respondents).

2.3, 2.4 and 2.5

The information for sections 2.3, 2.4 and 2.5 is not yet available but will be included in the final report.

2.6 How likely are employers who do not offer coverage to be influenced by the following factors?

Expansion and Development of Purchasing Alliances?

Preliminary survey results show that the overwhelming majority of employers surveyed who do not offer health insurance benefits to their employees support the concept of small employer health purchasing alliances. Of the employers surveyed, 96 percent support purchasing alliances, with 70 percent strongly supporting the idea.

Individual or Employer Subsidies?

According to preliminary small employer survey results, 56 percent of small employers surveyed support subsidies and 44 percent do not.

Additional Tax Incentives?

The Texas State Planning Grant did not address the specific issue of tax incentives, primarily because of the limited ability of the state to provide them (i.e., Texas does not have a corporate or personal income tax). However, the survey did address the broader issue of financial incentives to small employers. According to preliminary results of the SPG survey of small employers, 89 percent or employers surveyed support financial incentives, with 55 percent strongly supporting the idea.

What other alternatives might be available to motivate employers not now providing or contributing to coverage?

This information is not yet available but will be addressed in the final report.

Section 3: Health Care Marketplace

The Texas State Planning Grant is in the process of conducting a comprehensive HMO and insurer survey that will include information from the largest HMOs and indemnity carriers representing more than estimated 80 percent of all group coverage in Texas. The survey is designed to capture much of the information that is requested under Section 3 of this report. As such, most of the data is not yet available but will be included in the final report. This interim report includes only very limited information based primarily on earlier surveys and research.

3.1 How adequate are existing insurance products for persons of different income levels or persons with pre-existing conditions? How did you define adequate?

Very limited information is available describing the adequacy of existing insurance products for persons of different income levels. Obviously the question as to whether a specific insurance product is "adequate" for one person is subjective and varies greatly by income level. In working group discussions concerning existing benefit levels and cost sharing requirements, there are those who strongly believe group insurance benefits have become too comprehensive and discourage insureds from making cost-conscious health care decisions. These individuals have suggested that we need to seriously consider the development and marketing of a more traditional catastrophic benefit plan that provides reduced benefits and more significant cost-sharing requirements.

At the same time, there are other working group members who argue that, while many group policies in Texas are comprehensive and provide adequate coverage for most people, there are clearly areas where they feel coverage is lacking. During Working Group meetings and in discussions with Focus Group participants, the benefits most often mentioned as lacking in adequacy are mental health coverage and prescription drugs. While everyone agrees in theory that these benefits and many others are of critical importance in developing an adequate benefit plan, there is little agreement as to how to create an affordable policy that includes comprehensive coverage for these and other benefits that are not routinely provided, such as dental and vision care.

There is no doubt that Texans– both in the individual market and the group market – have a tremendous range of choices. While there has been some consolidation in recent years, the health insurance market still remains highly competitive in Texas. Employers continue to have a wide range of policies and carriers from which to choose, and many continue to choose policies with very generous benefit packages. Other employers – particularly small employers – are more often choosing more restrictive plans and are passing more costs to employees. While some employees can afford the higher costs, others cannot. But measuring the extent to which these trends affect the "adequacy" of coverage or the extent to which persons of different income levels are affected is very difficult to determine.

When the Texas Legislature considered small employer group reforms in 1993 and 1995, lengthy discussion took place regarding the specific benefits that should be included in "standard" benefit plans. In 1993, the Legislature established certain specific benefit requirements for three standard health benefit plans in the small employer market. The law required TDI to adopt rules establishing the actual

benefits that must be included. After considerable public and industry participation and discussion about adequacy of coverage, TDI adopted three benefit plans that provided varying levels of coverage and, in theory, offered employers a range of choices. However, the three plans were not at all popular, and in 1995, the Legislature eliminated the three plans and replaced them with two standard plans – the basic and catastrophic. Again, TDI worked for months with the public and the industry to establish new benefit levels for the two plans. However, those plans today are still extremely unsuccessful and demonstrate the difficulty of reaching consensus on what must be included in an "adequate" benefit plan.

While Texas, like other states, requires insurers to include certain benefits in all health insurance plans, carriers have a great deal of flexibility in customizing benefit plans to meet specific requests and needs of their clients. In the past, the Texas Department of Insurance did attempt to collect information on the extent to which certain benefits were included in group policies, but the data reported by insurers and HMOs was inconsistent and yielded information of limited value due to the complexity of comparing actual benefit levels. For example, the survey asked insurers to report the percentage of insureds covered under policies that provided certain benefits, including: inpatient hospital, physician inpatient and out patient coverage, home health care, prescription drug benefits, vision care, maternity coverage, family planning benefit, organ transplants, and other common benefits. However, without providing corresponding data on maximum benefit levels and cost-sharing requirements for each of the benefits provided, the data gives an incomplete picture of the extent to which people have adequate coverage. Although TDI attempted to design a more complex reporting format that would provide some of that critical information, the department was unable to reach carriers, who successfully argued that it is impossible to report in any standardized way the many variables selected by employers. Without that information, it is impossible to reach any meaningful conclusions about the adequacy of coverage available.

3.2 and 3.3

Information requested for sections 3.2 and 3.3 is not yet available. These questions are addressed in various survey and research activities that are currently in progress. Findings from these surveys will be included in the final report.

3.4 What impact does your State have as a purchaser of health care (e.g., for Medicaid, SCHIP and State employees)?

The State of Texas (including federal and state spending on public programs) is the largest single payer of health care services in the state and, as such, has a significant impact on the provision of health care services. A comprehensive analysis by the Texas Comptroller of Public Accounts of Texas health care spending shows that State and Federal Government spending on Texas healthcare services in 1998 represented 40% of all health care expenditures in the state.[10] A breakdown of health care expenditures paid under programs administered by the State is presented below:

Table 3.4.1: Texas State Government Health Care Expenditures – FY 1998[11]

Type of Program	Total Health Care Expenditures FY 1998
State Employees Health Insurance	$993,025,993
Medicaid - State and Federal Expenses	$9,929,927,295
Other non-Medicaid State/Federal Health Expenditures (i.e., MHMR, Texas Rehabilitation Commission, TX. Dept. of Criminal Justice, etc.)	$2,755,168,323
Total	**$13,678,121,611**

Since the State's Children's Health Insurance Program (CHIP) was not yet operational in 1998, that information is not included in the table above. However, more recent data for FY 2000 indicates that medical expenditures (not including administrative or other operational costs) for the state CHIP program totaled $43,379,000.

3.5, 3.6, 3.7, 3.8 and 3.9

Information requested for sections 3.5, 3.6, 3.7, 3.8 and 3.9 is not yet available. These questions are addressed in various survey and research activities that are currently in progress. Findings from survey activities as they relate to these specific questions will be included in the final report.

Section 4: Options for Expanding Coverage

The Texas State Planning Grant is still in the process of developing various policy options for expanding coverage and is unable at this time to provide information on specific strategies. Because we are still awaiting survey information that is crucial to the development of policy options and assessing support for various types of expansion plans, it is premature at this time to speculate about the results of this study.

During the past few months, the SPG staff has been developing a list of possible options for consideration by the Working Group. At the October 17th meeting of the Working Group, the list was distributed and discussed. Working Group members were clearly reluctant to discuss the benefits or disadvantages of certain proposals until more information is available. They did, however, agree to indicate their level of interest in various options, with the understanding that their votes were not an indication that they clearly supported any particular plan but were simply interested in having the staff prepare additional information and analyses of specific options. This information will serve as a guideline as SPG staff focuses on plan specifics during the next few months.

Each working group member was provided a packet of information that briefly described each of the plan options, with detailed supplemental material. This information was given to working group members a week before the meeting in order to provide them with time to review and consider each of the possible options. At the conclusion of the discussion about each individual option, members completed a rating sheet in which they ranked their level of interest on a scale of one to five, with one being "no interest" and five meaning "strong interest." The chart on the following page provides a summary of the scores for each of the policy options listed.

During the next few months, SPG staff will continue to analyze survey and focus group data to see how that information can be used to further develop policy options. Within the next two weeks, an actuarial firm will be selected to assist us in answering many of the technical questions that must be addressed in order to determine what policy options offer the best solutions for reducing Texas' uninsured population. Thus, while Texas is unable at this time to provide information on which policy options have been selected for expanding health insurance, that information will be included in the final report.

PRELIMINARY
Texas SPG Policy Options:
Levels of Interest by Working Group Members, October 2001
(Options Sorted by TOTAL SCORE)

Policy Option Description	Level of Interest *						Total Score	Avg. Score
	1	2	3	4	5	N/A		
Inform Public of Recent Insurance Reforms	1	0	0	1	19	0	100	4.76
Minimize Language Barriers in CHIP/Medicaid	2	0	1	6	13	0	94	4.27
Group/Individu al Health Insurance Rate Guide	1	0	2	5	13	1	92	4.38
Small Employer Purchasing Alliances	0	1	2	7	11	1	91	4.33
Create Standardized Insurance Plan for Individual Policies, With Rating Guide	1	2	4	5	10	0	87	3.95
Small Employer Incentives	1	0	3	4	12	2	86	4.30
Coordinate Medicaid/CHIP Enrollment to Maximize Enrollment in Both Plans	2	0	1	4	12	3	81	4.26
Incentives to Encourage State Contractors to Provide Health Insurance	2	4	5	5	6	0	75	3.41
Health Insurance Risk Pool Premium Reduction	2	1	4	3	9	3	73	3.84
Small Employer Market Expansion to Include Self-employed Businesses	3	2	6	4	6	1	71	3.38
Medicaid and CHIP Expansion in Counties Volunteering to Leverage CIHCP Funds	3	0	1	6	8	4	70	3.89
Risk Pool Sliding Scale Premium Subsidies	2	0	4	4	8	4	70	3.89
Reduction in Health Insurance Risk Pool Premiums for Dependents	2	1	4	7	5	3	69	3.63
Allow Families to Buy-in to CHIP Program	3	2	4	6	5	2	68	3.40
Low-wage Worker Subsidy	3	2	3	4	7	3	67	3.53
Restructure CHIP and Medicaid Benefits, Use Savings to Expand Coverage	4	1	6	3	6	2	66	3.30
Texas State Employee Insurance Plan Buy-in	4	5	6	2	5	0	65	2.95
Medicaid Managed Care Expansion	3	3	0	5	7	4	64	3.56
Mandatory Insurance Requirement for State Contractors	10	4	2	1	4	1	48	2.29
Require Coverage of Part-time/Temporary Workers	8	3	4	2	2	3	44	2.32

* Working Group members ranked their level of support on a scale of 1 to 5, with 1 meaning "no interest" and 5 meaning "strongly interested." The numbers in columns 1-5 reflect the number of individuals who registered votes for each score. Votes were classified as "N/A" when a Working Group member elected not to vote on a particular policy option.

Section 5 - Consensus Building Strategy

5.1 What was the governance structure used in the planning process and how effective was it as a decision-making structure? How were key State agencies identified and involved? How were key constituencies (e.g. providers, employers, and advocacy groups) incorporated into the governance design? How were key State officials in the executive and legislative branches involved in the process?

In developing the grant application, Texas developed a comprehensive list of stakeholders based on the grant requirements. Each of those individuals and interest groups was contacted and invited to serve as a member of the Oversight and Implementation Working Group. Everyone contacted agreed to participate, and subsequently provided letters of support which were included with the grant application.

The Working Group includes the Governor, Lt. Governor and Speaker of the House of Representatives; members from both the House and Senate; the director of the Legislative Budget Board; executives from the largest state agencies involved in the provision of health care in the state (such as the Texas Dept. of Health, Health and Human Services Commission, the state Medicaid program, the state CHIP program, as well as others); consumer advocacy group members; physician and hospital representatives; insurance industry representatives; and employer representatives.

All Working Group members receive regular updates and information packets. To date, three Working Group meetings have been held, with at least two more scheduled before the statewide conference in January.

Because the involvement and support of the entire Legislature is critical to the success of this project, the SPG has communicated regularly with all members of the Legislature, not just those members who serve on the Working Group. Regular mailings and informational packets have been distributed and several legislators have become active participants in the SPG activities.

5.2 What methods were used to obtain input from the public and key constituencies (e.g., town hall meetings, policy forums, focus groups, or citizen surveys)?

At the time Texas was notified of its grant award, a press release was sent to hundreds of newspapers and periodicals throughout the state announcing the grant and inviting interested parties to contact TDI for information, or follow the project through the web-site. Throughout the SPG study, all working group meetings have been officially posted and publicized through the State Secretary of State's office as open meetings. Meeting information has been posted on the SPG web-site, and e-mail notices were sent to anyone who requested to be informed. The SPG web-site also requests comments and feedback and a process was implemented to assure a response or acknowledgement was sent to all commenters. All surveys mailed have also included information on how respondents can participate in the project.

5.3 What other activities were conducted to build awareness and support (e.g., advertising, brochures, web-site development)?

Because Texas is an extremely large and geographically diverse state, the SPG staff primarily relies on the web-site and information distributed by Working Group members to build awareness across the state. In addition, at the time focus group sessions were held in 15 cities across the state, local press releases were issued that provided information on both the focus group sessions and the SPG project. Almost all towns contacted ran local versions of the news stories. Future press releases will be issued at significant points in the project.

5.4 How has this planning effort affected the policy environment? Describe the current policy environment in the State and the likelihood that the coverage expansion proposals will be undertaken in full.

We are unable to answer this question at this time, as it is too early in our study to reach these conclusions. This information will be included in the final report.

Section 6: Lessons Learned and Recommendations to States

Because Texas has not yet completed most of the research and survey activities under the State Planing Grant project, the information requested in section 6 is unavailable. While Texas has some preliminary thoughts about some of these issues, it would be premature for us to respond to this question at this early stage since most of the surveys have not yet been completed. This question will be addressed in the final report.

Section 7: Recommendations to the Federal Government

Because Texas has not yet completed most of the research and survey activities under the State Planing Grant project, the information requested in section 7 is unavailable. While Texas has some preliminary thoughts about some of these issues, it would be premature for us to respond to this question at this early stage since most of the surveys have not yet been completed. This question will be addressed in the final report.

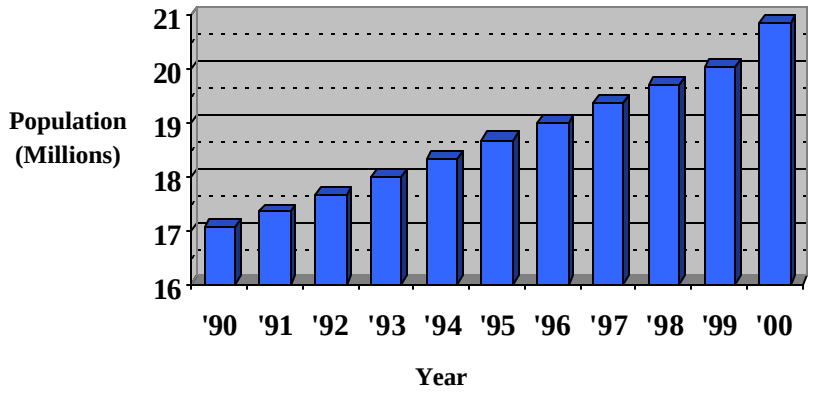
Appendix I

Population

Table A1.1: Official Texas Statewide Population and Growth Rate Estimates: 1990-2000

Year	Population	Growth Rate
2000	20,851,820	4.03%
1999	20,044,141	1.68%
1998	19,712,389	1.84%
1997	19,355,427	1.84%
1996	19,006,240	1.75%
1995	18,679,706	1.86%
1994	18,338,319	1.90%
1993	17,996,764	1.96%
1992	17,650,479	1.79%
1991	17,339,904	1.73%
1990	17,044,714	-

Chart A1.1:Texas Statewide Population Growth: 1990-2000



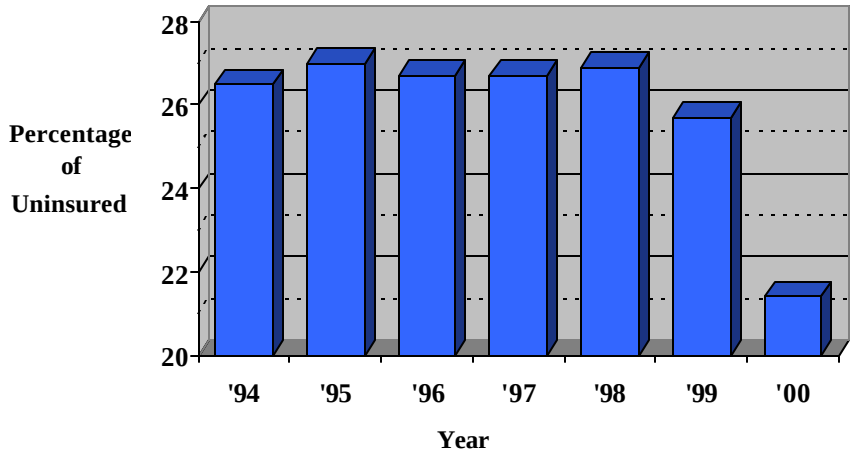
SOURCES: 1) State Population Estimates: Annual Time Series, July 1, 1990 to July 1, 1999. ST-99-3. Release date December 29, 1999. 2) Census 2000 Data for the State of Texas. Release Date March 12, 2001.

Number and Percentage of Uninsured

Table A1.2: Number and Percentage of Texans Without Health Insurance: 1994-2000

Year	Number of Uninsured	Percent of Total Population
2000*	4.5 million	21.4%
1999*	4.6 million	25.7%
1998*	4.9 million	26.9%
1997	4.8 million	26.7%
1996	4.7 million	26.7%
1995	4.6 million	27.0%
1994	4.5 million	26.5%

Chart A1.2: Percentage of Uninsured in Texas: 1994-2000



SOURCE: Employee Benefit Research Institute estimates from the Current Population Survey.

NOTE: CPS data collection methods were revised for year 2000. See the note at the bottom of page 5.

Average Age of Population

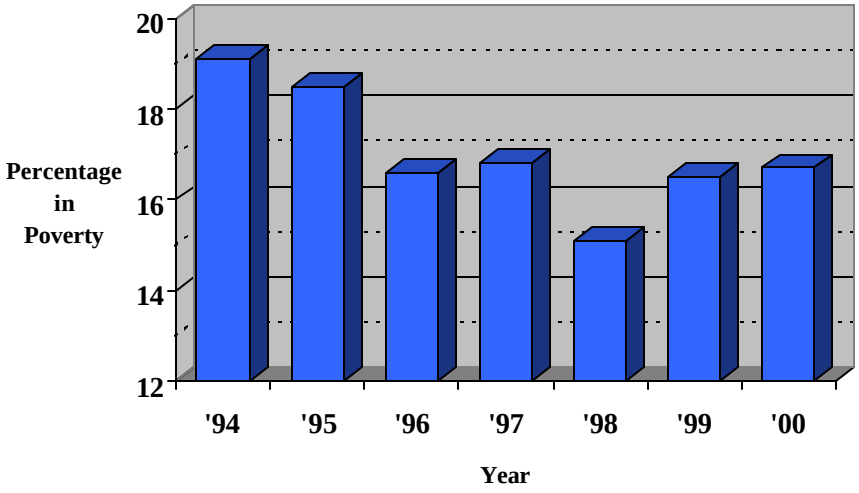
The average age of the Texas population was not available, but the median age in 2000 was 32.3 years according to the U.S. Census Bureau.

Percent of Population Living in Poverty

Table A1.3: Percent of Texans Living in Poverty: 1994-2000

Year	Percent of Texans in Poverty
2000	16.7%
1999	16.5%
1998	15.1%
1997	16.8%
1996	16.6%
1995	18.5%
1994	19.1%

Chart A1.3: Rate of Poverty in Texas: 1994-2000



SOURCE: Demographic Profile of the Texas Population without Health Insurance Coverage, Texas Health and Human Services Commission, May 2000 .

Primary Industries

Table A1.4: Texas State Employment Estimates by Industry, 2000-2001
(Numbers in 1000's)

Industry	September 2001 Employment Estimate	September 2000 Employment Estimate	Percent Change from 1999 to 2000
Mining	160.1	151.3	5.8%
Construction	582.8	564.5	3.2%
Durable Goods Mfg.	653.7	665.7	-1.8%
Non-durable Mfg.	415.9	420.7	-1.1%
Trans. & Public Utilities	620.1	597.8	3.7%
Wholesale Trade	556.3	550.4	1.1%
Retail Trade	1,738.1	1,705.6	1.9%
Fire	535.1	526.3	1.7%
Services	2,823.6	2,751.9	2.6%
Government	1,598.9	1,567.4	2.0%
Total Nonagricultural	**9,684.6**	**9,501.6**	**1.9%**

SOURCE: Labor Market Information Department, Texas Workforce Commission

Table A1.5: Texas Uninsured Workers by Industry: 1997 vs. 2000

Industry	% Uninsured In 1997	% Uninsured In 2000
Agriculture	39.0%	33.4%
Business and Repair Services	25.0%	27.0%
Construction	31.3%	48.6%
Entertainment	23.3%	35.79%
Finance, Ins., Real Estate	8.7%	10.25%
Government	6.3%	9.3%
Manufacturing	12.8%	15.5%
Mining	10.2%	3.4
Personal Services	33.1%	36.47%
Professional Services	11.8%	11.1%
Transportation	13.4%	20.5%
Wholesale & Retail	20.7%	28.8%

SOURCE: Employee Benefit Research Institute estimates of the March 1997 Current Population Survey

Eligibility for Existing Coverage Programs

Chart A1.4: Texas Medicaid Eligibility Requirements

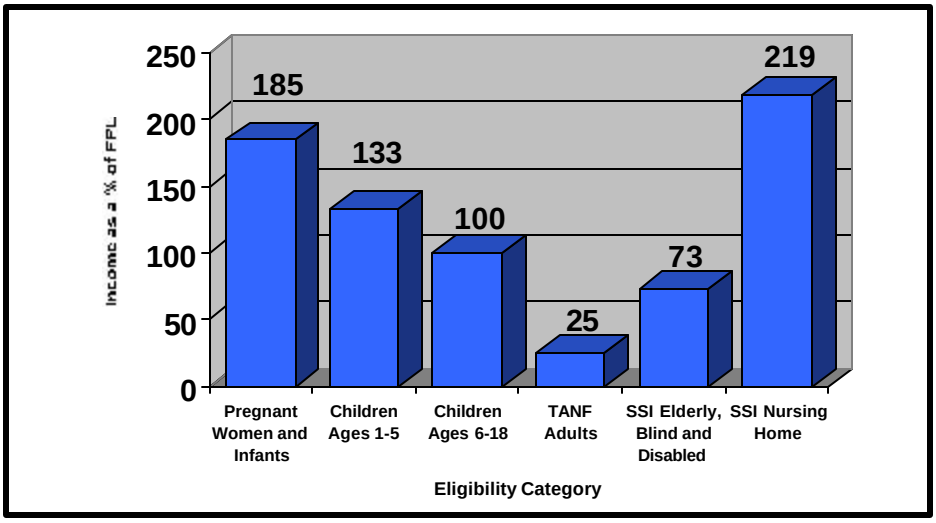
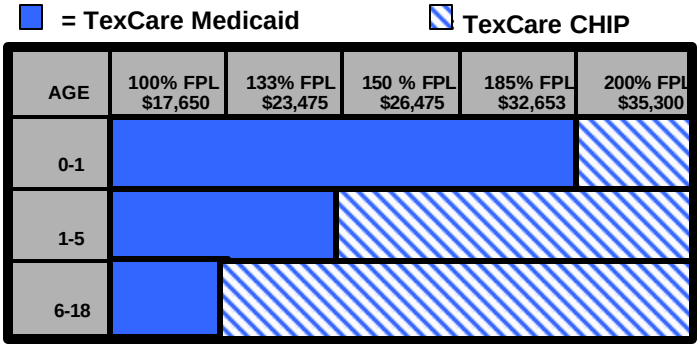


Chart A1.5: 2001 FPL Guidelines for TexCare Medicaid and TexCare CHIP



NOTES: 1) Income amounts reflect 2001 federal poverty guidelines for a family of four.
2) Children may be added or excluded, however, based on income deductions and asset tests.

Use of Federal Waivers

Table A1.6: Description of 1915 (c) Medicaid Waivers in Texas

Waiver Description	Population Served and Age Group	Effective Date of last waiver modification	Responsible Agency	Average Individual Served per Month (August 2001)	Total Unduplicated Individuals Served per Year (August 2001)	To Expen (Augus	
1915 (c) Waivers – Home and community-based waivers (1915(c)) are tools used by states to obtain federal Medicaid matching funds to provide patients in settings other than institutions. Waivers must be approved by HCFA and are good for three years, after which they may be renewed ev community-based care is increasingly being viewed as a preferable alternative to long-term institutional care, not only for the individual who may and family, but also for the state, because services may be provided for less than the cost of institutional care.							
HCS (Home and Community-based Waiver Services) - This Medicaid expansion provides case management, day habilitation, supported employment, dental treatment, respite, nursing, minor home mods., adaptive aids, counseling & therapeutic services, residential assistance service components of supported home living, HC foster/companion care and residential support to MR children and adults. 0110	People with MR who qualify for ICF-MR care.	09/01/98 (last modification effective date)	Texas Department of Mental Health and Mental Retardation	381 people	4,574 people	$189,9	
MDCP (Medically Dependant Children's Program) – This Medicaid expansion provides respite, environmental accessibility adapts., adaptive aids and adjunct supports for medically dependent children. 0181	Children under 21 who qualify for nursing facility care	9/01/1997 (last modification effective date) *expired 6/08/2001	Texas Department of Health	883	NA	$14515	

Table A1.6: Description of 1915 (c) Medicaid Waivers in Texas (Page 2)

Waiver Description	Population Served and Age Group	Effective Date of last waiver modification	Responsible Agency	Average Individual Served per Month (August 2001)	Total Unduplicated Individuals Served per Year (August 2001)	Total Expenditures (August 2001)	Average Per Capita Cost Approved for Individuals (August 2001)
HCS-OBRA (Home and Community-based Waiver Services) – The Medicaid expansion provides case management, habilitation, nursing, physical therapy, occupational therapy, speech therapy, psychology, respite, social work, dietary, adaptive aids and minor home mods. *One modification to reduce number of counties served by 22, effective 3/1/01* 0240	A specific group of individuals with MR and other DDs who were inappropriately placed in nursing facilities	3/01/2000 (last modification effective date)	The Texas Department of Mental Health and Mental Retardation	14 people	170 people	$7,156,721	$49,541
CBA (Community Based Alternatives) – This Medicaid expansion provides personal assistance, nursing services, physical therapy, occupational therapy, speech therapy, respite (in and out of home), adaptive aids, minor home modifications, prescriptions, medical supplies, adult foster care, residential care, and emergency response services to the aged and disabled. 0266	Adults age **21** and over who qualify for nursing facility care.	8/01/1999 (last modification effective date)	The Texas Department of Human Services	26,750 people		$359,855,940	$13,454

Table A1.6: Description of 1915 (c) Medicaid Waivers in Texas (Page 3)

Waiver Description	Population Served and Age Group	Effective Date of last waiver modification	Responsible Agency	Average Individual Served per Month (August 2001)	Total Unduplicated Individuals Served per Year (August 2001)	Total Expenditures (August 2001)	Average Per Capita Cost Approved for Individuals (June 2001)
DBMD (Deaf, Blind, Multiply Disabled) - This Medicaid expansion provides case management, respite, residential habilitation, day habilitation, skilled nursing, special medical equipment and supplies, chore services, assisted living, intervenor services, dietary services, behavior communications orientation and mobility training, occupational therapy, speech therapy, physical therapy and prescription drugs to individuals having deafness and blindness with multiple disabilities needing care in an ICF-MR. 0281	Adults age 18 and over with multi-sensory disabling conditions incurred before age 22 who qualify for ICF-MR-DD care	3/01/1998 (last modification effective date)	The Texas Department of Human Services	98	NA	$3,933,544	40,138
CLASS (Community Living Assistance and Support Services) – This Medicaid expansion provides case management, respite, habilitation, skilled nursing, specialized medical equipment and supplies, extended state plan services , including physical therapy, occupational therapy, speech therapy and prescription drugs, as well as other services including specialized therapies. 0221	People with develop-mental disabilities (incurred before age 22) who qualify for ICF-MR care.	1/01/1998 (last modification effective date) *Additional information received on 2/22/2001 and pending approval	The Texas Department of Human Services	1398 people	NA	$39,825,533	$26,428

Table A1.6: Description of 1915 (c) Medicaid Waivers in Texas (Page 4)

Waiver Description	Population Served and Age Group	Effective Date of last waiver modification	Responsible Agency	Average Individual Served per Month (August 2001)	Total Unduplicated Individuals Served per Year (August 2001)	Total Expenditures (August 2001)	Average Per Capita Cost Approved for Individuals (August 2001)
CBA – STAR+PLUS (State of Texas Access Reform PLUS Long Term Care Pilot Project) – This Medicaid expansion provides respite, case management, skilled nursing, PERS, prescription drugs, personal assist, adult foster care, assisted living/residential care, adaptive aids and medical supplies, physical therapy, occupational therapy, and speech therapy to the aged and disabled who are **21** years old and over. 0325	CBA clients are included in the STAR PLUS program, which provides managed care, acute and long-term care services		The Texas Department of Human Services	1,643	NA	$32,084,405	$19,527
MRLA (Mental Retardation Local-Authority Pilot Project) – Behavioral Health Organization in Dallas 0330	People with MR-DD are served in a pilot project in 7 counties in which the local mental retardation authority develops service plans and provides case management.	3/01/2001 (last modification effective date) *4/01/2001 waiver modification pending approval)	Texas Department of Mental Health and Mental Retardation	63 people	754 people	$22,552,417	$32,056

Table A1.7: Description of 1915 (b) Medicaid Waivers in Texas

Waiver Program Name	Program Type	Population Served	Effective Date	Renewal Information	Responsible Agency	Total Number Enrolled as of 7/1/01
1915 (b) Waivers* – Section 1915(b) of the Social Security Act authorizes the Secretary of Health and Human Services to waive compliance with certain portions of the Medicaid statute that prevent a state from mandating Medicaid beneficiaries obtain their care from a single provider or health plan. Waivers must be approved by the Center for Medicaid and Medicare Services (CMS) - formerly known as HCFA - and are good for two years with the option to renew for successive two-year periods. As managed care plans have grown in importance over the past decade, more and more states have sought 1915(b) waivers to limit a beneficiary's freedom of choice.						
Status of Medicaid Managed Care – Improvements have been made towards achieving all of the original State's goals except for improved satisfaction of providers. Overall, access has improved, program savings have incurred, inappropriate utilization of services has decreased and processes to monitor and assure quality improvement are in place. However, administrative complexity in the program has increased. Providers are generally dissatisfied with Medicaid managed care, citing administrative complexity, more paperwork, and inadequate reimbursement. Like other managed care programs nationally, Texas has encountered implementation and operational issues. Texas is working to achieve all of the potential managed care benefits while struggling with the obstacles of the transition to value purchasing.						
STAR – Southeast Service Area	PCCM	Requires TANF and TANF-related Medicaid clients to enroll into a managed care health care delivery system. The waiver operates in the following Counties: Chambers, Jefferson, Liberty, Hardin, and Orange.	12/01/93	Approval - 04/01/99 Expiration - 03/31/01 (operating under extension)	Texas Department of Health	25,846
STAR – Travis County Service Area	HMO	Requires TANF and TANF-related Medicaid clients to enroll into a managed care health care delivery system. SSI and SSI-related clients may voluntarily enroll in managed care. The waiver operates in the following Counties: Travis, Burnet, Blanco, Bastrop, Caldwell, Hays, Lee and Williamson.	Pilot (1 County): 08/01/93 Expansion (8 counties): 09/01/96	Approval – 09/01/99 Expiration - 09/31/01	Texas Department of Health	34,273

Table A1.7: Description of 1915 (b) Medicaid Waivers in Texas (Page 2)

Waiver Program Name	Program Type	Population Served	Effective Date	Renewal Information	Responsible Agency	Total Number Enrolled as of 7/1/01
STAR – Bexar County Service Area	HMO and PCCM	Requires TANF and TANF-related Medicaid clients to enroll into a managed care health care delivery system. SSI and SSI-related clients may voluntarily enroll in managed care. The waiver operates in the following Counties: Bexar, Atascosa, Comal, Guadalupe, Kendall, Medina, and Wilson.	09/01/96	Approval - 12/01/00 Expiration - 11/10/02	Texas Department of Health	102,257
STAR – Lubbock County Service Area	HMO and PCCM	Requires TANF and TANF-related Medicaid clients to enroll into a managed care health care delivery system. SSI and SSI-related clients may voluntarily enroll in managed care. The waiver operates in the following Counties: Lubbock, Crosby, Floyd, Hale, Lamb, Hockley, Terry, Lynn, and Garza.	10/01/96	Approval - 09/01/99 Expiration - 08/31/01	Texas Department of Health	24,551
STAR – Tarrant County Service Area	HMO	Requires TANF and TANF-related Medicaid clients to enroll into a managed care health care delivery system. SSI and SSI-related clients may voluntarily enroll in managed care. The waiver operates in the following Counties: Tarrant, Denton, Hood, Johnson, Parker and Wise.	10/01/96	Approval - 09/01/99 Expiration - 08/31/01	Texas Department of Health	59,762
STAR – Harris County Service Area	HMO and PCCM	Requires TANF and TANF-related Medicaid clients to enroll into a managed care health care delivery system. The waiver operates in the following Counties: Harris, Brazoria, Fort Bend, Galveston, Montgomery and Waller.	12/01/97	Approval - 02/01/01 Expiration - 01/31/01	Texas Department of Health	174,026

Table A1.7: Description of 1915 (b) Medicaid Waivers in Texas (Page 3)

Waiver Program Name	Program Type	Population Served	Effective Date	Renewal Information	Responsible Agency	Total Number Enrolled as of 7/1/01
STAR – El Paso Service Area	HMO and PHP** and PCCM	The waiver operates in the following Counties: El Paso, Hudspeth and Culberson counties. The State seeks to enroll 66,499 members by the end of the second year of the waiver period.	12/01/99	Expiration – 11/30/01	Texas Department of Health	74,649
STAR – Dallas Service Area	HMO and PCCM	The waiver operates in the following Counties: Dallas, Collin, Ellis Hunt, Kaufman, Navarro and Rockwall. The State seeks to enroll 76,600 members by the end of the second year of the waiver period.	09/01/99	Expiration – 08/31/01	Texas Department of Health	97,960
LoneSTAR Select I Contracting Program	Inpatient Hospital Selective Contracting	Allows the State to selectively contract with hospitals for non-emergency inpatient services for Medicaid recipients (except dual eligibles and Medicaid managed care clients). Includes: 1) general acute care hospitals and rehabilitation hospitals; 2) "small" hospitals; 3) children's hospitals.	07/01/94	Approval - 09/31/00 Expiration - 09/30/02	Texas Department of Health	

*Texas Human Services Commission and TDH have been working with CMS to consolidate the eight service area waivers into one waiver in order to simplify the waiver submission and renewal process. The consolidation of eight waivers into one was an administrative change only and did not reflect any substantive changes to the STAR Program. HHSC is expecting approval of the consolidated waiver by CMS by August 11.

**As of 09/01/01 there will be HMO and PCCM available in the El Paso Service Area.

Appendix II

Because Texas has not yet completed most of the research and survey activities under the State Planing Grant project, the information requested in Appendix II is unavailable at this time. This information will be included in the final report.

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Endnotes

[1] Analysis of 2001 Current Population Survey, Texas Health and Human Services Commission Research and Forecasting Department, October 2001.

[2] "Health Insurance Regulation in Texas – The Impact of Mandated Health Benefits," Texas Department of Insurance Report to the Texas Legislature, December 1998, pgs.80-90.

[3] "1998 Texas Insurance Population Characteristics," Texas Department of Insurance, March 2000.

[4] Report to the Blue Ribbon Task Force on the Uninsured by the Office of the Comptroller, May 10, 2000.

[5] The Texas CHIP administrator, Birch & Davis, has heard from families who, when told they were Medicaid eligible, asked to be placed in CHIP instead because of the "welfare" stigma associated with Medicaid.

[6] The Center for Public Policy Priorities and Orchard Communications, Inc. released a study in September 2000 entitled "Every Child Equal: What Texas Parents Want from Children's Medicaid." The findings are concluded from focus groups conducted throughout the state, and include evidence of the aforementioned obstacles to obtaining Medicaid.

[7] 1998 Medical Expenditure Panel Survey, Agency for Healthcare Research and Quality Analysis of Texas Data

[8] Current Population Survey 2001, Analysis Provided by Texas Health and Human Services Commission, Research and Forecasting Department, October 2001

[9] Preliminary results of the Texas State Planning Grant's survey of small employers, October 2001

[10] "Texas Health Care Spending," Carole Keeton Rylander, Texas Comptroller, March 2001, pg. 2.

[11] "Texas Health Care Spending," pgs. 3-7.