



## TEXAS HEALTH AND HUMAN SERVICES COMMISSION

ALBERT HAWKINS  
EXECUTIVE COMMISSIONER

April 3, 2008

The Honorable Jane Nelson  
State Senator  
State Capitol Building, Room 1E.5  
Austin, Texas 78701

The Honorable Dianne Delisi  
State Representative  
State Capitol Building, Room 1W.5  
Austin, Texas 78701

Dear Senator Nelson and Representative Delisi:

I want to update you on our efforts to create more affordable options for health care coverage in Texas and let you know about a change in our implementation approach. We remain on target to submit a federal waiver request later this month.

As you know, Senate Bill 10, passed by the 80<sup>th</sup> Texas Legislature, set the stage for a comprehensive package of reforms to increase the percentage of Texans with health care coverage, focus on prevention, and emphasize individual choice. The Texas reform effort will create more affordable insurance options for the 2.1 million Texas adults with incomes at or below 200 percent of the federal poverty level.

The Texas Health and Human Services Commission (HHSC) has spent the past year studying reform efforts in other states, developing a financial model to protect our safety net hospitals and optimize federal funding, and meeting with key stakeholders, including hospital executives and health care advocates to develop the best approach for reform in Texas.

In December 2007, we submitted a concept paper to the federal Centers for Medicare and Medicaid Services outlining our proposal. The concept paper indicated that Texas would look at a phased implementation that would allow us to use new "pass-through" federal funding to provide coverage more quickly to a subset of our target population – the parents of children enrolled in Medicaid and the Children's Health Insurance Program (CHIP). We have now determined that limitations to this model outweigh the benefits. The Phase One population would not have the level of consumer choice we believe is important for the Texas reform effort,

The Honorable Jane Nelson  
The Honorable Dianne Delisi  
April 3, 2008  
Page 2

and implementing Phase One on tight timelines would impede our ability to implement more comprehensive reforms for all low-income Texans.

The waiver request we will submit later this month will outline our plan to create an array of affordable commercial insurance options and premium subsidies for all low-income Texans. It will not include the phased approach we mentioned in our concept paper. I believe this will allow us to focus our attention more fully on true reform that will provide more people with insurance, reduce reliance on expensive emergency room visits for basic care, and make it easier for the working poor to buy into employer-sponsored health coverage.

The elements that will be covered in our April waiver submission include:

- Provisions that will allow greater flexibility in the use of federal funds to support prevention and individual choice.
- A premium subsidy program funded through the Health Opportunity Pool that allows low-income Texans to choose from a range of affordable insurance plans to best meet their needs. A healthy 26-year-old may find that a catastrophic plan combined with a health care savings account works well for her, while a man with diabetes needs a more comprehensive plan. The Texas plan will allow working adults to find affordable coverage to meet their health care needs.
- A program to help low-income Texans buy into employer-sponsored coverage. This will mean better coverage for the working poor at a lower cost to the state. Surveys show that about two-thirds of uninsured adults in Texas are employed. More than half of those work for employers who offer health coverage, but the employee share of the cost is often too expensive for low-income workers. Texas will also improve and expand the Health Insurance Premium Payment (HIPP) program that allows the state to pay the employee's share of employer-sponsored coverage when that's more cost effective than enrolling an eligible family member in Medicaid.
- Development of a catastrophic care program to reduce uncompensated care costs to hospitals and local governments.
- Grants to support innovative local programs to expand access to health coverage, reduce uncompensated care costs, and develop the infrastructure to support other health care reforms.
- Establishment of greater accountability and transparency in the reporting of uncompensated care costs.

These changes will greatly expand coverage options for low-income Texans and implement the transformational reforms envisioned by state leaders and the Legislature in Senate Bill 10.

The Honorable Jane Nelson  
The Honorable Dianne Delisi  
April 3, 2008  
Page 3

Uncompensated care charges, as reported by Texas hospitals, went from \$5.5 billion in 2001 to \$11.6 billion in 2006. This trend will not change until we reform our health care system. Today in Texas, care for uninsured citizens takes place primarily in hospitals and emergency rooms – the most expensive points in the health care system. The cost of that care is passed on to local governments and those with private insurance. When businesses drop group coverage because of rising costs, this means more uninsured people in our emergency rooms, which leads to even higher costs for those who can pay.

We must break this costly self-perpetuating cycle by providing low-income Texans with affordable insurance options to meet the needs of their families. That's the vision of Senate Bill 10, and we remain committed to making it a reality in Texas.

Sincerely,

A handwritten signature in cursive script, appearing to read "Albert Hawkins".

Albert Hawkins

cc: Senator Robert Duncan  
Senator Kyle Janek  
Senator Judith Zaffirini  
Representative John Davis  
Representative Dawnna Dukes  
Representative John Zerwas