



## **Dollars and Sense: Texas, Taxes and Uninsured Children**

On Friday, March 6, 2009, the Greater Houston Partnership convened a conference on the economic impact of high numbers of uninsured children on the Texas economy. Two hundred high level business leaders were in attendance. Speakers included Houston Mayor Bill White, Lieutenant Governor Dewhurst and United States Senator Kay Bailey Hutchison, in addition to three in-depth panels on who are the uninsured, why the uninsured are a problem for the Texas economy and recommendations to reduce the number of uninsured children and strengthen the Texas economy.

### **Legislative Recommendations**

The Greater Houston Partnership and the Metro 8 Chambers of Commerce support a policy agenda to enroll an estimated 500,000 uninsured Texas children in health coverage through four priorities:

1. *Provide 12-month coverage for children on Medicaid.*
2. *Create a CHIP buy-in program that allows families above the current income limit of 200% of the federal poverty level (\$44,100 a year for a family of four in 2009) to purchase coverage on a sliding scale based on income.*
3. *Ensure adequate staffing of the eligibility system so that applications are processed in a timely manner.*
4. *The Greater Houston Partnership and the Metro 8 support funding the Texas Medicaid and CHIP programs at a level that maximizes the availability of federal matching funds. We believe the Legislature should implement policies to enroll every eligible child in Medicaid and CHIP.*

### **The Dollars and Sense**

*A \$500 million match for the biennium at the state level would not only reduce the ranks of uninsured children by one third, but also bring back \$800 million in Texas federal matching funds, resulting in a near term statewide economic impact of \$2 billion, and an estimated \$250 million reduction in local expenditures. That is a win-win proposition for all.*

## **The Need to Reduce the Number of Uninsured Texas Children**

Texas leads the nation in the rate of uninsured children, with 22% - 1.5 million children - lacking health coverage. High numbers of uninsured children have a negative effect on Texas businesses and the Texas economy by impacting our taxes, current and future workforce and competitiveness. The need to maximize underutilized federal matching funds is an important part of the legislative agenda of the Greater Houston Partnership and the Metro 8 Chambers of Commerce, representing the chambers of commerce of the eight largest Texas communities and the business community of 60% of the state's population.

## **The Economic Benefits of Enrolling 500,000 Children in CHIP and Medicaid**

Today, Texas pays \$500 million over the biennium to care for 500,000 uninsured children at the local level.<sup>1</sup> Another \$800 million over the biennium in taxes from Texans goes to the federal government and does not currently come back to Texas.

***Tomorrow, if the state were to put up a \$500 million match, the \$800 million would be brought back to Texas, and local communities would save a majority of the \$500 million at the local level.***

Bringing \$800 million in federal funds into the state has an implicit multiplier effect on the economy. Studies from across the United States show a two to six times multiplier effect for each dollar invested in CHIP and Medicaid.<sup>2</sup> At a conservative 2.5 multiplier, the \$800 million in federal matching funds would have a *\$2 billion economic impact, and a cost/benefit ratio of 4:1 (\$2 billion/\$500 million) before local savings. **The application of local savings would be determined by the 254 counties and 300 hospitals.***

## **Save the Texas Sweet Spot**

**Keep the Texas Economy Strong by Reducing the Number of Uninsured Texas Children.** Texas is blessed to have a strong business climate and has a "sweet spot" that continues to keep our economy healthy even during these tough economic times. The sweet spot is the result of:

- ***low taxes,***
- ***a business friendly environment***
- ***a large, highly productive low-wage labor force.***

## **The Visible and Hidden Taxes of the Uninsured**

- The crisis of the uninsured threatens the Texas sweet spot. *Contrary to popular belief, the uninsured do not receive "Free Care".* Their care is provided for predominantly in the emergency rooms as required by federal law. The uncompensated care is reflected in our public hospital taxes, and in our health insurance premiums due to "cost shifting" in our private hospitals. We suffer additional costs in crowded emergency rooms and reduced preventive services.
- ***All of these factors combine to make us less competitive with prospective companies looking to come to Texas.***

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<sup>1</sup> The Texas Comptroller's office estimates that it costs \$1,000 a year to care for each uninsured Texan. Conservative estimates indicate the cost of care for each uninsured child in Texas is \$500 per year.

<sup>2</sup> "Overview of State Economic Impact Analyses," Kaiser Foundation, published in *Foresight*, issue # 45, 2006

## Link between Business



Source: Texas State Comptroller's Office

## And the Uninsured

Percentage Uninsured Among Workers And Per Capita Health Spending Divided By Median Income, 1979-2002



Source: Gilmer and Kronick "It's the Premiums, Stupid" 2005

- Thirteen per cent of private health insurance premiums is used to pay for the costs of care for the uninsured.<sup>3</sup>
- Due to high numbers of uninsured, local emergency rooms are on divert status more than 30% of the time, preventing Texans with private coverage from receiving prompt medical attention. When parents have no other option but to seek treatment for their child's ear infection or toothache in the emergency room, all Texans are at risk that trauma beds will be unavailable for true emergencies. In a 2004 study, the death rate for severely injured patients increased by 50% when Harris County Level 1 trauma hospitals were on divert status.<sup>4</sup>
- Children without health insurance often seek recurring care for chronic conditions in local emergency rooms, at a staggering cost to local taxpayers. According to the Harris County Hospital District, the cost of treating a child's mild attack in a doctor's office is about \$100 using a nebulizer and medicines. But if a child cannot get preventive treatment and has to be hospitalized for three days, the average length of stay, the cost is \$7,300.

***The reality is that we are all paying for high numbers of uninsured children through higher health insurance premiums, increased local property taxes and increased use of emergency rooms for primary care treatable conditions.***

<sup>3</sup> Families USA, "Paying a premium: the increased cost of care for the uninsured," 2005. <http://www.familiesusa.org/resources/publications/reports/paying-a-premium.html>

<sup>4</sup> Charles E. Begley, YuChia Chang, Robert C. Wood, et al., "Emergency Department Diversion and Trauma Mortality: Evidence from Houston, Texas," *The Journal of Trauma* 57, no.6 (December, 2004):1260-1265.

## **The Solution: Invest in CHIP and Medicaid to Reduce the Number of Uninsured Children**

Of the 1.5 million uninsured Texas children, more than 850,000 are eligible for but not enrolled in the Children's Health Insurance Program (CHIP) or Children's Medicaid. More than 500,000 uninsured Texas children live in families that earn more than the current CHIP income limit of 200% of the federal poverty level, \$44,100 a year for a family of four in 2009.

CHIP and Medicaid are cost-effective solutions to reduce the number of uninsured children. For every \$1 invested in CHIP, Texas receives \$2.52 in federal matching funds. For every \$1 invested in Medicaid, Texas receives \$1.47 in federal matching funds. Since the creation of the Texas CHIP program in 2000, Texas has returned \$958 million in CHIP federal matching funds to the U.S. Treasury. These funds have been spent by other states to reduce their number of uninsured children.

### **Federal Funds are Available**

At the national level, the 2009 Reauthorization of the Children's Health Insurance Program and the federal stimulus package make billions of dollars available for Texas to invest in CHIP and Medicaid to reduce our number of uninsured children.

According to Senator Kay Bailey Hutchison, the CHIP reauthorization legislation will increase Texas' CHIP allotment by 72% from roughly \$550 million to more than \$945 million. The federal stimulus package also provides \$5.45 billion in enhanced federal matching rates for Medicaid. *However, to maximize available federal funds, Texas must put up the state match.*

### **All Communities – Rural and Urban – Will Benefit from CHIP and Medicaid Expansion**

All 254 Texas counties will benefit from investment in CHIP and Medicaid. Rural communities were the hardest hit by CHIP enrollment cuts in 2003, with many rural counties losing 50% of their CHIP enrolled population. With limited funding for increasing emergency room costs and outreach, rural communities have been slow to reenroll children in CHIP coverage since policy changes were authorized by the 2007 Texas Legislature. *Investment in CHIP and Medicaid will reduce the strain placed on rural and urban health care systems and property tax payers, by ensuring that children have access to preventive health care instead of costly emergency room treatment.* The counties and hospitals will allocate the estimated \$250 million of local savings.

### **Conclusion: Maximize Federal Matching Funds to Reduce the Number of Uninsured Children**

The Greater Houston Partnership and the Metro 8 Chambers of Commerce urge the Texas Legislature to keep children first and maximize federal matching funds to reduce the number of uninsured children in Texas. *These children are our future. Right now, as a state, we are failing them.*

***Let's assure that our children receive the health and education they need to become productive, self-sustaining Texans.***

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The Greater Houston Partnership is the primary advocate of Houston's business community and is dedicated to building regional economic prosperity. The Partnership comprises the Chamber of Commerce, Economic Development and International Business and is a 501(c) 6 not-for-profit, private, Member-driven organization.