



A REGION IN CRISIS

***A CALL TO REDUCE THE UNINSURED AND EXPAND ACCESS TO
HEALTH CARE IN THE TEN-COUNTY HOUSTON REGION***

ADDENDUM

Presented by:

**Greater Houston Partnership
Health Care Policy Advisory Committee**

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GREATER HOUSTON PARTNERSHIP

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Executive Summary

Although the Affordable Care Act (the final consolidated law of the Patient Protection and Affordable Care Act and the amendments to the Health Care and Education Reconciliation Act) addresses many of the issues presented in the Greater Houston Partnership's "A Region in Crisis: A Call to Reduce the Uninsured and Expand Access to Health Care in the Ten-County Houston Region" white paper on the ten-county Houston region's health care system, many recommendations in the original paper remain relevant. The ten-county Houston region is comprised of Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller counties.

- Federal health reform is now reality, but will not be fully implemented until 2014. In the meantime the Houston region must continue its efforts to improve its health care delivery system.
- Even after full implementation, the Houston region will still have roughly 600,000 uninsured, so the safety net health care system will continue to serve a vital role in public health.
- Innovative, affordable health insurance plans for individuals and small employers are still needed, because federal penalties will not be sufficient to significantly increase insurance coverage for this population.
- The Houston region should advocate for a regional health insurance exchange, or for regional flexibility in a state exchange.
- Regional health care initiatives are needed, including those that seek collaboration with area counties in caring for uninsured persons.
- Health care work force development, especially in primary and safety net care, remains a critical issue in the Houston region.
- The fragmentation in the Houston region health care system must give way to improved coordination and integration among health care providers.

Introduction

Since the Greater Houston Partnership adopted its “A Region in Crisis: A Call to Reduce the Uninsured and Expand Access to Health Care in the Ten-County Houston Region” white paper (hereinafter referred to as the “white paper”) on the critical weaknesses in the ten-county Houston region’s health care system, federal health care reform has been passed. The ten-county Houston region is comprised of Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller counties.

The Affordable Care Act (the final consolidated law of the Patient Protection and Affordable Care Act and the amendments to the Health Care and Education Reconciliation Act, hereinafter referred as the “Affordable Care Act”), signed into law on March 23, 2010, addresses several of the issues discussed in the white paper, especially those related to reducing the number of uninsured.

However, provisions related to expansion of coverage will not begin to be implemented until 2014. Even with full implementation, Texas will still have more than 2.3 million uninsured residents,¹ and it is estimated that approximately 25 percent, or roughly 600,000, will reside in the Houston region. While the reductions from the current 6.5 million uninsured in the state and 1.8 million in Houston are significant, the Greater Houston area will still be faced with largest uninsured rate in the country.

Moreover, the health reform bill does not fully address many of the fundamental problems that will continue to plague the Houston region’s health care system, such as the lack of safety net providers and the fragmentation of the current infrastructure. The bottom line is that despite the sweeping changes in the insurance and health care industries brought by the Affordable Care Act, it is critical that the region confront problems in indigent health care, and by extension, the problems that threaten the strength of the entire regional health care system.

This addendum outlines how national health reform impacts the direction of the white paper, and why the Greater Houston Partnership must continue to advance the recommendations proposed.

Recommendations

Medicaid Expansion

Federal Medicaid expansion addresses an important recommendation the white paper makes to reduce the number of the uninsured. Effective 2014, all non-Medicare eligible individuals up

¹House Select Committee on Federal Legislation. Thomas M. Suehs. Presentation, 22 April 2010. [“Federal Health Care Reform—Impact to Texas Health and Human Services.”](#)

to 133 percent of the federal poverty level will become eligible for Medicaid, including non-disabled adults without children.

But while the Medicaid expansion will greatly benefit the Houston region, it will not completely solve the problem of the uninsured. The Texas Health and Human Services Commission (HHSC) estimates more than 280,000 eligible individuals in the state will remain who will not enroll in insurance after the expansion occurs.²

The Houston region must make a strong, coordinated effort to educate all eligible individuals about the expansion and to enroll them when the federal law is implemented. Stakeholders should continue to advocate for consistency of eligibility across Medicaid, CHIP and products offered on the exchange.

Insurance Reforms and Health Insurance Exchanges

National reforms significantly change many aspects of the health insurance industry. New regulations include: prohibition of rescissions, prohibition of exclusions for pre-existing conditions, rules related to variations in premium rates for different people and requirements related to comprehensive coverage. These reforms will benefit many area citizens, but like the Medicaid expansion, they, too, will not totally solve the problem of the uninsured because there will continue to be residents who cannot or will not obtain coverage. As such, health insurance exchanges and the individual requirement to carry health insurance will be instated to help alleviate the problem.

In 2014, health insurance exchanges will become operational as virtual marketplaces to compare and purchase individual and small group health insurance. They will also facilitate insurance subsidies and enrollment in Medicaid and the Children's Health Insurance Program. States may have one exchange or multiple, non-overlapping regional exchanges. While the State of Texas has not indicated which of the approaches it would take, the Houston region, the fourth largest metropolitan area in the United States, could stand to greatly benefit from having regional flexibility in the exchange.³

Regional flexibility would facilitate development of innovative insurance models targeted toward low-income and eligible individuals who are otherwise unable or unwilling to buy insurance. More importantly, a regional exchange would offer the Houston region a unique opportunity to have a centralized system that helps people navigate all stages of the increasingly complex health care process, from buying insurance to finding health care providers. The regional health care coordination board proposed in the white paper could be the appropriate vehicle through which to establish a Greater Houston regional exchange.

² House Select Committee on Federal Legislation. Thomas M. Suehs. Presentation, 22 April 2010. "[Federal Health Care Reform—Impact to Texas Health and Human Services.](#)"

³ U.S. Census.

Remaining Uninsured

At the same time the exchanges are to be opened, all non-incarcerated individuals will be required to carry health insurance, or be assessed a penalty. However, there are several significant exemptions to the requirement. Most noteworthy for the Houston region is that undocumented individuals will not have to comply, because they will not be allowed to participate in the exchanges or be eligible for Medicaid. By HHSC calculations, more than 845,690 undocumented immigrants in Texas will remain uninsured for this reason⁴ and it is estimated that at least 25 percent, or more than 200,000, of these undocumented immigrants will reside in the Houston region.

Another important exemption for economic hardship is residents for whom the lowest-cost insurance plan in the exchange exceeds eight percent of their income. To offset costs for this population, individuals up to 400 percent federal poverty level will receive sliding-scale premium subsidies such that they do not spend more than a certain percentage of income on health insurance. However, these percentages can be steep, so people may well choose to pay the penalty.

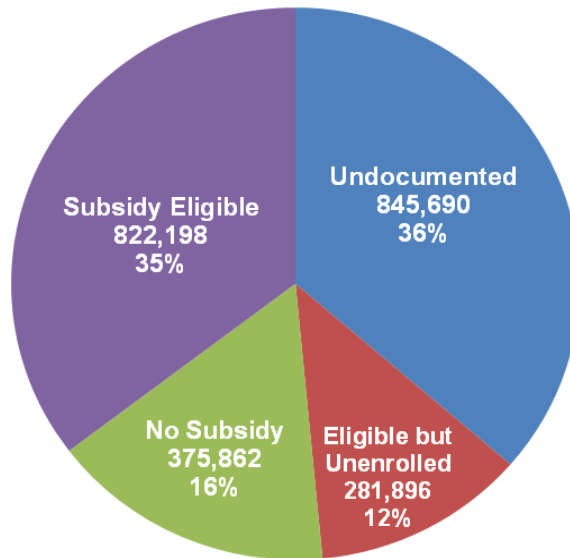
For example, a family of four at 300 percent federal poverty level will be expected to spend 9.5 percent of income on premiums, or almost \$6,300 based on average 2009 family premiums in Texas.⁵ In the first year of the individual requirement, the penalty for this family will be \$180. When the penalty has been fully phased in, it will be \$2,085, which is one-third the amount that the family will be expected to pay for insurance, even without taking into consideration the annual increases in premiums.

Additionally, because there is no buy-in provision for the Children's Health Insurance Program in the federal health reform bill, many children above 200 percent federal poverty level may remain uninsured if their families choose to pay the penalty rather than buy health insurance.

Statewide, HHSC estimates that nine percent of the uninsured – 2,349,139 individuals in Texas – will remain uninsured after implementation of federal health reform.

⁴ House Select Committee on Federal Legislation. Thomas M. Suehs. Presentation, 22 April 2010. "[Federal Health Care Reform—Impact to Texas Health and Human Services.](#)"

⁵ Robert Wood Johnson Foundation. "Barely Hanging On: Middle Class and Uninsured, a State-by-State Analysis." March 2010. <http://www.rwjf.org/healthpolicy/product.jsp?id=58034>.



Source: Texas Health and Human Services Commission. *Texas Uninsured Demographics Post-Implementation*

“Subsidy-eligible” individuals fall below 400 percent federal poverty level, including lawful immigrant residents, while “no-subsidy” rise above 400 percent federal poverty level. The twelve percent of “eligible but unenrolled” individuals are comprised of children below 200 percent federal poverty level and adults below 133 percent federal poverty level.

Most, if not all, of these residents will continue to need safety net medical care, and the Houston region’s health care efforts must include components to make sure that they do not fall through the cracks.

Employer Requirement

The federal health reform legislation contains provisions that provide tax credits for certain small businesses that provide health insurance benefits, require large employers to provide health insurance and penalize employers that are required to participate and choose not to do so. However, these provisions will not be applicable to many businesses.

While tax credits will be available for small businesses that provide health insurance benefits, the full amount of the credit will only be given to businesses with 10 or fewer employees, and with average annual wages of less than \$25,000. The tax credits are phased out with increasing firm size, and businesses with more than 25 employees or average wages over \$50,000 are not eligible.

Tax credits will be issued beginning in 2010, but the full amounts will not be given until 2014. Even then, the maximum amount of the credit will only be 50 percent of the employer’s contribution, as long as that contribution is at least half of the total premium cost. Considering

Texas' average total premium in 2008 was nearly \$12,000 for family coverage,⁶ health insurance could still be unaffordable for small employers, as they would still roughly need to pay at least \$3,000 per employee. The tax credits will not be enough to spur a large percentage of small employers to begin offering health insurance.

While employers will be fined for not providing health insurance beginning in 2014, employers with fewer than 50 employees are exempt from the penalty. Even for larger firms, the cost of paying for health insurance benefits will generally far outweigh the cost of the employer penalty. The penalty is applicable only if:

- 1) at least one full-time employee receives a subsidy to purchase insurance through the exchange;
- 2) does not apply to the first 30 employees; and
- 3) it is \$3,000 for each remaining full-time employee that receives a subsidy from the exchange, or \$2,000 for each full-time employee, whichever is less.

The penalty will likely be less expensive than paying for health insurance benefits. Many employers who currently do not offer insurance may well opt to pay the penalty and some employers who currently do provide health insurance benefits may elect to drop coverage.

While not all of the possible unintended consequences of health reform on employer sponsored insurance have been thoroughly examined, these two consequences have generated the most concern. If they are realized, many residents of the Houston region will need to purchase insurance on their own to fulfill the new individual requirement. Many of these residents, like businesses, may choose to pay the penalty rather than pay for insurance. However, they will continue to need expensive treatment in medical emergencies, especially if they forgo primary care, and area health systems will have to absorb these uncompensated costs. Therefore, local implementation of "Pay or Play" by county and other large employers still makes sense given that the uncompensated care costs fall mainly at the local stakeholder level – not state or federal levels.

There is an opportunity for health insurance companies in the region to design innovative models that make insurance affordable for individuals and small employers, so taking the penalty is a less attractive option for both employers and individuals.

Capacity and Work Force Development

One source of the Houston region's, and indeed the nation's, health care challenges is the overarching shortage of primary care providers and nurses. Various grants and loan forgiveness programs in the health reform bill are designed to address the shortage and educational institutions in the Houston area should take advantage of and supplement federal efforts with

⁶ Robert Wood Johnson Foundation. "[Barely Hanging On: Middle Class and Uninsured, a State-by-State Analysis.](#)" March 2010.

the recommendations proposed in the white paper. Local health insurance companies should also follow the white paper's recommendations to incentivize future providers to go into primary care.

A more immediate and pressing issue is the lack of health care providers for low-income populations. Federal health reform will simply shift many uninsured individuals into Medicaid, so the overtaxed providers who accept Medicaid – specialists and behavioral health, which includes mental health and substance abuse, providers in particular – could be overwhelmed if their numbers are not increased.

Fortunately, payment rates for Medicaid primary care physicians will be increased to 100 percent of Medicare rates in 2013 and 2014 to encourage additional provider participation, but this increase is not slated to continue beyond 2014. Moreover, the dearth of Medicaid providers is also acute in specialty areas, for which reimbursements will not increase.

The scarcity of providers for uninsured patients is even more vexing, especially in the rural and suburban counties. In these areas, general shortages of health care providers may exist, but insured residents are better equipped to seek out resources than the uninsured. The counties must work collaboratively to find ways in which health care capacity needs can be mutually addressed. Part of the solution also lies in the medical societies, educational institutions, and health care entities, which must continue to encourage their members and providers to accept Medicaid and to find other ways to care for the uninsured.

These efforts will be especially important for hospitals. The health reform law severely decreases Disproportionate Share Hospital payments for Medicaid and uncompensated patients, based on the assumption that the Medicaid expansion population will become a new source of revenue for hospitals. However, there is no guarantee patients will select hospitals like the Harris County Hospital District, which care for a disproportionate share of the uninsured.

At the same time, many of the region's hospitals have missions to serve the underserved, and they should continue to seek ways to care for and support efforts to care for uninsured residents as recommended in the white paper. With their help, and with renewed federal support for the establishment of safety net facilities such as federally qualified health centers, the region will increase its safety net capacity.

Quality of Care

Parallel with developing the safety net capacity, the Houston region must examine the system-wide fragmentation that serves as a major barrier to quality, continuous care. This is a problem particularly prevalent in indigent care. The region can begin by taking advantage of - and staying ahead of - federal reform measures such as bundled payments for episodes of care and accountable care organizations, among other provisions.

These measures are designed such that all the providers who treat a particular patient either share in the savings of providing quality, coordinated care, or lose money due to inefficient treatment. They are designed effectively to drive providers – clinics, primary care physicians, specialists, hospitals and support staff – to collaborate with one another, no matter with which health care entity they are affiliated. Insurance companies can help this effort by following the white paper’s recommendations for encouraging quality and proper primary care, in order to decrease unnecessary acute care.

The challenge in implementing accountable care organizations and these types of bundled payments is that many health care entities must work collaboratively to make them feasible. Harris County Hospital District has already indicated a strategic direction to become an accountable care organization. The regional oversight board proposed in the white paper can facilitate the creation of accountable care organizations in the Houston region and hold each accountable for providing its fair share of such care.

Encouragement of medical homes and development of a regional health information exchange can also be incorporated into the charges of accountable care organizations. With the large number of newly insured individuals, having a medical home where care can be coordinated and having portable medical records for all residents, will become increasingly important to the stability of the regional health care infrastructure. In addition to following the white paper’s recommendations on medical homes and the health information exchange, the Houston region should fully collaborate in taking advantage of new federal grants and demonstration projects to stimulate its initiatives.

Moving Forward

Federal health reform is not a panacea to the Houston region’s health system problems. While reform will result in many more insured residents, it leaves out hundreds of thousands more. While it has provisions to increase capacity for primary and indigent care, results will be neither immediate nor sufficient and while it encourages better quality and more efficient health care, fragmentation and health illiteracy will continue to challenge the system. The Houston region must be proactive in confronting all of these issues and the white paper’s recommendations remain relevant in doing so.

Because most reform provisions do not take effect until 2014, the Houston region must begin to take steps to address its problems. Swift and well-informed action to strengthen the region’s uniquely local health care system is much preferred to being forced into compliance in a way that may not be suitable for the region.

The East Texas Gulf Coast Region has an opportunity to take advantage of the convergence of federal health reform with the emerging recognition of its local needs, and the Greater Houston Partnership strongly believes that all stakeholders must embrace this opportunity at the earliest

opportunity. The Greater Houston Partnership, in collaboration with the Houston-Galveston Area Council and a wide range of area stakeholders, stands ready and willing to take on this challenge. By working together on a regional level, the Houston region can create an efficient, equitable and quality-driven regional health care system.