

The State Children's Health Insurance Program: Looking Back, Looking Forward



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State Children's Health Insurance Program: The Background

- Enacted as part of Balanced Budget Act of 1997
- Considered a “residual” of the health reform debate of 1993-94
- Although no agreement then on universal coverage, there was wide bipartisan agreement on need to cover more children
- Many uninsured kids were in families where someone was working and thus earning too much for kids to qualify for Medicaid, the program aimed at poor – yet families still couldn't afford private health insurance



State Children's Health Insurance Program: The Background

- To earn bipartisan support, SCHIP was structured differently from other health programs
- Not an “entitlement” per se, but has elements of both an entitlement program and a federal block grant to states
- States were given option of providing assistance to families by expanding Medicaid, by creating a separate new program, or some combination of the two
- As in Medicaid, state payments toward program qualified for federal matching payments
- “Enhanced match” meant that on average, federal government would pay 70 percent of costs rather than 60 percent as under Medicaid
- Federal matching payments limited by national and state-specific allotments

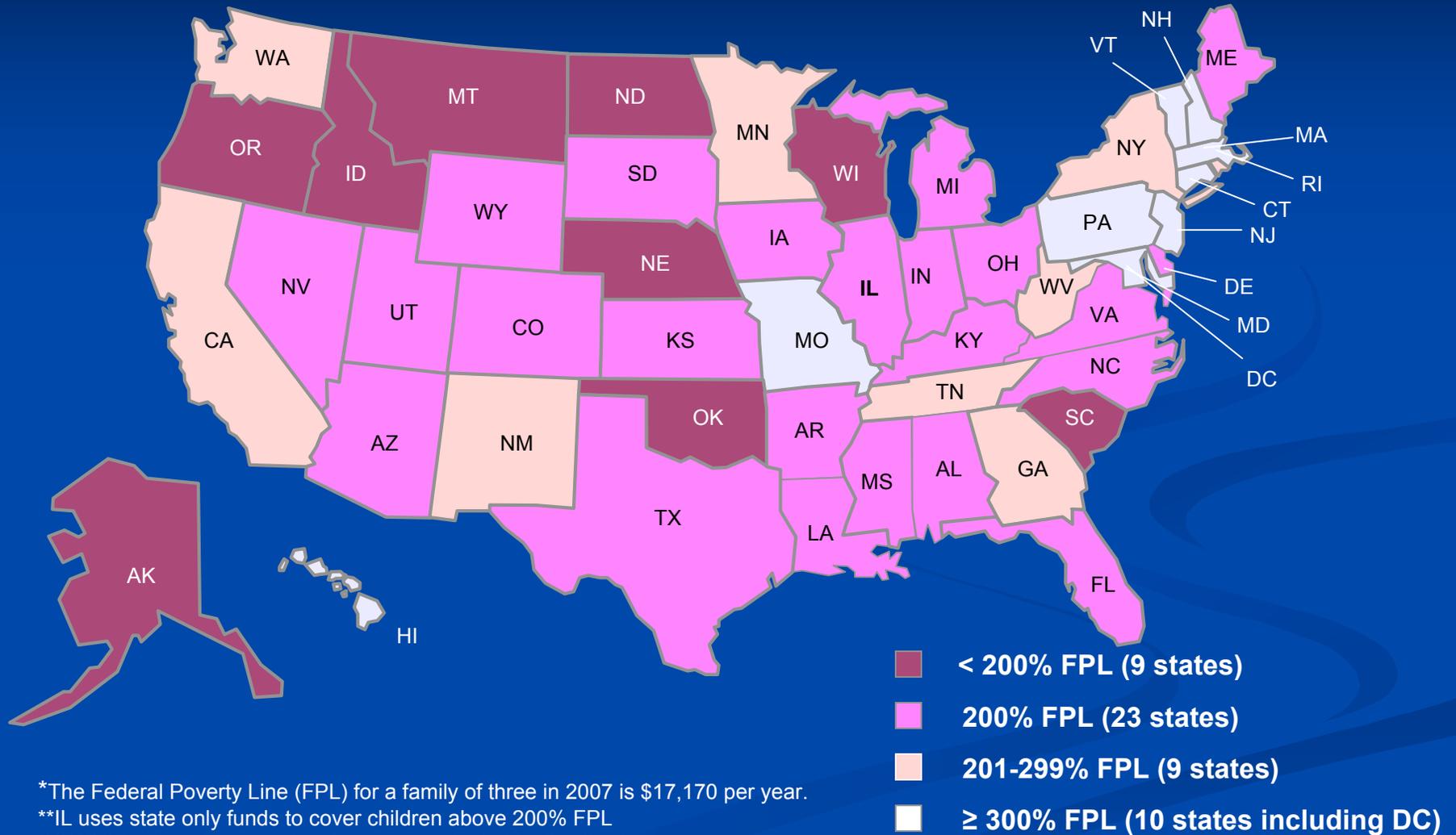
SCHIP: The Benefit Package

- States given flexibility in benefit design in programs outside of Medicaid, subject to certain federal standards
- Had choice of offering
 - “benchmark coverage,” a package substantially equivalent to FEHBP’s Blue Cross/Blue Shields Standard Option, a state employees plan or the most popular HMO in state;
 - “benchmark-equivalent coverage,” a plan with aggregate actuarial value no less than a benchmark plan
 - existing comprehensive coverage that states had in place prior to SCHIP
 - coverage approved by Secretary of HHS, which could include Medicaid package

SCHIP: Eligibility

- Children below age 19 could be covered
- States also given option to extend coverage to parents of kids in SCHIP
- Statute allowed federal assistance to families with incomes below 200 percent of the federal poverty level
- States could set higher or lower eligibility limits; eg, 10 states and DC had eligibility above 250% of FPL
- 11 states eventually won federal waivers to cover non-pregnant, childless adults (prohibited later under Deficit Reduction Act of 2005)
- In 2004, Bush administration gave states option of covering pregnant women

Children's Eligibility for Medicaid/SCHIP by Income, July 2007



*The Federal Poverty Line (FPL) for a family of three in 2007 is \$17,170 per year.

**IL uses state only funds to cover children above 200% FPL

SOURCE: Based on a national survey conducted by the Center on Budget and Policy Priorities for KCMU, 2006.

SCHIP: How it is Financed

- Federal government makes matching payments to states subject to annual state-based caps.
- These caps based on (1) blended number equal to each state's number of uninsured children and overall number of low-income children in state; and (2) a "state cost factor" that takes into account geographic variations in wages.
- States could use allotments for current fiscal year and two subsequent years if unspent; after that, they could be redistributed to other states (although Congress later limited this)
- Overall limits set on federal payments of \$39 billion over period FY 1998 to FY 2007
- For FY 2007, total federal payments to states = \$5 billion

SCHIP: The Successes

- From standing start, enrollment grew to 6.1 million by 2005
- Deliberate efforts made to de-stigmatize coverage; conduct aggressive outreach
- Outreach efforts also resulted in nearly 7 million increase in kids enrolled in Medicaid
- As a result, percentage of low-income children who were uninsured dropped from 22.3 percent to 14.9 percent
- About 3 in 4 children enrolled in Medicaid and SCHIP are enrolled in private managed care plans

SCHIP: The Successes

- Program has undergone several assessments
- Congressionally mandated evaluation found SCHIP to be successful in nearly all of the areas examined
- White House review in 2003 found scores exceeding 80% in purpose, design and planning, with lower scores on program management and accountability
- In studies, children enrolled in Medicaid or SCHIP report much lower rates of unmet health care needs versus uninsured children
- Kids who gained coverage through SCHIP received more preventive care and their parents reported better access to providers

The rise in uninsured children

- The percentage and number of children under 18 without health insurance rose from 2004-2005 and 2005-2006
- 7.9 million in '04, 8.0 million in '05, 8.6 million in 2006
- 11.7 percent of children uninsured in 2006, up from 10.9 percent in 2005
- Counter to recent trends, which had both percentage and number of uninsured kids declining
- Rise occurred despite aggressive efforts in many states to enroll more children in Medicaid and S-CHIP



Source: US Census Bureau,
Current Population Survey, 2006

The rise in uninsured people who are well above median household income

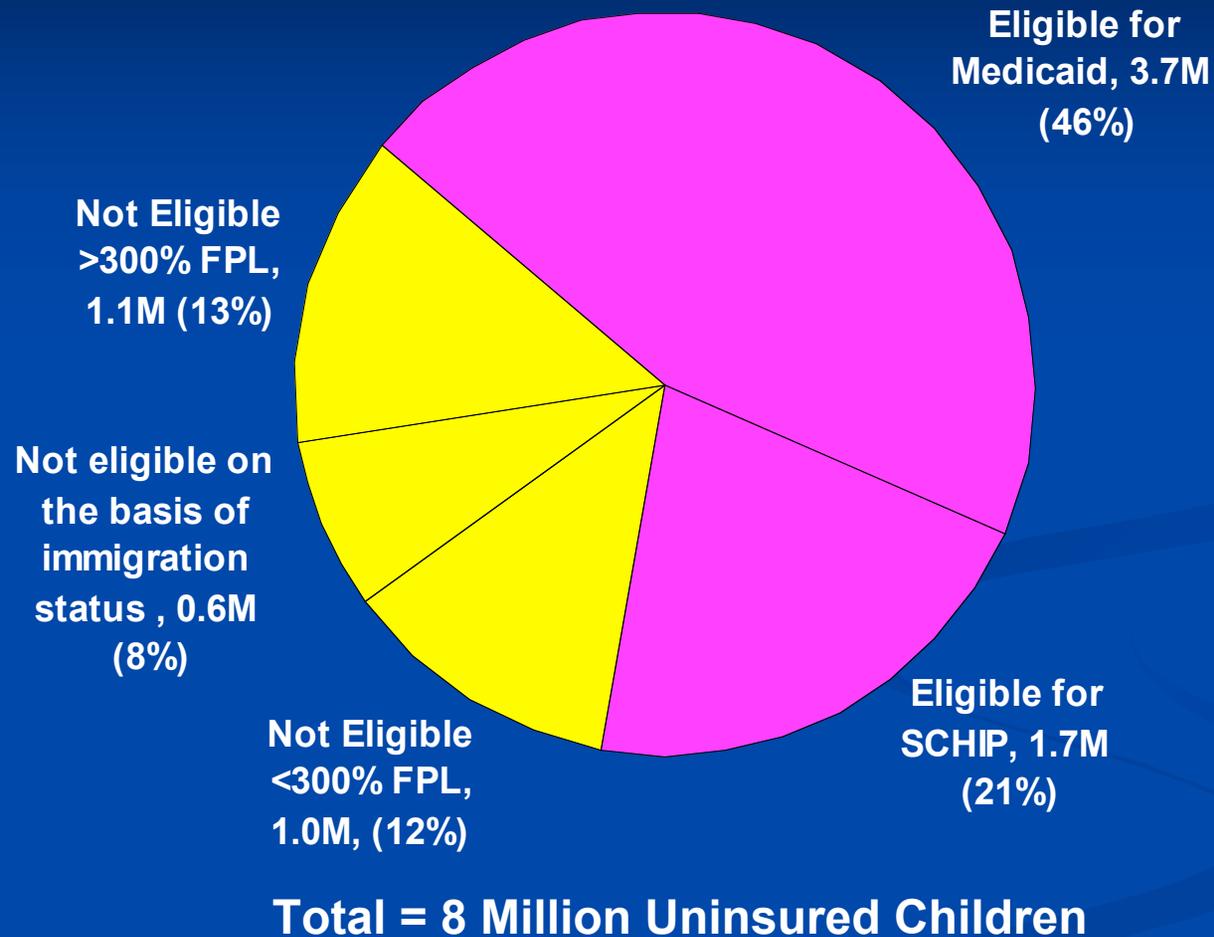
- Of nearly 2.2 million increase in uninsured from 2005-2006, nearly 1.4 million were in households with income of \$75,000 or more
- 1.2 million of newly uninsured worked full-time
- Overall real median household income in U.S. = \$50,700 in 2006

Source: US Census Bureau, Income, Poverty and Health Insurance in the United States, 2006 report

Key Issues in SCHIP Reauthorization, 2007

- 9 million U.S. children still uninsured; an estimated 6 million eligible for public programs but not enrolled (2 million for SCHIP, 4 million for Medicaid)
- Perceived need by SCHIP backers to increase overall funding of program
- Allotments weren't high enough to allow many states to enroll all eligible uninsured children
- Payments to providers in some states not high enough to bring enough providers into program
- Some states were seeking federal approval to extend coverage to children in families with even higher incomes (e.g., up to 400% of FPL or about \$83,000 for family of 4 in '07)
- Improving benefit package, e.g., to require dental
- Need for more outreach to enroll kids eligible but unenrolled
- Need to establish quality standards to ensure all enrolled kids receiving quality care

Distribution of Uninsured Children, 2004 (in millions)

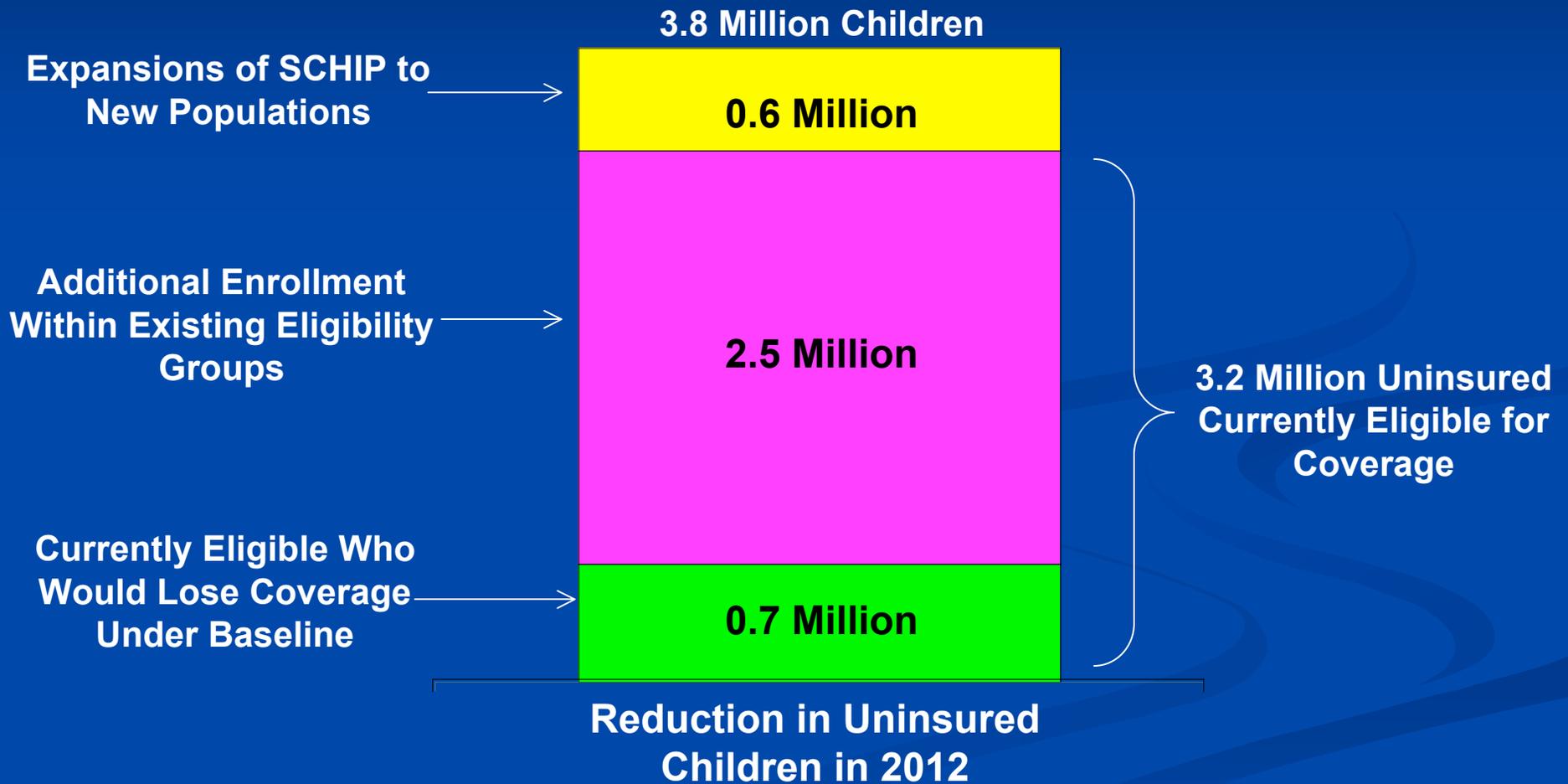


SOURCE: Urban Institute analysis of the 2005 Annual and Social Economic Supplements to the CPS for KCMU. Data has been adjusted for the Medicaid undercount.

Children's Health Insurance Program Reauthorization Act of 2007 (CHIPRA): Key features of conference report bill

- Add \$35 billion in federal funds to SCHIP over 2008-2013 on top of \$15 billion in baseline
- Finance increase with increase in federal tobacco tax (61 cents/pack increase on cigarettes to \$1)
- For states that elected to enroll children in families with incomes above 300 percent of poverty, subject to federal approval, the federal matching rate would drop back to the state's Medicaid match rate
- Childless adults phased out of SCHIP coverage over two years and put into Medicaid
- Requirement to develop quality standards to judge programs/plans

Distribution of the Reduction in Uninsured Children in the Children's Health Insurance Program Reauthorization Act of 2007



SOURCE: CBO's Estimate of Changes in SCHIP and Medicaid Enrollment of Children Under HR 976, Children's Health and Medicare Protection Act, September 24, 2007

Issues in Reauthorization: Bush Administration Concerns

- Change of heart on earlier decisions to give green light to states that sought to expand eligibility to higher income levels or cover parents/adults
- Administration sought to refocus program on low-income kids in families up to 200 percent of poverty level
- Disagreement on actual number of uninsured kids eligible for SCHIP
- Opposition to \$35 billion increase in funding (administration proposed \$5 billion) and to tobacco tax hike
- Concerns about “crowd out” and degree to which families would drop private coverage to enroll kids in SCHIP
- Irritation at fact that Congress had not considered broader administration health reform proposals, including limit on federal tax exclusion for employer-provided health insurance, support for state reform efforts, etc.

Post-veto Changes

- Post President's veto and House failure to override, changes in legislation
- New bill passed by House on Oct. 25, 2007 limited coverage to children in families with incomes below 300% of FPL
- Included performance bonuses to states that enroll larger numbers of kids in Medicaid
- Performance bonuses to states that provide subsidies to employed parents to offset cost of enrolling children in private health plans
- Would phase out SCHIP coverage of childless adults within one year instead of two years under earlier legislation
- Support fell short of veto-proof margin

Current Status

- Program operating under Continuing Resolution until November 16, 2007
- Administration now offering to support coverage up to 300% of FPL and to spend \$20 billion more on program (up from \$5 billion earlier)
- If impasse not resolved, some states will begin to exhaust their allotments early in calendar 2008



The End