



Policy Brief

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PRESERVING AND ENHANCING SCHIP FOR THE FUTURE

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Overview

The State Children's Health Insurance Program (SCHIP) currently provides insurance coverage to over 6 million children in families whose income is too high to qualify for traditional Medicaid but who are otherwise unable to obtain coverage.

Congress authorized SCHIP in 1997 as a ten-year, \$40 billion block grant divided among the states. The program is set to expire on September 30, 2007, meaning these children will lose coverage unless the program is reauthorized.

While there appears to be widespread bipartisan support for SCHIP reauthorization at current levels, advocates are calling for an expansion of the program to extend coverage to the 9 million children who remain uninsured. Many in Congress, however, do not foresee such an expansion to be feasible due to budgetary constraints.

This policy brief outlines the SCHIP program, the benefits it provides to children, and the importance of not only preserving the program, but enhancing it for future generations of children.

What Clinicians Can Do:

- Educate yourself about the SCHIP program by reading this brief and the additional resources on SCHIP reauthorization available from the Kaiser Commission on Medicaid and the Uninsured at: <http://www.kff.org/medicaid/kcmu020907pkg.cfm>
- Contact your Members of Congress to let them know how important SCHIP is to your practice and the children of your state. It makes an especially powerful statement if you can tell them what proportion of your patient population depends on Medicaid and SCHIP.
- Contact government officials in your state (e.g., Governor, legislators, and the health and human services agency) to encourage them to increase their efforts at outreach and enrollment of eligible children.
- Assist those of your patients who might be eligible for Medicaid or SCHIP with the enrollment process. Clinicians are much better equipped than patients to navigate the often complex world of health care administration.
- Write an op-ed or send a letter to the editor of your local newspaper that describes the importance of the SCHIP program to local children and the threats the program faces. Encourage readers to follow your lead in taking action.
- Contact ACU at bwright@clinicians.org with anecdotal evidence of the success of SCHIP in your experience. Personal narratives such as these are a very powerful way to communicate ideas to policy makers.

Background

Congress originally authorized the State Children's Health Insurance Program (SCHIP) in 1997 as a block grant to the states totaling \$40 billion over ten years (1998 – 2007). The program is similar to Medicaid in that it is jointly federal-state funded, but differs significantly in that the federal matching funds are capped under the SCHIP block grant rather than open-ended as with the Medicaid entitlement.

Using SCHIP funds, states may elect to expand their existing Medicaid program, or choose to operate a separate state-designed program. State-designed programs may offer different benefit packages than traditional Medicaid, and are permitted to charge enrollees premiums and/or copayments, although such cost-sharing is subject to limitations. As of 2004, roughly half of states required some form of cost-sharing.¹

SCHIP eligibility levels vary from state to state. However, most states provide coverage up to 200 percent of the federal poverty level (approximately \$38,000 a year for a family of four). Some states also provide prenatal coverage and enrollment of parents. Since SCHIP's inception, enrollment in the program grew steadily before leveling off in recent years. For instance, in 1999, SCHIP enrolled roughly 2 million children. As of fiscal year 2005, SCHIP provided insurance coverage to over 6.1 million children and nearly 639,000 low-income adults.² Enrollment has hovered around 6 million since 2003.

46.6 million Americans-- 9 million of them children-- remain uninsured.

Despite the enormous success of SCHIP in reducing the number of uninsured children, there are still about 9 million children without insurance coverage in the United States. Over 6 million of these children are eligible for Medicaid or SCHIP, but are not enrolled. The remaining 3 million are not currently eligible, but could qualify if eligibility levels were modified to allow those in families with slightly higher income levels to obtain coverage.

With the program facing reauthorization in 2007 (SCHIP is set to expire September 30 of this year), the political will to keep insuring vulnerable children seems to be strong and bipartisan in nature. The most pressing and politically divisive question is not whether or not to reauthorize SCHIP, but whether or not to expand the scope of the program, and how to finance the program, especially if enrollment targets are increased.

The Bush Administration's fiscal year 2008 budget proposal includes a \$4.8 billion increase in SCHIP funds over five years. However, the Congressional Research Service estimates that merely maintaining current SCHIP enrollment will cost \$15 billion over five years. This suggests that the President's proposal is an increase in name only,

¹ Lisa Potetz, Brad Wright, Aimee Jeffrey, and Marina Weiss. Maternal, Infant, and Child Health in the United States, 2005. March of Dimes Data Book for Policy Makers.

² Centers for Medicare and Medicaid Services. 2007. SCHIP Enrollment Reports.

<http://www.cms.hhs.gov/NationalSCHIPPolicy/downloads/FY2005AnnualEnrollmentReport.pdf>

and would have the actual effect of reducing the number of children SCHIP can cover.³ In fact, one projection expects nearly 2 million children to lose coverage over the next ten years if funding is not increased.⁴

Recommendations

As Congress considers reauthorization of SCHIP, ACU proposes that policy makers carefully consider the following recommendations:

The SCHIP Model Works but Could be Improved

In the decade since it was created, SCHIP has successfully reduced the number of uninsured low-income children in the United States by nearly one-third, providing them access to comprehensive, affordable, high-quality health coverage. Still, 9 million children remain uninsured. If properly supported, SCHIP has the potential to cover some or all of these children, and could even be considered as a model for expanding health insurance coverage to all of America's nearly 47 million uninsured.

The program is unique in that it is publicly funded, but is designed to closely resemble private insurance coverage. By providing parents with an insurance identification card that looks like a typical insurance card (as opposed to the cumbersome documentation often associated with the Medicaid program), SCHIP eliminates the stigma often associated with publicly financed insurance coverage.

Congress Should Reauthorize SCHIP and Increase Funding Levels

Congress should not only reauthorize the SCHIP program in 2007, but should also consider the long-term sustainability of the program. Because SCHIP is a block grant, and not an entitlement, inadequate funding will result in the program becoming ineffective. Past funding crises give examples of what could happen in the future, and include enrollment freezes, disenrollment of children from the program, and reductions in benefits.

No currently enrolled child should lose their insurance coverage because of a lack of federal funding. Therefore, it is imperative that Congress fund SCHIP at a level that would accommodate all currently eligible children (including those not currently enrolled). Estimates suggest that this funding level is between \$50 - \$60 billion over the next five years. While such a funding increase would not permit a viable upward expansion of eligibility limits, meaning that some children would still remain uninsured, this more incremental approach presents itself as the most politically feasible option given budgetary constraints and the current political landscape in Washington, D.C. Still, this approach has the potential to insure an additional 6 to 7 million children. Under ideal conditions, if the funding can be located to expand the program's eligibility limits, Congress should permit the states to do so. However, under no circumstances should SCHIP be funded by reductions in Medicaid spending.

³ Kaiser Daily Health Policy Report February 7, 2007.

http://www.kaisernetwork.org:80/daily_reports/rep_index.cfm?DR_ID=42784

⁴ A Decade of SCHIP Experience and Issues for Reauthorization. The Kaiser Commission on Medicaid and the Uninsured. January 2007. <http://www.kff.org/medicaid/upload/7574-2.pdf>

States Should Improve Outreach and Enrollment Efforts

Nearly 70% of uninsured children are eligible for Medicaid or SCHIP coverage, but are simply not enrolled in either program. There are a number of administrative barriers that prevent children from obtaining coverage. By simplifying the enrollment process through shorter questionnaires, allowing presumptive eligibility to provide immediate coverage, and instituting longer periods of continuous eligibility without the need for re-verification of compliance with eligibility requirements, states can help children who are eligible to become enrolled more easily. One such proposal is the “Express Lane” which would use income information collected for other government programs (e.g. WIC, school lunch, etc.) to identify children eligible for Medicaid or SCHIP without the need for completing additional paperwork.

In addition to these simple legislative changes, states should also coordinate outreach efforts aimed at educating the public about the availability of Medicaid and SCHIP and reducing the stigma associated with enrollment in government programs. Many of these efforts may cause states to incur additional costs, and Congress should be supportive of these outreach efforts by providing additional funding to those states that successfully increase enrollment.