

What SCHIP Reauthorization Means for the States

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Mary Katherine Stout
Texas Public Policy Foundation

Tarren Bragdon
Maine Heritage Policy Center

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State Policy Network

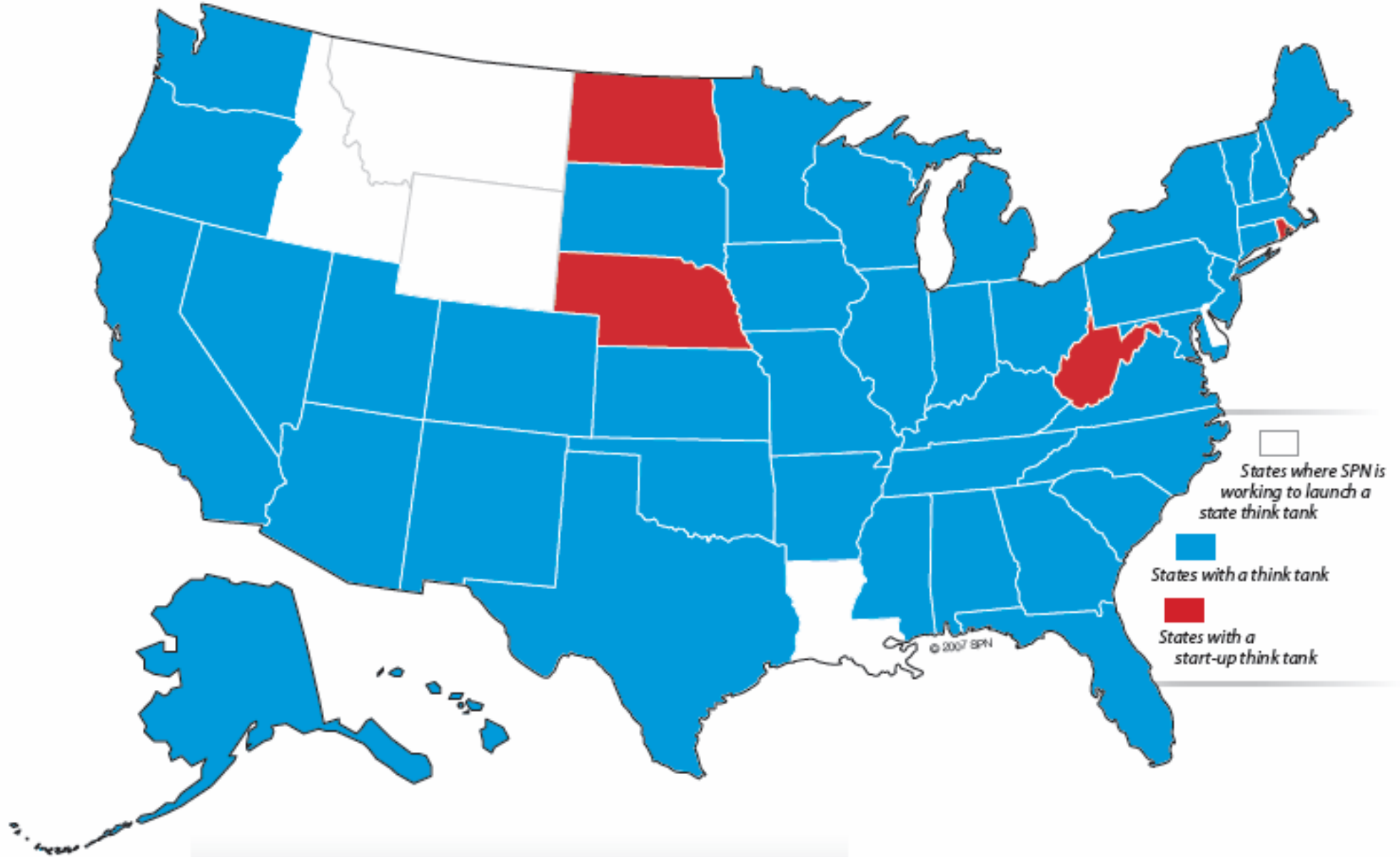
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SCHIP Basics

Congress created SCHIP in 1997, began in 1998

- Target population: Making too much for Medicaid and too little for private health insurance = 200% FPL
- NOT an entitlement
- Funding allocated to states according to calculation of state need, drawn down through matching funds
- Benchmark benefits package
- Cost sharing up to 5% of income

SCHIP since 1997

- 15 States with adult expansions
AR, AZ, CO, ID, IL, MI, MN, NV, NJ, NM, OR, RI, VA, WI
- 33 States with eligibility up to 200% FPL
- 9 States with eligibility 200-300% FPL
- 8 States with eligibility 300% FPL +
New York has highest eligibility level at 400% FPL (just passed and not yet enacted)

SCHIP Reauthorization

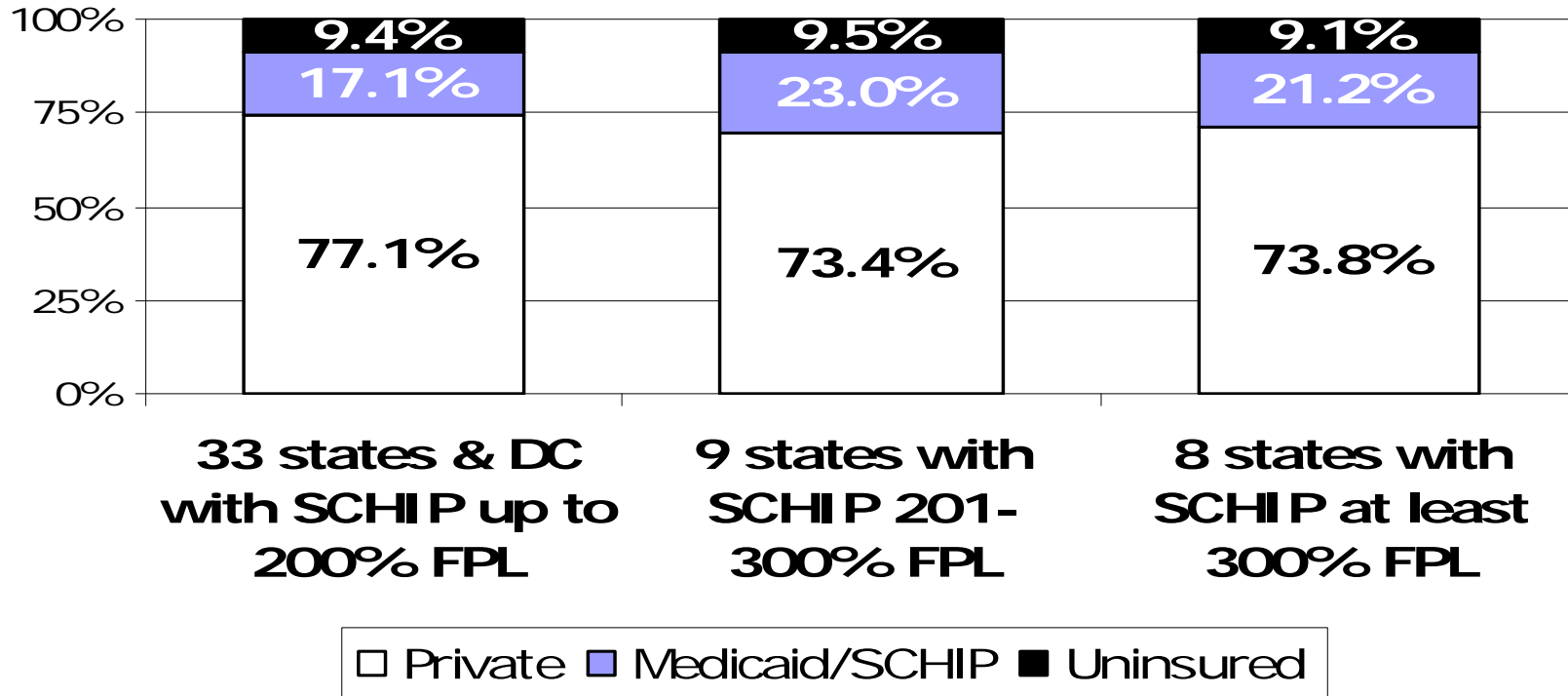
Two Prevailing Issues:

1. Use SCHIP to reduce the uninsured.
2. Expand SCHIP to prevent state shortfalls.

Is SCHIP the solution to the uninsured?

SCHIP Crowd Out

Health Coverage for Kids in
Middle-Income Families (200-300% of poverty)
2004-2005



Kaiser Family Foundation, US Census Bureau
May add to more than 100% due to overlapping coverage, figures averaged for each state.

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SCHIP Crowd Out

Has very large crowd out effect

- For every 100 SCHIP enrollees, 25 to 50 will have dropped private coverage (CBO, May 2007)
- For those 200-300% of poverty – for every 100 SCHIP enrollees, 60 will have dropped private coverage (NBER, Jan 2007)
- For those 300-400% of poverty – for every 100 SCHIP enrollees, 73 will have dropped private coverage (NBER, Jan 2007)

Causes a substantial cost shift

- For every 100 kids in the US, 26 are on Medicaid/SCHIP and 61 have private insurance and 11 are uninsured
- If Medicaid pays \$0.70 for every \$1.00 in costs and if those 26 kids use as much health care as the 61 with private insurance, the 61 with private insurance will pay 13% more for their coverage as a result of this cost shift

Uninsured Children

The uninsured are dynamic.

For every 100 kids that become uninsured

50 will be insured within 4 months

75 will be insured within 12 months

86 will be insured within 24 months

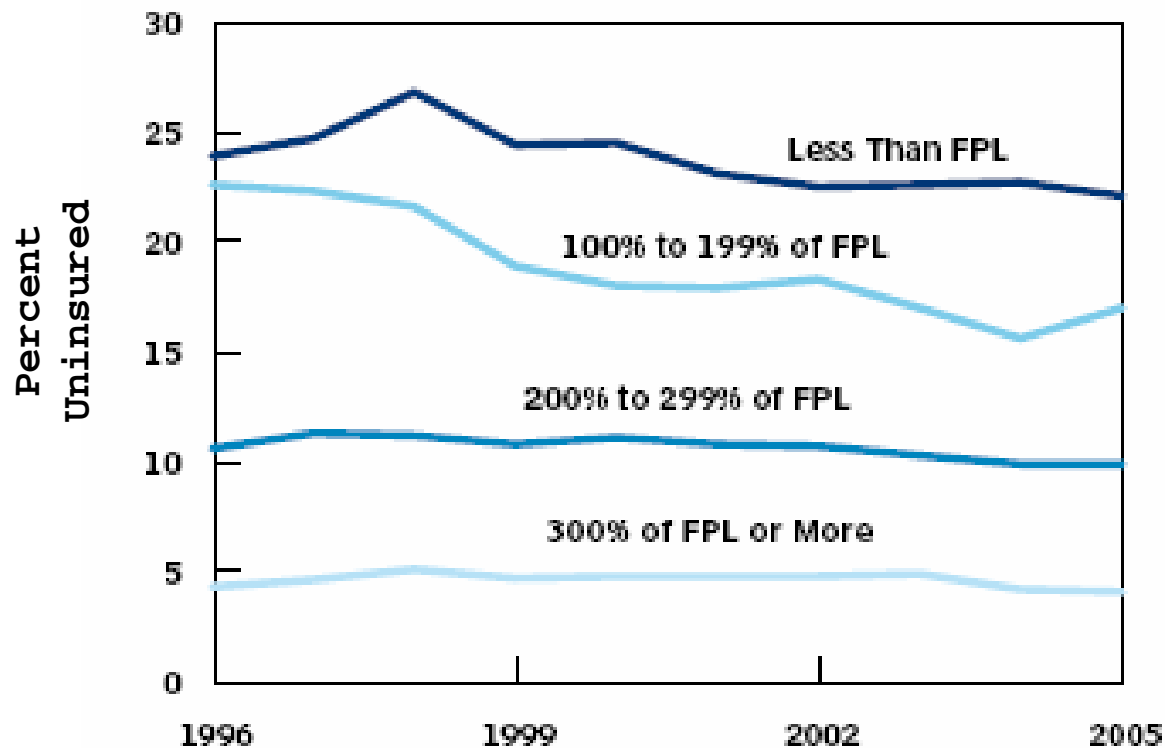
Only 14 will remain uninsured for over 2 years

(CBO, May 2003)

SCHIP's Effectiveness?

Fiscal Year	Number of Children (Thousands)
1998	660
1999	2,014
2000	3,358
2001	4,603
2002	5,354
2003	5,985
2004	6,103
2005	6,114
2006 ^a	6,622

Uninsured Children by Income
1996-2005



Source: Congressional Budget Office based on data from the Current Population Survey for 1996 to 2005.

Note: FPL = federal poverty level.

Source: Congressional Budget Office, May 2007

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State SCHIP Shortfalls

According to the CBO:

- 35 states projected to spend above their allotment in 2007
- 11 states will exhaust their available funds and would require \$646 million in 2007 to maintain their existing programs.

Allotments and Spending Under the State Children's Health Insurance Program, 1998 to 2007

(Millions of dollars)

Fiscal Year	SCHIP Allotments ^a	Allotments Unspent After 3 Years ^b	Federal Spending	Funds Expiring
1998	4,235	n.a.	122	0
1999	4,247	n.a.	922	0
2000	4,249	n.a.	1,929	0
2001	4,249	2,034	2,672	0
2002	3,115	2,819	3,776	0
2003	3,175	2,206	4,276	0
2004	3,175	1,749	4,645	1,281
2005	4,082	643	5,089	128
2006	4,365 ^c	173	5,452	0
2007	5,040	147	5,656 ^d	0

State SCHIP Shortfall

States have three years to spend their SCHIP allotment before it is swept and redistributed.

A 2007 shortfall occurs if the sum of 2005, 2006, and 2007 spending exceeds the 2007 allotment and the '05 and '06 balances.

National Institutes of Health Reform Act of 2006 anticipated the 2007 shortfalls and:

- Accelerated redistributions by 6 months.
- Secretary redistributes funds in the order states realize funding shortfalls

SCHIP Reauthorization

Senate SCHIP Agreement

- Adds 3.3 million “additional uninsured, low-income American children”
- State allotments changed to reflect projected spending
- Increase outreach and enrollment efforts
- Coverage above 300% FPL gets Medicaid match
- Cover prenatal care for pregnant women
- Childless adults currently on SCHIP moved to Medicaid
- Improve “pediatric quality measures”

SCHIP Reauthorization

SCHIP baseline is \$25 billion

- President Bush's proposal totals \$30 billion
- Congressional Democrats proposal totals \$75 billion
- Senate compromise totals \$60 billion

Increase federal cigarette tax from \$.39 to \$1.00

Ongoing and increasing Medicare, Social Security
and general Medicaid funding challenges

SCHIP Lessons for States... and Jeffersonian Ideas

Expanding eligibility doesn't reduce the uninsured, it reduces private coverage and induces government dependence.

Programs always grow beyond intended scope.

Don't make promises you can't keep—especially just to get the federal money.

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SCHIP and Medicaid

1984 Mandatory coverage up to age 5 for families receiving cash assistance (state sets eligibility)

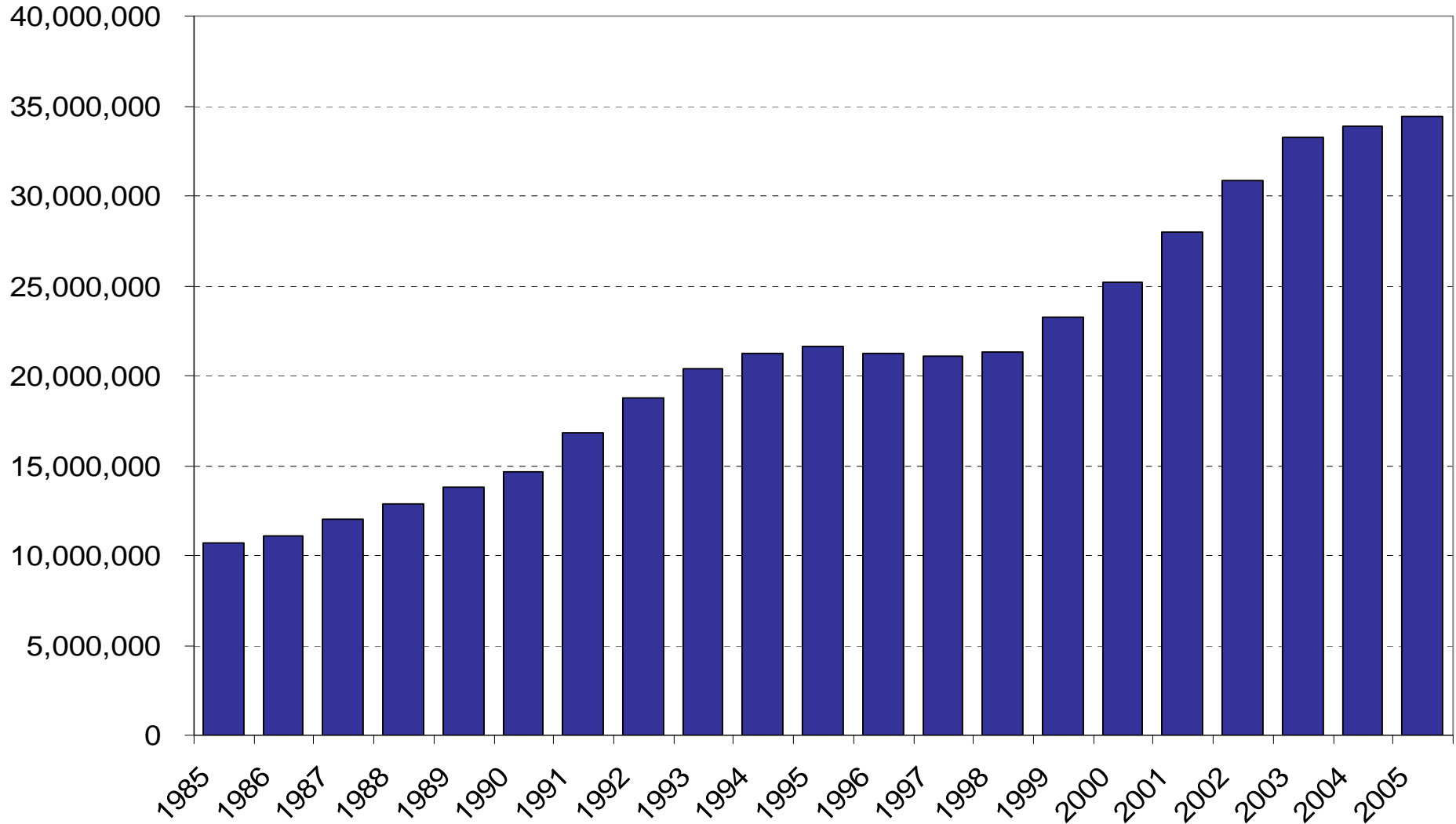
1989 Mandatory coverage up to age 6 with income up to 133%

1990 Mandatory coverage up to age 18 with income up to 100% FPL

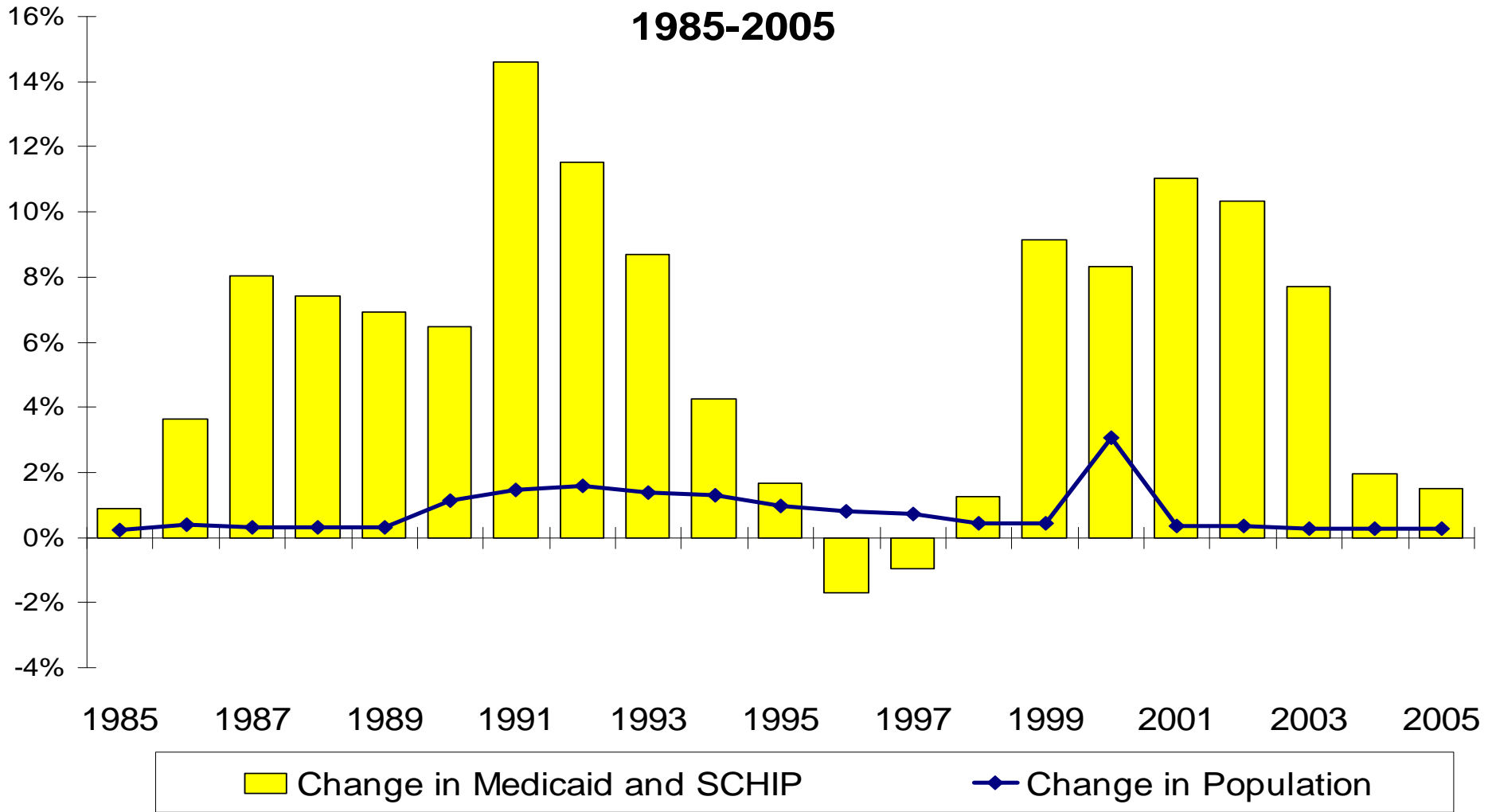
1997 SCHIP created covers children up to 200% FPL

2007 SCHIP Reauthorization

Medicaid and SCHIP Caseload 1985-2005

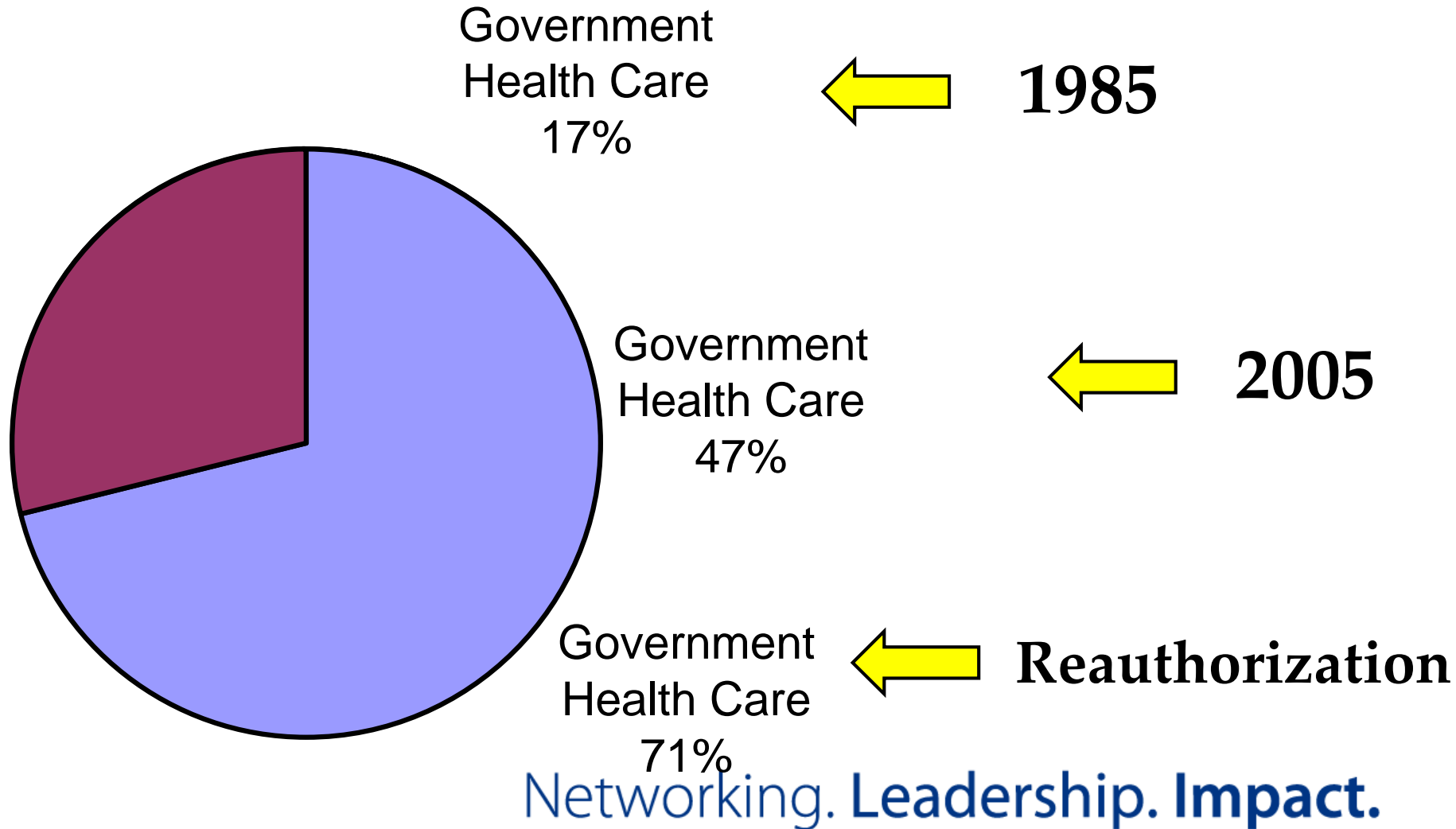


Change in Child Population and Children's Medicaid and SCHIP Caseload 1985-2005



Source: US Census Bureau, Kaiser Foundation

SCHIPing to Single Payor



Problems with SCHIP

- Provides incentives for parents to drop coverage.
- Coverage does not mean access.
 - How many pediatricians accepting new Medicaid/SCHIP patients?
 - States need to focus on meeting needs of truly low-income kids before expanding to middle income kids.
 - Quality of care often poor.
- Could encourage employers with a large share of low to middle-income employees to drop employer-paid family coverage.
- Creates new middle class entitlement.
- Creates a generation of entitlement.

Policy Solutions

- Myth busting on SCHIP
- Favor free market solutions to deliver an affordable, private, individual insurance market for kids

EXAMPLE: Ehealthinsurance.com provides plans for kids living in Washington DC from \$41 a month (\$1,200 deductible HMO) to \$94 a month (\$0 deductible PPO)

Policy Solutions

- State should have latitude to establish reasonable premiums and copays for SCHIP on a sliding scale

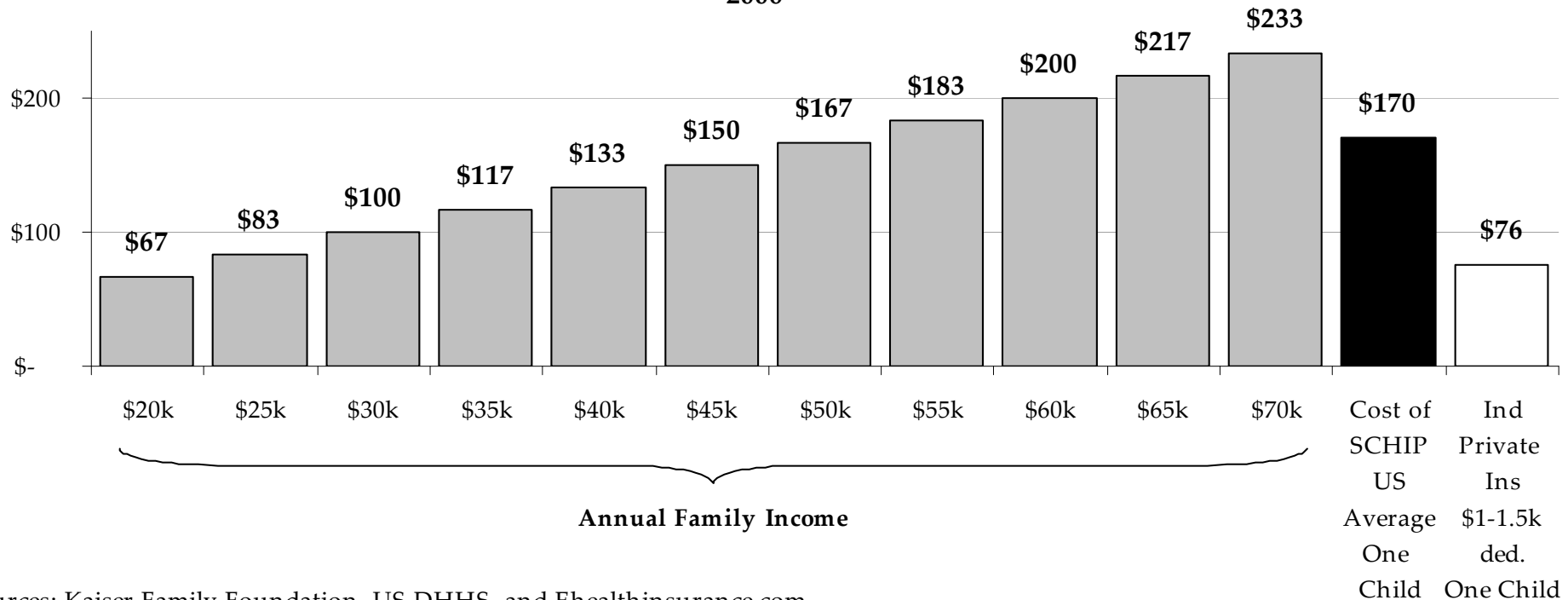
NOTE: DRA limits Medicaid/SCHIP premiums and copays to 5% of family income for those over 150% of poverty (almost all SCHIP kids)

For example, premiums could be 4% of family income, with a 20% copay up to a maximum out of pocket (premiums & copays) of 5% of family income

Affordability SCHIP vs. Private Coverage

Monthly SCHIP Premium at 4% of Family Income, SCHIP Spending for One Child - US Average,
and Private Individual Insurance Premiums for One Child US Average

2006



Sources; Kaiser Family Foundation, US DHHS, and Ehealthinsurance.com

Policy Solutions

- Support a seamless transition from Medicaid to SCHIP to Private Insurance
- Move Medicaid eligibility to fixed dollar amount or percent of median family income
 - At 200% of FPL, married couple with four children earning \$55,000 can qualify for SCHIP, but a single mom with one child earning \$27,500 earns too much
- Income is dynamic. Check eligibility more often than once a year.
- The uninsured are dynamic. Establish systems to identify and leverage employer coverage.
- Verify assets and income – gross versus net income, limit on car value
- Any Medicaid/SCHIP outreach efforts must include information on purchasing private coverage. Denied eligibility should provide information on private alternatives also.

FPL Guidelines

Size of Family (including adults)	Percent of all Kids	Percent of Federal Poverty Level						
		100%	150%	200%	250%	300%	350%	400%
2	6%	\$13,690	\$20,535	\$27,380	\$34,225	\$41,070	\$47,915	\$54,760
3	20%	\$17,170	\$25,755	\$34,340	\$42,925	\$51,510	\$60,095	\$68,680
4	34%	\$20,650	\$30,975	\$41,300	\$51,625	\$61,950	\$72,275	\$82,600
5	23%	\$24,130	\$36,195	\$48,260	\$60,325	\$72,390	\$84,455	\$96,520
6	10%	\$27,610	\$41,415	\$55,220	\$69,025	\$82,830	\$96,635	\$110,440
7	4%	\$31,090	\$46,635	\$62,180	\$77,725	\$93,270	\$108,815	\$124,360
8	2%	\$34,570	\$51,855	\$69,140	\$86,425	\$103,710	\$120,995	\$138,280
9	1%	\$38,050	\$57,075	\$76,100	\$95,125	\$114,150	\$133,175	\$152,200
2005 Mean Family Income - \$70,956 for family with kids		<i>Original SCHIP Target</i>			<i>Suggested New SCHIP Income Eligibility</i>		<i>New York's SCHIP Income Eligibility</i>	

Source: US Census, DHHS

Mary Katherine Stout

VP Policy and Director of Health Care Policy

Texas Public Policy Foundation

mkstout@texaspolicy.com • www.texaspolicy.com

(512) 472-2700

Tarren Bragdon

Director of Health Reform Initiatives

Maine Heritage Policy Center

tbragdon@mainepolicy.org • www.mainepolicy.org

(207) 321-2550