The SCHIP Reauthorization Debate:

September 2007

Few issues are as critical as providing health care to children in this country. To address children's access to health care both houses of Congress passed legislation reauthorizing the State Children's Health Insurance Program (SCHIP) last month. Details of the final compromise legislation are yet to come. SCHIP is a program which Congress implemented in 1997 to provide health coverage to low-income children in families with no access to affordable coverage but with incomes too high to qualify for Medicaid. It is set to expire in September and Congress has been working to renew and improve the program. Throughout the debate, however, numerous false, misleading and counterproductive arguments have been made concerning the program and the proposed improvements. This paper addresses those misconceptions and falsehoods being advanced by the opposition.

Facts about SCHIP

- Nationally, SCHIP covers 6 million children. Medicaid covers another 28 million.
- In Colorado, there are over 56,000 children in CHP+, Colorado's SCHIP program.
- There are an estimated 9 million uninsured children in the U.S.
- There are an estimated 180,000 uninsured children in Colorado, nearly 2/3 of who would qualify for public health care.
- In Colorado, SCHIP is available to children and pregnant mothers from families up to 200% of the federal poverty level, about $40,000 per year.
- In Colorado, over one-third of the uninsured population earns between 200% and 400% of the federal poverty level, or between $40,000 and $80,000 per year.

States should have continued flexibility to adjust income eligibility limits for SCHIP to fit the needs of uninsured children in the state.

The SCHIP bills in Congress could provide coverage to **up to 5 million low-income children** who would otherwise be uninsured.

For a number of reasons, even so-called middle class families may experience barriers to accessible and affordable health insurance. Nationally, over half of all low-income working parents do not have access to employer sponsored health insurance.[1] Another

[1] Karyn Schwartz, "Spotlight on Uninsured Parents: How a Lack of Coverage Affects Parents and their Families," Kaiser Family Foundation, June 2007.

20% cannot afford employer sponsored insurance even if it is offered. State flexibility to respond to the needs of low-income working families is crucial to the success of SCHIP. This includes the flexibility to adjust the income eligibility limits in order to better target the uninsured population in a particular state. States must be able to consider not only their state demographics but also dramatic disparities in cost of living variables from such as the price of housing, child care, transportation and, of course, health care.

Several states have income eligibility levels above 200% of FPL. (The federal poverty level (FPL) is $17,170 for a family of three and $20,650 for a family of four.) Despite the number of states that have set income eligibility limits above 200% of FPL, 91 percent of children in the SCHIP program come from families with incomes below 200% FPL.[2] Therefore, setting a federally mandated cap, as some in Congress have suggested, would not result in significant savings.[3]

Colorado. In Colorado, the income eligibility for SCHIP is currently 200% FPL, or about $41,000 per year for a family of four. There are 785,000 uninsured people in Colorado, as many as 180,000 of whom are children. Nearly 70% of the uninsured in Colorado live in a family with at lease one worker. Over one-third of Colorado's uninsured population earns between 200% and 400% of the federal poverty level.[4]

Reauthorization bills. The Senate reauthorization bill discourages eligibility levels above 300% FPL by reducing the federal to state matching rate for states expanding eligibility over 300%. The House makes no changes. Under the Senate reauthorization bill, the Congressional Budget Office estimates that 4 million otherwise uninsured children would be covered, only 600,000 of whom would be a result of eligibility expansions. Under the House reauthorization bill, CBO predicts 5 million otherwise uninsured would be covered, 500,000 of whom would be new populations resulting from expansion.

Undocumented immigrants are not and will not be eligible for SCHIP.

Undocumented immigrants have never been eligible for SCHIP and will not be eligible for SCHIP in the future. States are responsible for implementing measures to insure that only citizens are enrolled in SCHIP.

Reauthorization bills. The House reauthorization package, the CHAMP Act, would allow additional categories of lawfully present immigrant children and pregnant women to enroll in SCHIP as a state option. Currently, even lawfully present immigrants (who are in the country legally and playing by the rules) are not allowed to access SCHIP (or Medicaid) until they have been in the country at least five years. Some states have opted to cover lawfully present immigrants under SCHIP using only state funding.

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[2] Cindy Mann and Michael Odeh, "SCHIP Reauthorization: Can the Nation Move Forward without Going Backward?" Georgetown University Center for Children and Families, July 2007; Greenstein, Robert, "The Administration's Dubious Claims about the Emerging Children's Health Insurance Legislation: Myth and Reality," Center on Budget and Policy Priorities, July 20, 2007.

[3] Mann and Odeh, supra.

[4] The Lewin Group, "Characteristics of the Uninsured in Colorado, Draft," Prepared for the Colorado Blue Ribbon Commission for Health Reform, June 12, 2007, p. 5.

While both the House and the Senate reauthorization packages make changes to current citizen documentation requirements, neither bill takes away the requirement that applicants and enrollees must be citizens.

Prenatal and parental coverage is important to the health of children.

The law permits states to cover certain adults within their existing programs. Adult enrollment in SCHIP accounts for less than 10% of total enrollment, and that number includes pregnant mothers.[5] Prenatal care is critical to the health of infants. A minority (11) of states allow parents and childless adults to enroll in SCHIP. Many states that cover parents do so as a way of encouraging child enrollment.[6] Uninsured parents are three times as likely to have uninsured children and statistics show that child enrollment benefits from parental enrollment in health insurance. [7] Under current law child enrollment cannot suffer as a result of expanding benefits to adults, and expansion must be budget neutral. There is currently a moratorium on any further enrollment of childless adults.

Colorado. In Colorado, the only adults that may enroll in SCHIP are low-income prenatal mothers. As of June 2007, there were over 1,200 prenatal mothers enrolled.

Reauthorization bills. The Senate reauthorization bill would grandfather states that currently enroll parents but would prohibit new states from enrolling parents. The Senate bill would also phase out the coverage of childless adults in SCHIP. The House bill would grandfather states currently covering childless adults but prohibit the practice by new states. Under the House bill no new waivers will be granted for the coverage of parents unless states can show that best efforts are being made to first cover children under 200% FPL.

SCHIP is an important response to the lack of access and affordability of health care for low-income children.

SCHIP is a response to declining employer sponsored insurance and the inability of low-income families to afford private insurance on the open market. It is modeled on private health insurance and mostly administered by private, non governmental entities, not by government doctors or government health plans. Most states contract out the SCHIP program to private plans. 77 percent of children in SCHIP are enrolled in managed care plans.

SCHIP is regarded as one of the most cost-effective ways to expand health coverage to the uninsured, [8] and has successfully reduced the number of uninsured children in the U.S. by one-third.

While some children may migrate from private insurance to SCHIP due to lower costs and better coverage, the House and Senate reauthorization bills would result in coverage for **4-5 million**

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[5] Congressional Budget Office, Estimate of the Changes in SCHIP and Medicaid Enrollment of Children under the Children's Health Insurance Program Reauthorization Act of 2007, July 26, 2007, fn. a.

[6] Samantha Artiga and Cindy Mann, "Family Coverage Under SCHIP Waivers," Kaiser Commission on the Uninsured, May 2007.

[7] Karyn Schwartz, "Spotlight on Uninsured Parents: How a Lack of Coverage Affects Parents and their Families," Kaiser Family Foundation, June 2007; Leighton Ku and Matthew Broaddus, "Coverage of Parents Helps Children Too," Center on Budget and Policy Priorities, October 20, 2006.

[8] Jonathan Gruber, PhD., Massachusetts Institute of Technology, Letter Chairman John Dingell, Committee on Energy and Commerce, February 28, 2007.

children who would otherwise be uninsured. In lean budget years when the rates of insured adults were falling, the rate at which children were insured remained the same, suggesting that SCHIP as a safety-net for low-income families operates precisely as intended. These benefits of improving and expanding this important safety net are too great to ignore in a country where there are still nearly **9 million uninsured children**.

Reauthorization bills. The reauthorization proposals expand coverage to reduce the number of uninsured children in this country by nearly half. The administration of the program remains the same.

The House reauthorization bill phases out overpayments to private Medicare providers and makes improvements to the Medicare program.

The House plans to phase out overpayments to private insurers in the Medicare Advantage Program cuts pork barrel spending to insurance companies, not services to seniors. This phase out will save $50.1 billion over five years allowing the savings to be used to make improvements to services for seniors and to help fund SCHIP reauthorization.

Medicare Advantage is a program within Medicare that allows beneficiaries of the program to enroll in private plans rather than receive care through traditional fee for service Medicare. According to the Congressional Budget Office, about 18 percent of all Medicare beneficiaries participate in Medicare Advantage.[9] Private Medicare Advantage insurers are reimbursed, on average, 12% more than traditional Medicare for the same services, or about $1000 more per beneficiary. The House bill levels the playing field and pays private insurers the same amount for services as traditional Medicare.

The House reauthorization bill also makes changes to Medicare that, among other things, expand programs to help low-income seniors, assist with out of pocket expenses, and provide better preventive care.[10]

Conclusion

SCHIP reauthorization is about providing coverage to children in families who cannot afford it in any other way. Health care for children must be affordable and it must be accessible. We are on the verge of dramatically reducing the ranks of uninsured children in this country. Under current proposals, 4 to 5 million who would otherwise be uninsured could be covered through SCHIP.

[9] Congressional Budget Office, Statement of Director Peter Orzag before the Committee on the Budget, U.S. House of Representatives, "The Medicare Advantage Program," June 28, 2007.
[10] Edwin Park, "House Health Legislation would Curb Medicare Overpayments to Private Plans, While Aiding Medicare Beneficiaries Overall," Center on Budget and Policy Priorities, August 1, 2007.