



## Forum Session Meeting Announcement

**Friday, July 27, 2007**

9:00am — Breakfast

9:30am–12:00pm — Session

# SCHIP: Coming of Age or Stuck in Adolescence?

## A Discussion Featuring:

**Cindy Mann, JD**

*Executive Director*

Center for Children and Families  
Georgetown University Health Policy Institute

**Nina Owcharenko**

*Senior Policy Analyst*

Center for Health Policy Studies  
The Heritage Foundation

**Leslie Cummings**

*Executive Director*

California Managed Risk Medical Insurance Board

**Cathy Caldwell**

*Director*

ALL Kids Program  
Alabama Department of Public Health

**With Comments from Key Congressional Staff**

## Location

**Reserve Officers Association  
of the United States**

One Constitution Avenue, NE  
Congressional Hall of Honor  
Fifth Floor

*(Across from the Dirksen Senate  
Office Building)*

## Registration Required

Space is limited. Please respond  
as soon as possible.

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# SCHIP: Coming of Age or Stuck in Adolescence?

## OVERVIEW

*This National Health Policy Forum session will offer an overview of the proposed State Children's Health Insurance Program (SCHIP) reauthorization legislation that is being considered in Congress and will explore its potential implications at both the state and federal levels. Speakers will offer their insights and analyses of the legislation and will discuss the pros and cons of the financing and policy modifications. State representatives will share their perspectives on how the proposed changes might influence state attitudes toward expanding children's coverage and will consider the possibilities for the future. Finally, key congressional staff who have been involved in the negotiations will be on hand to offer their insights into the process over the next two months.*

## SESSION

The reauthorization of the State Children's Health Insurance Program (SCHIP), set to expire on September 30, 2007, has become the year's hottest topic of health policy debate. Committee chairmen and the Speaker of the House have said the program's extension is their top legislative priority this year. Some state officials and members of Congress view SCHIP reauthorization as an opportunity to pursue significant coverage expansions for children. However, the President and some members of Congress have tagged any expansion of SCHIP as a dangerous foray "down the path to government-run health care."<sup>1</sup> Regardless of the program's direction for the future, few would disagree that SCHIP has played a significant role in providing health insurance coverage to millions of children who were previously uninsured. The estimated number of uninsured, low-income children nationwide decreased from nearly 23 percent in 1997 to 15 percent in 2003, despite a national economic downturn and a state fiscal crisis that resulted in many families losing access to employer-based health insurance coverage.<sup>2</sup> By 2005, the national uninsured rate for children had fallen to 12 percent.

In 2006, SCHIP facilitated access to health coverage for 6.6 million children nationally. In addition, SCHIP has helped underscore the importance of a consistent and comprehensive source of primary and preventive care and has improved the perception of publicly financed health programs in many states. As reauthorization of this relatively small but influential program approaches, federal and state policymakers have an opportunity to reflect on the program's achievements and limitations and to think proactively about its future.

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## THE “CHAIRMAN’S MARK”

On July 19, 2007, the Senate Committee on Finance marked up the “Children’s Health Insurance Program Reauthorization Act of 2007.” The proposed legislation is the culmination of months of intense bipartisan negotiations over the future (and the name) of the program.<sup>3</sup> The bill includes a broad range of programmatic and financing changes, including a total five-year appropriation of \$60 billion. (The CBO baseline of \$25 billion plus an additional \$35 billion to be financed by a 61-cent increase in the federal tobacco tax.)<sup>4</sup> It is estimated that the new funding level could result in additional coverage for as many as 4.1 million children who would otherwise be uninsured.<sup>5</sup>

The markup language includes several structural changes designed to make the program’s financing system more predictable and equitable across states. The state-specific allotments would be more closely tied to previous spending levels and would be updated frequently to better reflect insurance coverage and child population trends. The legislation also includes mechanisms for holding a portion of federal (S)CHIP funds in reserve to ensure that states would be less likely to face shortfalls that cannot be corrected.

One of the key priorities for both Democrats and Republicans is to target lower-income children who are already eligible for SCHIP or Medicaid but have not enrolled. The mark includes several administrative mechanisms as well as financial incentives for states to focus their energies on this subset of children first. The bill also places a significant emphasis on removing existing barriers to developing public-private partnerships in which states provide premium assistance for children whose parents are enrolled in employer-sponsored coverage. The premium assistance element of SCHIP has long been a priority of the Bush administration and is likely an area that will garner a substantial amount of bipartisan support.

The bill devotes several sections to quality of care and child health outcomes, with specific provisions for data reporting and funding improvements to states’ information systems. The topic of quality improvement and measuring access to care and health outcomes received only a small amount of attention in the original SCHIP legislation. The new bill appears to use the opportunity to make a serious attempt at improving what is known about the effectiveness of the Medicaid and SCHIP programs.

The proposed legislation is missing some of the key programmatic options that states have called for with support from advocates. The bill places a limitation on (S)CHIP enhanced matching funds to coverage for children with incomes below 300 percent of the federal poverty level (\$51,510 for a family of three in 2007).<sup>6</sup> Although the legislation provides an explicit state option for coverage of pregnant women, it places significant limitations on coverage of parents of SCHIP children and completely phases out coverage of childless adults. In addition, the proposed state options to cover legal immigrant children and children of state employees were not included

in the final markup language. Lastly, the controversial Medicaid citizenship documentation requirement that was part of the Deficit Reduction Act of 2005 (DRA) would be extended to SCHIP, with some modifications to the DRA language to make the process less burdensome.

## LOOKING TO THE FUTURE

Although the bipartisan Senate Committee on Finance markup of a (S)CHIP reauthorization bill is a significant first step, many hurdles remain. The House is likely to offer a companion bill in the very near future, and both the legislative language and the sources of offsets to pay for the program will need to be reconciled. In addition, the Bush administration is threatening to veto any legislation that expands the program, instead proposing to effectively decrease SCHIP funding over the next five years.<sup>7</sup>

At this point, the outcome is extremely difficult to predict. The one certainty is that there are 9 million children in the United States who remain uninsured and whose overall health and development may be suffering as a result. Many believe that SCHIP is the right vehicle for providing access to care for these vulnerable children, while others would like to see alternative avenues pursued. The question remains whether the leadership at the federal and state levels will meet the challenge of working together to find a compromise.

## KEY QUESTIONS

- What are the key elements of the bill that will improve the overall administration of (S)CHIP? What are the most important improvements from the state perspective?
- Does the proposed legislation provide a clear enough focus on covering the lowest-income children first? What have been the barriers to success with outreach to this population? How will the bill help remove some of those barriers?
- What are the implications of limiting the (S)CHIP enhanced matching rate to children with family incomes below 300 percent of the FPL?
- Given the proposed income limitations and changes to optional populations included in the Senate language, will the \$60 billion appropriation be enough for states to continue with their plans to expand coverage through (S)CHIP?
- Are the changes to make the financing system more predictable and equitable across states sufficient? Will the new incentive bonuses be a motivating force for states? Are the financing reforms significant enough to mitigate the impact of the reduction in new funds from \$50 billion to \$35 billion?

## SPEAKERS

**Cindy Mann** is the executive director of the Center for Children and Families at the Georgetown University Health Policy Institute. She will present an overview of the elements of the proposed legislation and offer an explanation of the key changes. Ms. Mann has been involved in the development and administration of SCHIP since its inception in 1997. From 1998 to 2001, she served as the director of the Family and Children's Health Programs group in the federal Center for Medicaid and State Operations, overseeing federal policies on Medicaid and SCHIP. Since 2001, Ms. Mann has provided extensive consultation and technical assistance to states in developing Medicaid and SCHIP expansions.

**Nina Owcharenko** is a senior policy analyst in the Heritage Foundation's Center for Health Policy Studies. She will offer her insights and perspectives on the proposed SCHIP reauthorization debate. Ms. Owcharenko (pronounced oh-CHAH-renko) researches and writes on a variety of health care policy issues, including the uninsured, Medicaid, and prescription drugs. She served for nearly a decade on Capitol Hill focusing on health care issues. Before coming to Heritage in 2001 Ms. Owcharenko served as the legislative director for Rep. Jim DeMint (R-SC), and Rep. Sue Myrick (R-NC). She started her Hill career working for Sen. Jesse Helms (R-NC).

**Leslie Cummings** is the executive director of the California Managed Risk Medical Insurance Board, which operates the state's SCHIP program, known as the Healthy Families Program. She has over 25 years of experience working in California's state government, including several positions in the state legislature. Ms. Cummings will offer California's reaction to the proposed legislation and will consider how the outcome might influence the state's plans for offering universal coverage in the near future.

**Cathy Caldwell** is the director of the Alabama's SCHIP program, known as ALL Kids. Ms. Caldwell has been working on the ALL Kids program since it was created in 1997, and she was involved in the initial policy development that led to the state's CHIP plan, which was the first in the nation to be approved. She will offer a smaller state's perspective on the proposed reauthorization bill and will share Alabama's plans for the future of the ALL Kids program.

## ENDNOTES

1. "President Bush Discusses Health Care," June 27, 2007; available at [www.whitehouse.gov/news/releases/2007/06/20070627-10.html](http://www.whitehouse.gov/news/releases/2007/06/20070627-10.html).
2. John Holahan and Arunabh Ghosh, *The Economic Downturn and Changes in Health Insurance Coverage, 2000-2003*, The Urban Institute, September 2004; available at [www.urban.org/UploadedPDF/411089\\_HealthInsCoverage.pdf](http://www.urban.org/UploadedPDF/411089_HealthInsCoverage.pdf).

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3. The original language in the Balanced Budget Act of 1997 was for the program to be called the Children's Health Insurance Program (CHIP). However state associations and some in Congress argued strongly that the block grant program would be operated by the states and succeeded in adding an "S" to the title several months after the program was enacted.
4. The Chairman's mark proposes twice as much funding as was included in the President's fiscal year 2008 budget.
5. CBO, "Preliminary CBO Estimate of Changes in SCHIP and Medicaid Enrollment of Children under the Chairman's Mark for the CHIP Reauthorization Act of 2007," July 13, 2007; available at <http://finance.senate.gov/sitepages/leg/LEG%202007/Leg%20110%20071307%20CBO%20Enrollment.pdf>.
6. The Medicaid matching rate would still be available for states with approval to cover children at higher income levels, and states with existing SCHIP plans to cover children above 300 percent of the FPL would be grandfathered in under this provision.
7. The President's fiscal year 2008 budget proposed an additional \$4.8 billion above the CBO baseline of \$25 billion for SCHIP. CBO has estimated that this funding level would actually result in a reduction in coverage for more than 800,000 children between 2007 and 2012. See CBO, "Additional Information on CBO's Estimate of the Administration's SCHIP Proposals," March 9, 2007.



*The National Health Policy Forum is a nonpartisan research and public policy organization at The George Washington University. All of its publications since 1998 are available online at [www.nhpf.org](http://www.nhpf.org).*