

SCHIP Reauthorization: The Road Ahead

The State Children's Health Insurance Program: Past, Present and Future

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Overview of Presentation

- A Brief History of SCHIP
- Where We Are Now
- Key Issues for Reauthorization



Factors Behind Initial Enactment

- Strong, bi-partisan support for covering America's uninsured children
- Support for the tobacco tax increase used to finance SCHIP
- Precedent of successful state programs
- Adopted in the context of a budget reconciliation bill



Key Ingredients of SCHIP Law

- Block grant / No entitlement to coverage
- No mandates / State option with “enhanced matching funds”
- Funds dedicated to NEW coverage
- State flexibility to use Medicaid and/or a separate state program
- Significant flexibility over design of separate state programs
 - Premiums and cost-sharing
 - Benefits
 - Option to shut down enrollment
- Medicaid treated as the base off of which states would build



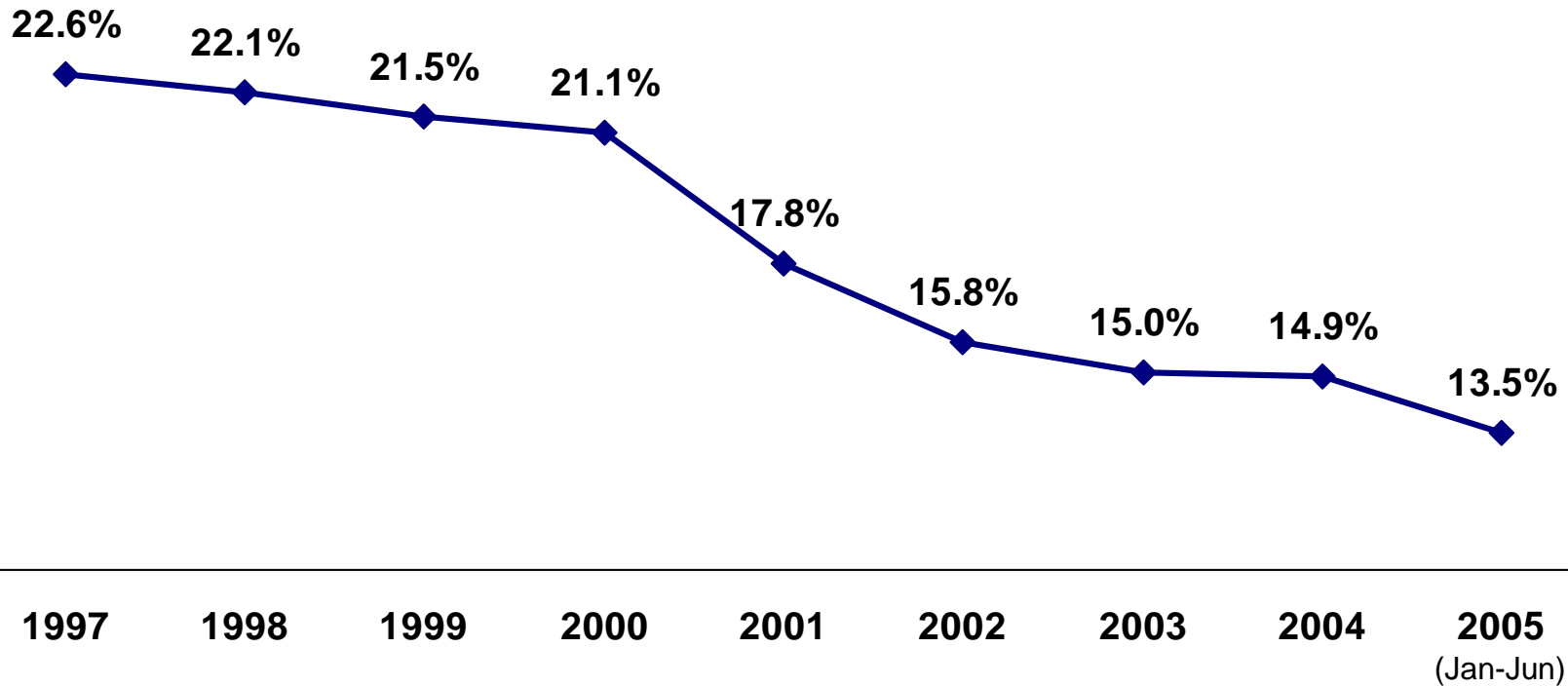
The Good News and the Bad News: Uninsured Children in 1997 and 2004

	1997	2004
Number of Uninsured Children	10.7 million	8.3 million
Percentage of All Children Uninsured	15%	11%

Source: 1998 and 2005 March Current Population Survey.

Trends in the Uninsured Rate of Low-Income Children, 1997 - 2005

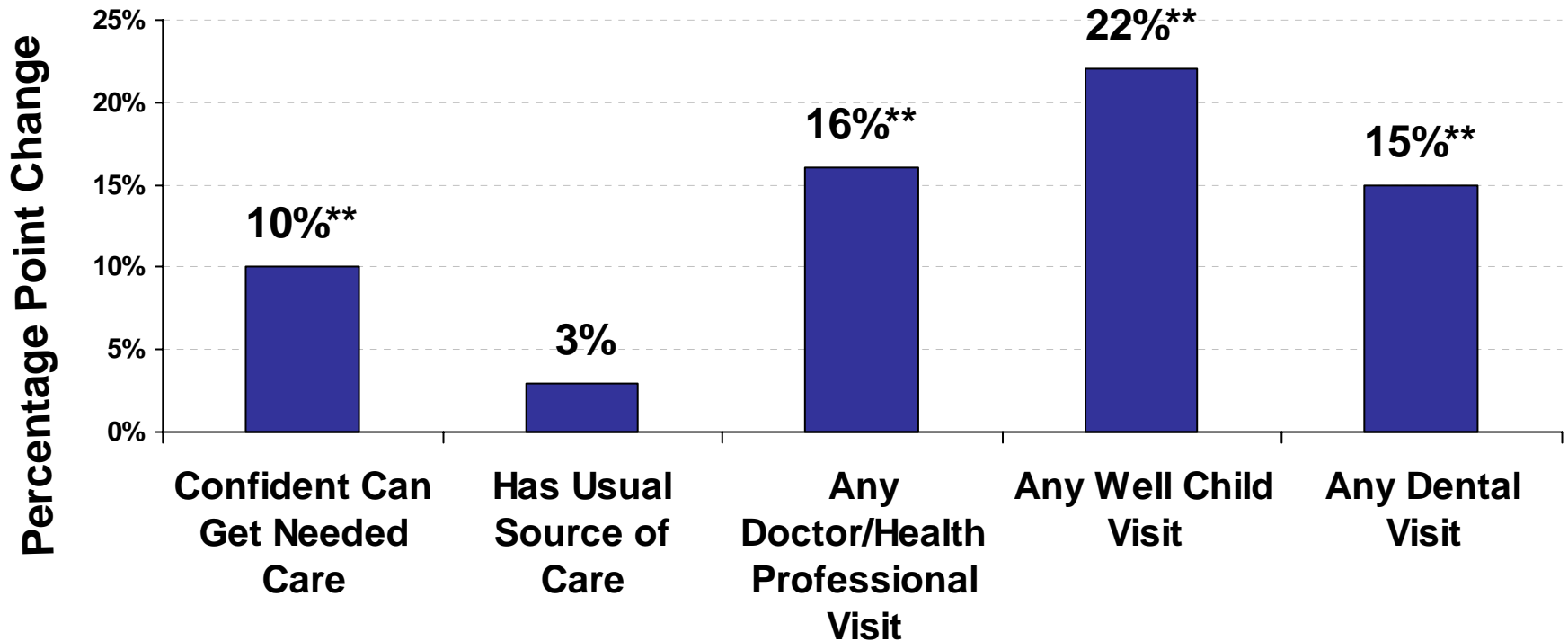
Uninsured rate of low-income children under 18



Source: Georgetown CCF analysis based on from the National Health Interview Survey, December 2005. Beginning in 2004, the NHIS changed its methodology for counting the uninsured. This results in the data for 2004 and later years not being directly comparable to the data for 1997 – 2003.



Impact of Eligibility on Access to Care and Use of Services



** Significant at the .01 level.

Source: Urban Institute Analysis of National Survey of America's Families (NSAF).

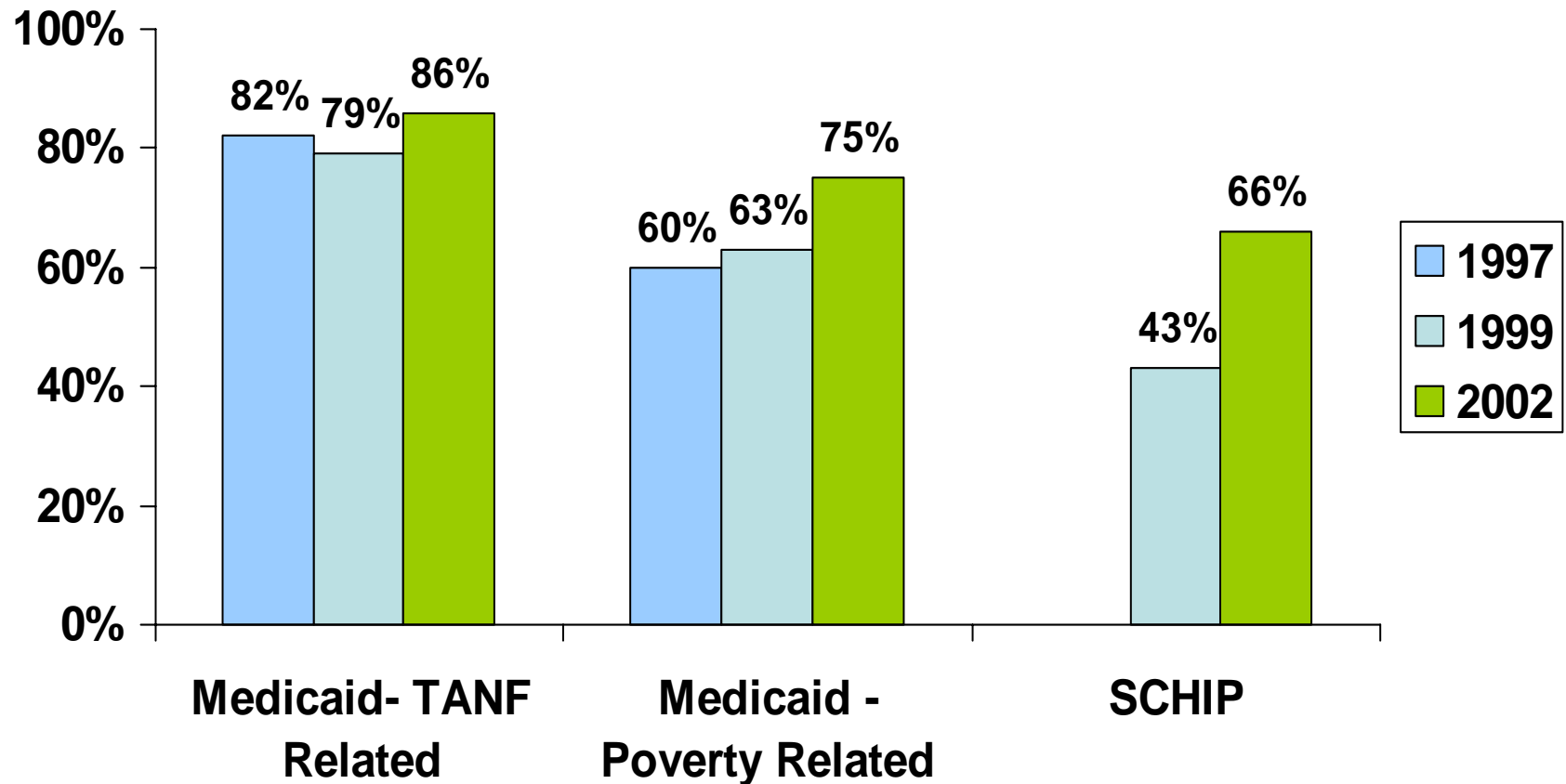


SCHIP's Role in the Success Story

- Spurred major expansions in coverage for children
- Now covers some 4 million children (6 million over the course of a year)
- Reinvigorated Medicaid coverage for children
- Spurred expansive child health outreach initiatives and efforts to make it easier for families to enroll in coverage



Changes in Medicaid and SCHIP Participation Over Time



Source: Lisa Dubay, Urban Institute. 1997,1999,2002 National Survey of America's Families

Note: Excludes children with private coverage and defined for citizen children ages 0 to 17.

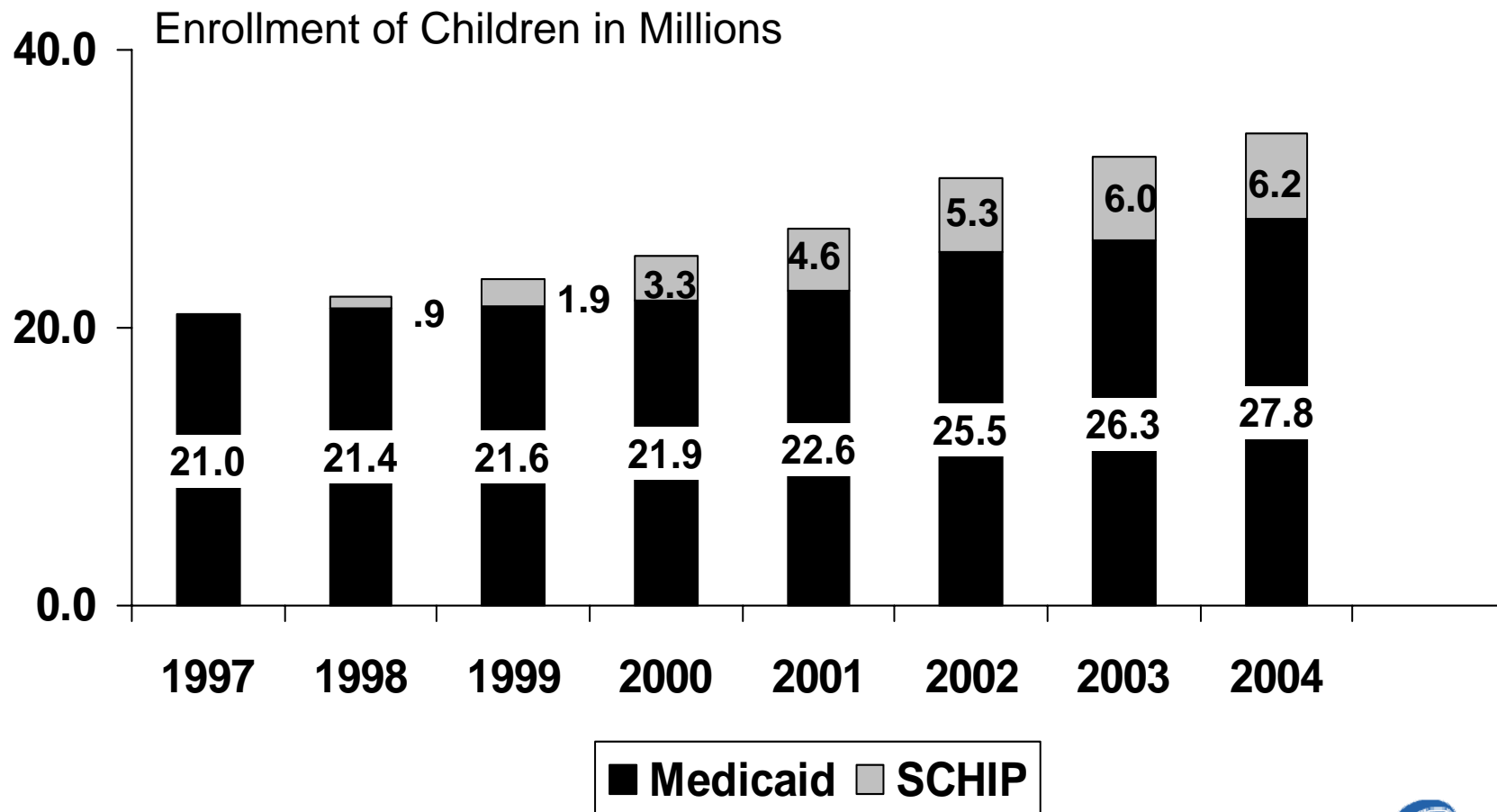


Medicaid's Role in the Success Story

- **Medicaid is the backbone of the coverage system for children**
 - Covers some 30 million children, close to nine in ten of those with public coverage
 - Guarantees federal funding to states and coverage to eligible children
- **Medicaid provides the base off of which SCHIP builds**
 - SCHIP-financed coverage begins where “regular” Medicaid stoops
 - Picks up many of the children with the most extensive health care needs
 - Provides “backup” financing for SCHIP



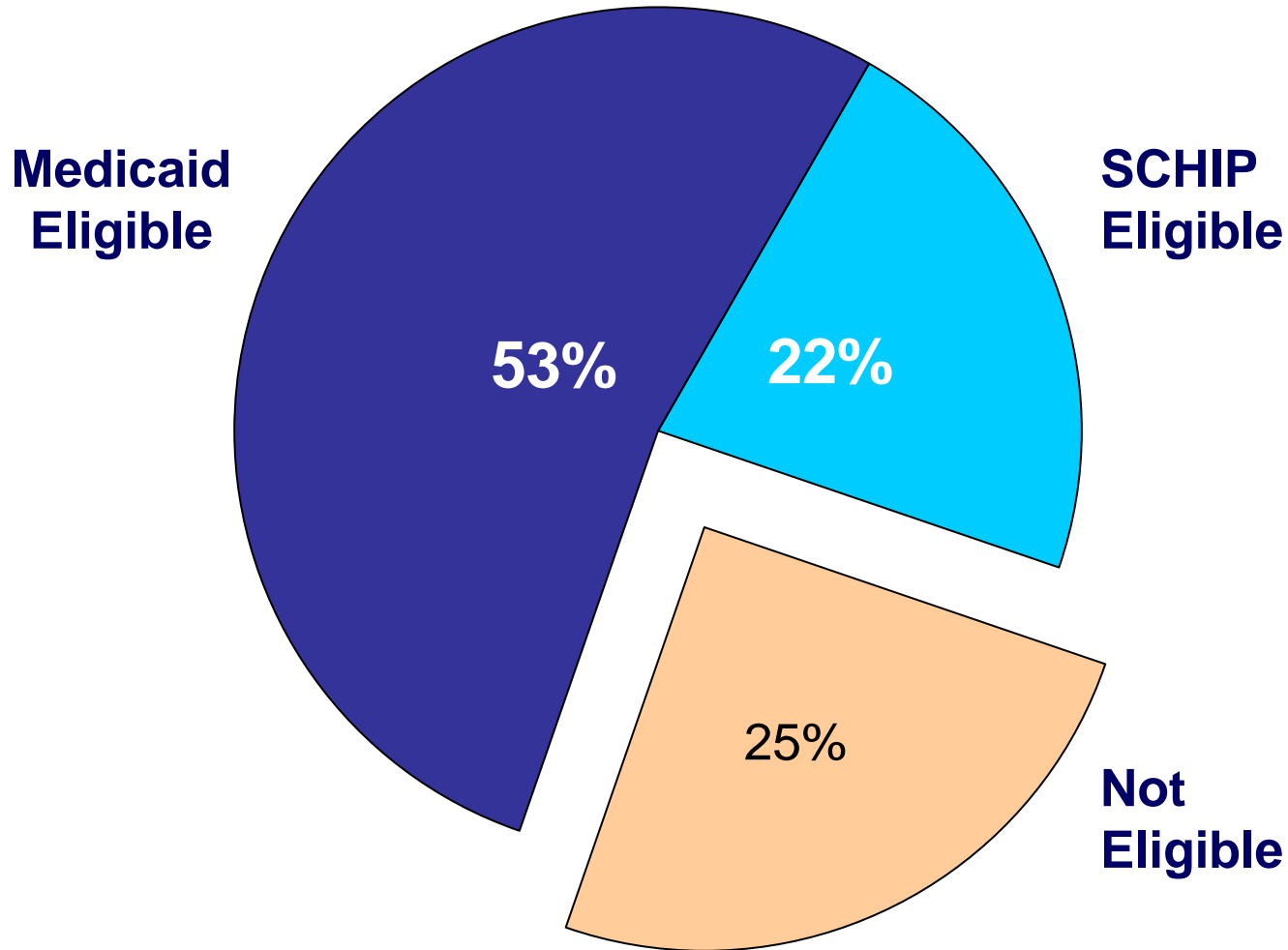
Table 3: Coverage Gains Over the Past Decade Have Come Equally from Medicaid and SCHIP



Source: CCF, Preliminary data. Based on children ever-enrolled over the course of a year.



3 out of 4 Uninsured Children are Eligible for Medicaid or SCHIP

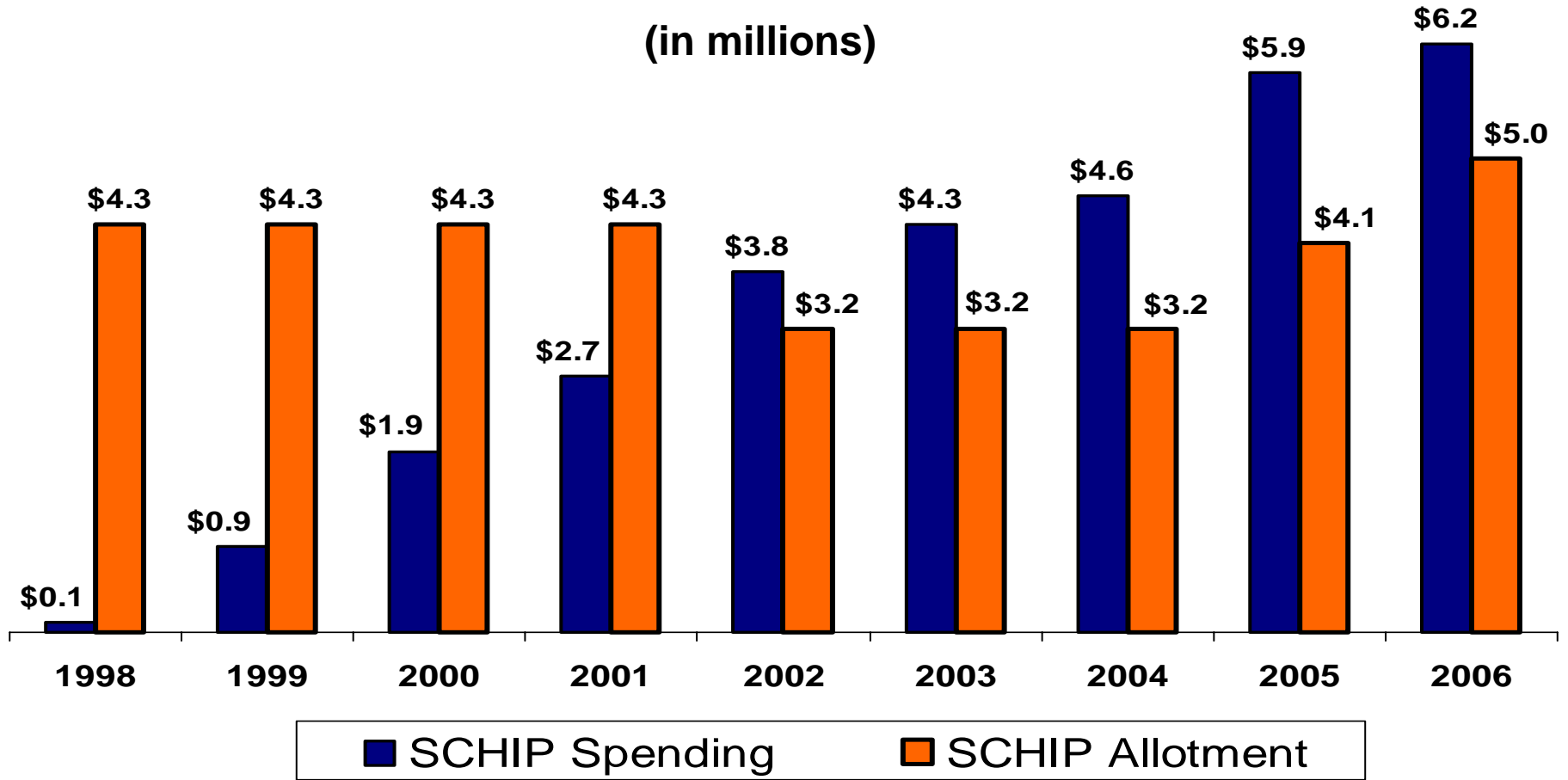


Specific Policy Issues Likely to Emerge in Reauthorization

- **How much SCHIP funding will be available?**
 - Level of funding
 - Redistribution formula
 - Source of any new funds
- **Who can be covered?**
 - Income range of children who can be covered
 - Treatment of adults covered with SCHIP funds
 - Refinancing of pre-SCHIP expansions
 - Special groups of children (legal immigrants, state employees children)

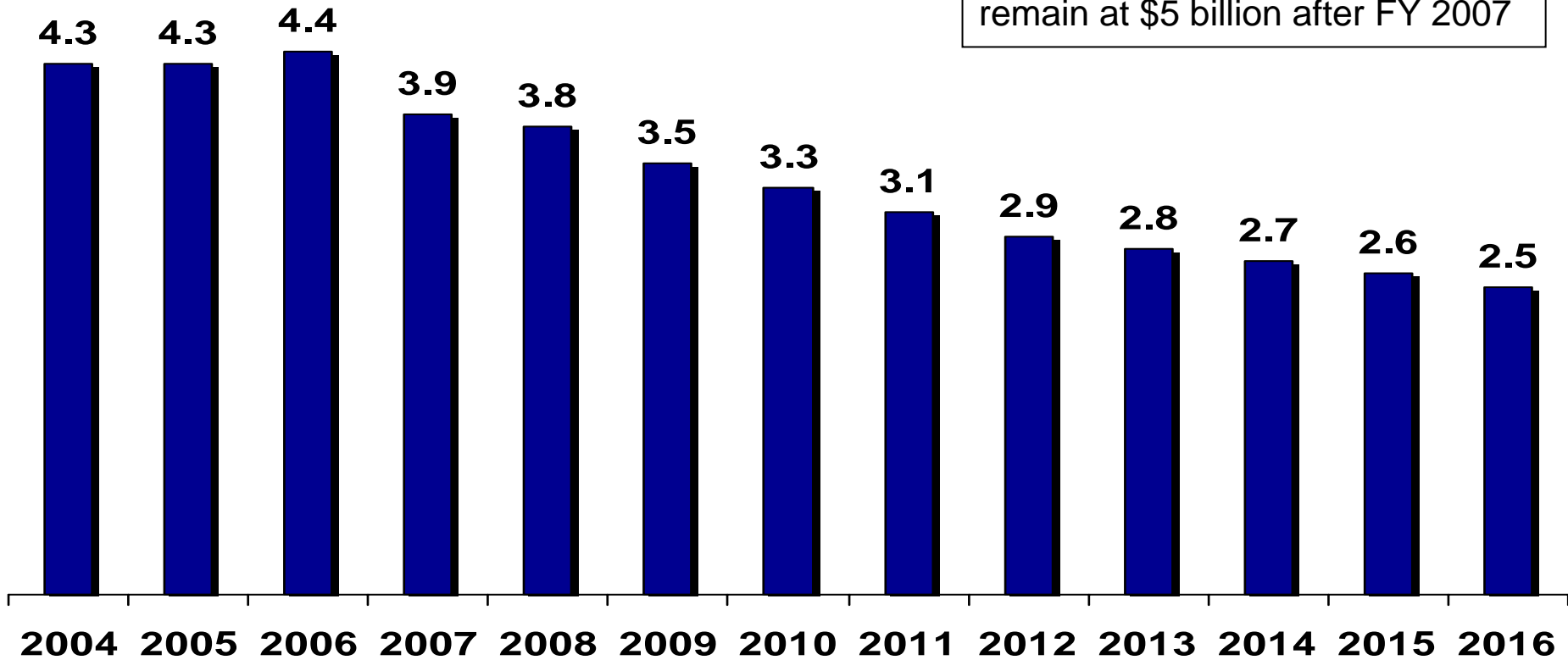


SCHIP Spending is Rapidly Outpacing New Funds Being Made Available



SCHIP Enrollment Projections, 2007-2016

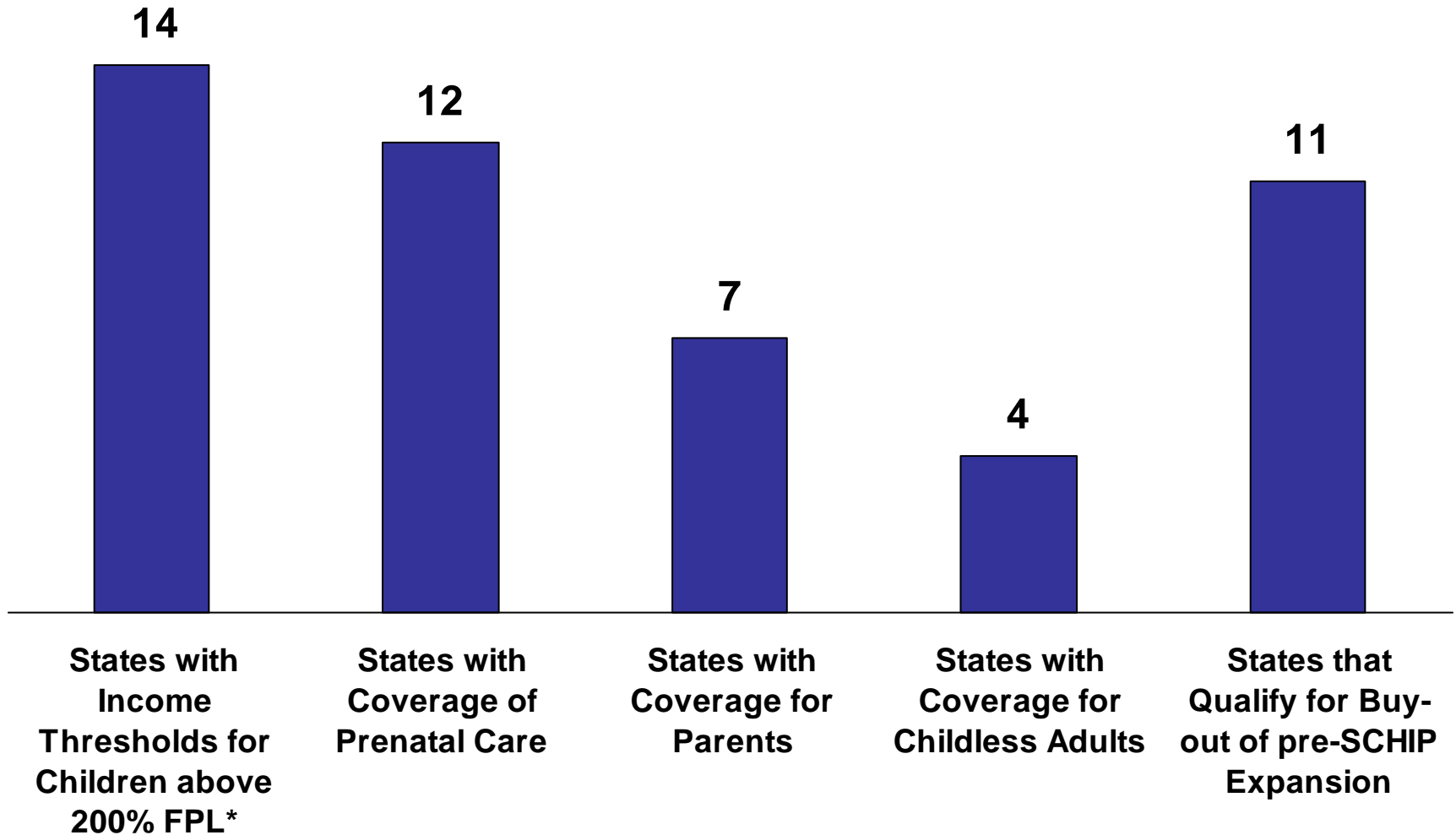
Millions of People



Assures federal SCHIP allotments remain at \$5 billion after FY 2007



Selected State Coverage Choices Under SCHIP



* Additional states effectively cover children above 200% FPL through disregards and deductions.

Source: Data are preliminary.

Specific Policy Issues Likely to Emerge in Reauthorization (continued)

- **What kind of coverage will be provided?**
 - Changes to benchmark benefits
 - Relationship to employer-based coverage
 - Incentives to improve quality and access
- **How do we reach eligible, but uninsured children?**
 - Performance-based incentives for increasing enrollment
 - Outreach funding
- **What are the implications for Medicaid?**



Conclusion

- **In conjunction with Medicaid, SCHIP has been a critical part of recent progress in covering children**
- **To keep moving forward, Congress will need to address 3 critical issues in reauthorization**
 - SCHIP funding levels
 - New options and tools for moving forward on coverage
 - Keeping Medicaid strong



Key Features of SCHIP's Financing Structure

- Capped federal funding of \$40 Billion for FY98 – FY07
 - Set amount available for each fiscal year (“annual allotments”)
 - Divided among the states based on a statutory formula
- State spending requirement and enhanced matching rate
 - States must spend some of their own funds to use federal SCHIP dollars
 - “Enhanced matching rate” set at 65% to 85%, depends on state
 - Relative to “regular” Medicaid, reduces by 30% the cost of providing coverage
- Redistribution system
 - States have three years to use initial allotments
 - Unspent funds are redistributed; states have up to 1 year to use
 - These basic rules have been modified multiple times



SCHIP Cost Sharing Standards

	Children Below 150% FPL		Children at or above 150% FPL	
	Medicaid Expansion	Separate SCHIP program	Medicaid Expansion	Separate SCHIP program
Most services	Up to 10% of the cost of the service	\$1 to \$5 or up to 5% coinsurance	Up to 20% of the cost of the service	No specific limits
Prescription drugs	Up to \$3 for a non-preferred / may charge less for preferred	\$1 to \$5 or up to 5% coinsurance	Up to 20% of cost for non-preferred / may charge less for preferred	No specific limits
Preventive services	No charges allowed	No charges allowed	No charges allowed	No charges allowed
Aggregate cap	5% of income	5% of income	5% of income	5% of income
Premiums	Not allowed	Up to \$15 to \$19 per month	No upper limit except 5% cap	No upper limit except 5% cap

