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SCHIP Reauthorization Crucial for Continued Success of PeachCare

Key reasons why SCHIP needs reauthorization as well as federal funding increases:

- If simply reauthorized at current funding levels, Georgia's annual federal allotment could result in more than 100,000 children losing health coverage.
- As the availability of employer-sponsored health insurance has declined, SCHIP has been vital in providing access to health coverage to thousands of Georgia children who would otherwise be uninsured.
- Increased funding contained in the Congressional proposals could allow Georgia to extend health coverage to between 171,000 and 202,000 children who would otherwise be uninsured.

The State Children's Health Insurance Program (SCHIP) was created in 1997 with a 10-year authorization and \$40 billion in federal funds over ten years. Under the SCHIP program, states are able to receive federal funds at a higher match rate than under the Medicaid program to target children from families whose incomes exceed Medicaid thresholds but who have difficulty affording private health insurance. The initial authorization and funding period is set to expire September 30, 2007; however, congressional efforts are currently underway to reauthorize the program for an additional five years and to increase federal funding available to states. This paper will briefly examine the success of SCHIP in its ten years, as well as the different reauthorization legislation passed by the U.S. House and Senate and the alternatives proposed by the Administration.

SCHIP is a Success, Needs More Resources

In its ten years in existence, SCHIP has been an undeniable success at increasing access to health coverage among children from working poor families in Georgia and throughout the nation. The program has grown to currently cover more than 4 million children nationwide and nearly 300,000 children in Georgia, most of whom would otherwise be uninsured.¹ Nationally, the children's uninsured rate fell from 12.5% in 1999 to 10.5% in 2004, though it has since increased to 11.7% in 2006.²

In Georgia, the SCHIP program has been important in preventing coverage losses among children that have occurred in the adult population. For example, low-income adults in Georgia saw their uninsured rate increase substantially in recent years, from 35.8% in 2000/2001 to 44.6% in 2005/2006. In this same time period, the uninsured rate among low-income children in Georgia increased at a much slower pace, from 18.6% to 20.1%. Driving the increasing uninsured rates has been dramatically declining rates of employer-sponsored insurance coverage among both adults and children.³ The existence of PeachCare has helped keep many of these children from becoming uninsured when they lose private coverage, thus helping to prevent the very large increases seen in the low-income adult population from also occurring with low-income children.

Despite the program's success at increasing access to, and preventing more significant declines in coverage for millions of children, approximately 314,000 children in Georgia and 8.7 million children in the nation remain uninsured.⁴ Many of these children already qualify for SCHIP, yet are not enrolled.⁵ One reason for this coverage gap is that federal funding levels established ten years ago are no longer sufficient to keep up with growing demand; and without adequate federal funding, states are less likely to reach out to more unenrolled children. In many states, including Georgia, baseline funding levels will not be adequate to even maintain existing enrollment, much less address the eligible-but-not-enrolled children.

Under current funding levels, states would receive \$25 billion in federal SCHIP funds over the next 5 years (October 2007 through September 2012). According to the Congressional Budget Office, however, states would need approximately \$14 billion in additional federal funds over those 5 years, above the \$25 billion baseline funding, simply to maintain current programs.⁶

U.S. Senate and House Reauthorization Proposals Add Significant Federal Funding

Prior to the summer recess, the U.S. House and Senate each passed separate versions of SCHIP reauthorization legislation. While these two pieces of legislation differed in many ways, both chambers successfully added funding that would enable states to cover millions of children who would otherwise be uninsured. In addition to the funding increases included in these bills, both the House and Senate made programmatic changes that would better target federal funds to states with the most need, incentivize states to cover more eligible children, and allow states to offer coverage to some individuals not currently eligible.

The Senate Proposal

The Senate passed SCHIP reauthorization legislation with a significant bi-partisan majority vote of 68-31.⁷ The legislation includes an additional \$35 billion over five years above the baseline funding and a 61-cent increase in the federal tobacco tax to pay for the increased spending. Along with the additional funding, the Senate plan includes the following provisions, among others:

- Revises the current state allotment rules to base state allocations on a combination of a state's projected expenditures and the number of low-income children in the state;
- Creates a "Contingency Fund" to provide for additional federal resources for states with anticipated shortfalls;
- Creates incentives for states to enroll more eligible children and provides outreach resources for states and other entities to reach more eligible children;
- Limits federal SCHIP funds to children below 300% FPL (except for states already covering children above these levels);
- Allows states to expand coverage of pregnant women using SCHIP funds;
- Adds mental health parity to SCHIP and creates grants to improve dental care and address childhood obesity; and,
- Applies Medicaid citizenship documentation rules to SCHIP, and allows states the option of using SSN and matching information with the Social Security Administration to verify identity and citizenship.

Congressional Budget Office analysis of the Senate's SCHIP reauthorization proposal estimates that the plan could extend health coverage to 4 million children nationally who would otherwise be uninsured.⁸ Analysis breaking this estimate down by state indicates that 171,000 additional children who would otherwise be uninsured could be covered in Georgia under the Senate plan.⁹

The House Proposal¹

With a vote of 225 to 204, the House passed the Children's Healthcare And Medicare Protection (CHAMP) Act, which reauthorizes the SCHIP program through 2012 and includes an additional \$50 billion over 5 years in federal SCHIP funding.¹⁰ Though smaller than the Senate's tax increase, the House bill also includes an increase in the federal tobacco tax of 45-cents. As in the Senate proposal, the House legislation makes several substantive changes to the SCHIP program in addition to the funding increases, including, among others:

- Allows state allotments to increase every year based on population growth and recalibrates state allotments every 2 years;
- Redistributes unspent allotments to states with shortfalls and provides additional funding for states with shortfalls not caused by adult coverage or post-reauthorization expansions;
- Incentivizes outreach to eligible-but-not-enrolled children by creating performance bonuses for states that meet certain enrollment best practices and enrollment goals;
- Allows states to expand coverage of pregnant women using SCHIP and to expand Medicaid and SCHIP coverage to children through age 21;
- Limits new waivers for parental coverage with SCHIP funds; and,
- Strengthens SCHIP benefit guidelines, establishes dental coverage as mandatory, and adds mental health parity to SCHIP.

Congressional Budget Office analysis of the House of Representatives SCHIP reauthorization proposal estimates that the plan could extend health coverage to 5 million children nationally who would otherwise be uninsured.¹¹ Analysis breaking this estimate down by state indicates that 202,000 additional children who would otherwise be uninsured could be covered in Georgia under the House plan.¹²

Administration's Proposal and Response

While the House and Senate are currently working towards compromise SCHIP reauthorization that would add significant federal funds to the program and allow states to cover millions of children who would otherwise be uninsured, there is a great deal of doubt as to whether the President would sign such legislation. Prior to the passage of the Senate's reauthorization plan, the President indicated that he would veto the proposal as it was introduced in committee. Furthermore, the President's own SCHIP proposal included only about \$5 billion in additional SCHIP funds over five years, which is less than half the amount states need simply to maintain current programs.¹³

Importance of Additional SCHIP Funding for Georgia

Georgia's SCHIP program, PeachCare, has been one of the most successful SCHIP programs in the nation. Since 1999, it has brought approximately \$1.3 billion in federal funding to Georgia and has been a valuable resource for Georgia families in all parts of state.¹⁴ Over this time, PeachCare has been critical in preventing more significant coverage losses among children in Georgia, even while uninsured rates among adults have increased steadily. PeachCare is also an exceptional value for Georgia's citizens, as the state receives approximately \$2.70 in federal funds for every \$1 in state funds invested.

This success is in jeopardy, though, as current funding levels are not adequate to maintain current enrollment in PeachCare. Under current funding levels, Georgia would expect to receive \$165.9 million in federal SCHIP funding in Federal Fiscal Year 2008. Based on current enrollment, however, the state would likely need nearly \$300 million in federal funds over this period just to cover all the children already on the program. Meaning, the existing federal allotment would be sufficient to cover only about 175,000 of the more than 280,000 children currently enrolled in PeachCare.¹⁵

¹ This paper will not examine the Medicare-related provisions included in the CHAMP Act. For more information on the Medicare provisions of the CHAMP act please see the following bill summary document produced by the House Committees on Ways and Means and Energy and Commerce: <http://energycommerce.house.gov/CHAMP/FINAL%20CHAMP%20Section%20by%20Section.pdf>

Additional federal SCHIP funding is crucial for Georgia to be able to cover current enrollees, let alone build on the success of the PeachCare program to reach more uninsured children. With approximately 314,000 children currently uninsured in Georgia, reaching the thousands of children who are likely eligible for PeachCare, but not enrolled, could require significant federal resources. It is likely that roughly 100,000 children are eligible but not enrolled in PeachCare; covering these children would necessitate approximately \$100 million in additional federal funds per year.¹⁶ While the SCHIP reauthorization proposals that have passed both the House and Senate differ in many substantive ways, both add the federal funding necessary for Georgia. The Administration's proposal to add only \$5 billion above the baseline over five years would not adequately fund the nation's SCHIP programs and would thus put Georgia's program at risk.

The Georgia Budget and Policy Institute (GBPI) is an independent, nonprofit, non-partisan organization engaged in research and education on the fiscal and economic health of the state of Georgia. The GBPI provides reliable, accessible and timely analyses to promote greater state government fiscal accountability as a way to improve services to Georgians in need and to promote quality of life for all Georgians.

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- ¹ National data represents point-in-time national enrollment estimate from June 2006 of 4,112,845. <http://www.statehealthfacts.org/comparemactable.jsp?ind=236&cat=4> State of Georgia information from DCH FY 08-09 budget presentation to the DCH Board on August 9, 2007 which indicated 282,501 children enrolled in PeachCare in July 2007. http://dch.georgia.gov/vgn/images/portal/cit_1210/3/45/88341435Med_PCK_SHBP_2009_Budget_Presentation_to_Board_7-09-07.pdf
- ² U.S. Census Bureau historical health insurance data. <http://www.census.gov/hhes/www/hlthins/historic/hihist5.html>
- ³ In 2000/2001, nearly 28% of low-income children and 36% of low-income adults had employer-sponsored health insurance, in 2005/2006 these rates dropped to roughly 19% and 26%, respectively.
- ⁴ U.S. Census data from the 2006 Annual Social and Economic Supplement. http://pubdb3.census.gov/macro/032007/health/h05_000.htm
- ⁵ According to a 2007 report titled “Whose Kids are Covered” (Prepared for the Robert Wood Johnson foundation by the State Health Access Data Assistance Center at the University of Minnesota, March 2007) approximately two-thirds of uninsured children in Georgia come from families below 200% of the federal poverty level and would likely qualify for Medicaid or SCHIP.
- ⁶ Estimate from the baseline budget estimate from the Congressional Budget Office (CBO) takes overall population growth into account but do not reflect substantial enrollment growth in SCHIP programs. In order to simply maintain current enrollment CBO estimates that \$9.4 billion would be needed above the baseline from 2007-2012. http://www.cbo.gov/ftpdocs/78xx/doc7861/m_m_schip.pdf
- ⁷ Summary of Senate Action: <http://thomas.loc.gov/cgi-bin/bdquery/z?d110:HR00976>: Text of Senate Bill: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h976eas.txt.pdf
- ⁸ Cost Estimate from Congressional Budget Office and Joint Committee on Taxation, August 24 2007, includes estimates of additional children covered under Medicaid and SCHIP. The 4 million children estimate includes enrollment increases in the Medicaid (1.7 million) and SCHIP (2.2 million) programs by children who are currently uninsured. <http://www.cbo.gov/ftpdocs/85xx/doc8584/08-28-CHIP.pdf>
- ⁹ Families USA Special Report, September 2007. “Kids Waiting for Coverage: How Many Are in Your State?” <http://www.familiesusa.org/assets/pdfs/chip-kids-waiting.pdf>
- ¹⁰ Summary of House Action: <http://thomas.loc.gov/cgi-bin/bdquery/z?d110:h.r.03162>: Text of House Bill: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h3162eh.txt.pdf
- ¹¹ Cost Estimate from Congressional Budget Office and Joint Committee on Taxation. The 5 million children estimate includes enrollment increases in the Medicaid (3.1 million) and SCHIP (1.9 million) programs by children who are currently uninsured. <http://cbo.gov/ftpdocs/85xx/doc8519/HR3162.pdf>
- ¹² “Kids Waiting for Coverage: How Many Are in Your State?”
- ¹³ President’s FY 2008 Budget Proposal. Dept. of Health and Human Services section, page 68. <http://www.whitehouse.gov/omb/budget/fy2008/pdf/budget/hhs.pdf>
- ¹⁴ Based on federal expenditure data through 2005 and estimated expenditures for 2006 and 2007. Data reported by the Georgetown University center for Children and Families. <http://ccf.georgetown.edu/schipdocs/pend.pdf>
- ¹⁵ Calculations based on per-enrollee / per-month costs from DCH of approximately \$130. By estimating that member premiums cover approximately 8% of per-enrollee costs on average (based on 2005 data), GBPI calculates per-member/per-year costs of \$1,440. This figure is split between the state and federal government, with the federal share being appx. 73.4%. Based on July 2007 PeachCare enrollment of 282,501 children, the total FY 2008 cost of maintaining current enrollment would be approximately \$406.8 M, necessitating federal funding of appx. \$298.5 M. The existing federal allotment of \$165.9 M along with the FY 07 state appropriation of \$86.4 M would cover approximately 62% of those currently enrolled, about 175,000 children.
- ¹⁶ Recent census estimates indicate that roughly 314,000 children in Georgia are uninsured, and analysis by the Center on Budget and Policy Priorities indicate that approximately roughly 70% to 80% of these children (appx 220,000 to 250,000) come from families whose income would make them eligible for Medicaid or PeachCare. Previous studies cited by GBPI and examined in “Reforming Healthcare Brief #3” <http://gbpi.org/pubs/healthcare/20060619.pdf> indicated that nearly half of these children are likely eligible for PeachCare. Meaning, of these 220,000 to 250,000 children, at least 100,000 may be eligible for coverage under the existing program. Based on current federal financial participation rates, for every 100,000 enrolled in PeachCare for an entire year, the state would need approximately \$106 million in federal funds, along with approximately \$38 million in state funds.
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