



March 7, 2007

The Honorable Senator Harry Reid
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Senator Mitch McConnell
Minority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Boehner
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Senator Reid, Senator McConnell, Speaker Pelosi, and Representative Boehner:

On behalf of the American Public Human Services Association (APHSA) and its affiliate, the National Association of State Medicaid Directors (NASMD), we are writing to ask that you address two pressing issues related to the State Children's Health Insurance Program (SCHIP). As the leaders of the states' health and human services agencies, we echo the National Governors Association's strong support for this highly successful program.

APHSA and NASMD request that Congress ensure that sufficient funds are made available to avert shortfalls in funding for states' SCHIP programs for the remainder of this fiscal year. The looming shortfalls threaten the sustainability of states' SCHIP programs this year, and they also create an uncertainty in the program to the detriment of states' provider networks and SCHIP enrollees.

APHSA and NASMD also urge Congress to move quickly but thoroughly in your efforts to reauthorize the SCHIP program. We are pleased to provide you with the enclosed principles for reauthorization that have been developed by our membership. We hope you will agree that these are reasonable principles that can help inform the reauthorization process proposals.

In summary, SCHIP is an important component for states' undertaking expansion efforts to ensure that low income individuals have access to quality health care coverage. Among the highest priorities for states are providing sufficient funding for the SCHIP program and maintaining the flexibility that allows states to shape their programs in the way that best meets the needs of their low-income populations. States also believe Congress should use this opportunity to address some of the barriers that may have stymied enrollment and prevented innovation.

We look forward to working with you to strengthen the SCHIP program. Please do not hesitate to contact Martha Roherty, Director of NASMD, at 202-682-0100 if we can be of further assistance or if you would like to meet in person to discuss these matters.

Sincerely,



Jerry Friedman
Executive Director



David Parrella
Chair, NASMD Executive Committee

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2007 SCHIP Principles for Reauthorization

Ensure a Timely Reauthorization

- The State Children's Health Insurance Program (SCHIP) has enabled states' to provide accessible, quality coverage to low income children, families and individuals. The SCHIP program is set to expire at the end of fiscal year 2007. Congress should act expeditiously to reauthorize the program to avert any potential disruptions in coverage.

Provide Adequate, Flexible Funding Mechanism

- SCHIP should be reauthorized to ensure that all states have sufficient resources to maintain their current caseloads and to provide states with the tools to expand health coverage to additional low income, uninsured children. These and other efforts to strengthen the SCHIP program should not weaken or divert resources from the Medicaid program.
- The original SCHIP statute provided states with the flexibility to meet the needs of children while meshing with each state's political climate, insurance market, and health care provider system. For example, at the time the SCHIP program was created, some states already offered health insurance coverage for low income children. As a result, they had to maintain such programs with state funds and have invested the SCHIP funding in efforts to cover additional low income children and parents.
- The SCHIP financing formula should be rebased using more accurate data and should reflect specific state information such as SCHIP enrollment, SCHIP population, remaining SCHIP dollars, and needed SCHIP dollars. Any revision to the SCHIP financing formula and eligibility requirements also should reflect state variation in the cost of living. In addition, the formula should ensure equitable treatment for the states that provided coverage to low income children prior to the enactment of the SCHIP statute.
- The SCHIP statute should be amended to include the process of redistributing unspent SCHIP funds for each state at the end of each budget cycle. Any SCHIP funds remaining in future years should be reinvested in targeted health insurance initiatives for low income individuals. In making this structural change to the statute, coverage for low income children should be prioritized. This would help provide consistency and reliability in the redistribution process.
- The SCHIP statute should be updated to ensure equitable treatment of the U.S. Commonwealth and territories. Specifically, adequate funding based on the

demographics of the U.S. Commonwealth and territories should be provided to meet the needs of individuals eligible for SCHIP.

Preserve and Strengthen Opportunities for State Innovation

- The flexibility for each state to determine the design of their program and benefit package is fundamental to the success of the SCHIP program overall and within each state. This flexibility should be retained while also continuing to grant states new authorities to improve the design and administration of their program to meet the needs of low income children.
- The Medicaid and SCHIP statutes should be amended to permit blending of public and private health insurance coverage and continuity of care as children move between programs. State proposals to subsidize employer-based health insurance for low-wage workers should be considered.
- SCHIP eligibility definitions should be revised to consider coverage of children of low-income public employees.

Equalize Treatment of Standalone SCHIP Programs

- Increased flexibility should be afforded to states operating standalone SCHIP programs. Currently, standalone SCHIP programs face significant limitations that are not applicable to states that operate a Medicaid expansion or combination Medicaid and SCHIP program.

Support Appropriate SCHIP Quality Initiatives

- States should be supported in their efforts to continue to make access to efficient, high quality care a top priority in their SCHIP programs. Additional support is needed to strengthen the consistency of data to permit comparisons on quality measures.

Minimize Administrative Burdens

- States face critical decisions in determining how best to allocate their limited resources for SCHIP. Although there is a 10 percent cap on administrative expenditures, additional unfunded mandates have been imposed since SCHIP was first created. States should be protected from new unfunded mandates that could divert money away from providing coverage to low income, uninsured children.