



National Association of State Medicaid Directors

an affiliate of the American Public Human Services Association

February 2007

SCHIP Principles for Reauthorization

Background

The State Children's Health Insurance Program (SCHIP) is scheduled to be reauthorized this year. Although there is broad bipartisan support for the SCHIP program, the program already is at the forefront of the national debate on health insurance coverage initiatives. The administration, Members of Congress, providers, advocates, and other key stakeholders have begun to hold hearings and meetings on their vision for the future of the SCHIP program.

The President's budget proposal calls for a five-year reauthorization of the SCHIP program and would add \$675 million in fiscal year 2008, bringing funding to \$5 billion. The administration also proposes to add \$1.9 billion in unspent funds for FY 2008. However, recent projections indicate the program needs \$15 billion in additional funding to continue covering its current enrollees, which was 6.6 million at one point in FY 2006. The administration's proposal also would limit eligibility to children at or below 200 percent of federal poverty levels. As of Jan. 1, 16 states covered children above 200 percent of federal poverty level (FPL), and as of July 2006, the upper income eligibility limit had reached 350 percent of FPL. Finally, the proposal would limit the amount of time that states would have to spend their allotments from three years to one year.

The Chairmen of the Senate Finance, House Energy and Commerce, and House Ways and Means committees have stated their concern with the insufficient funding levels in the President's budget. Although the House and Senate Budget committees will establish the funding level that many see as the marker for shaping the debate ahead, the aforementioned committees have begun to hold hearings on other modifications that may strengthen the program and examine how SCHIP fits with the momentum at the state level to develop health expansion initiatives.

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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.