

Revised February 2009

STATE CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP): REAUTHORIZATION HISTORY

The State Children's Health Insurance Program (now referred to as CHIP, not SCHIP) was enacted with bi-partisan support a decade ago as part of the Balanced Budget Act of 1997 (BBA). Together with Medicaid, CHIP has helped to reduce the rate of low-income uninsured children by expanding eligibility levels and simplifying enrollment procedures. Coverage gains helped to increase access to health services for millions of children, but 9 million children remain uninsured even though roughly two-thirds are eligible for Medicaid or CHIP, but not enrolled.

As the program was about to expire in 2007 Congress passed two versions of The Children's Health Insurance Program Reauthorization Act (CHIPRA) with bi-partisan support, but both bills were vetoed by President Bush. Ultimately, a temporary reauthorization of CHIP was passed in December 2007 to extend the program through April 2009. This extension fell short of the comprehensive CHIP reauthorization efforts which would have significantly increased funding and coverage of low-income children. Issues around the income eligibility limit for coverage of children, crowd-out, and the treatment of immigrants, parents and childless adults as well as tobacco tax financing and politics were the key stumbling blocks for more comprehensive efforts to reauthorize the program.

After more than two years of debate, CHIPRA 2009 was one of the first pieces of legislation passed by the 111th Congress and signed by President Obama. The Act expands funding for children's coverage by \$33 billion in federal funds over the next four and half years and is expected to extend coverage to 4.1 million children through Medicaid and CHIP who otherwise would have been uninsured by 2013.

Overview of Coverage Programs for Low-Income Children. Medicaid is the nation's major health coverage program for low-income children. CHIP was created as a complement to Medicaid to provide coverage to low-income, uninsured children who were not eligible for Medicaid. Currently, 29 million children are enrolled in Medicaid and 7 million in CHIP. Forty-four states cover children in families with incomes at or above 200 percent of FPL under Medicaid or CHIP. Like Medicaid, the federal government matches state spending for CHIP (at an enhanced rate compared to Medicaid), however, federal CHIP funds are capped, nationwide, and each state receives an allotment, so unlike Medicaid, there is no individual entitlement under CHIP. On average, the federal government's share of Medicaid spending is 57 percent, but it is 70 percent under CHIP.

February 2007: President's Budget. The President's proposed FY 2008 budget would have increased federal SCHIP allotments by about \$5 billion over 5 years and "re-focused" the program on low-income uninsured children below 200% of poverty. CBO estimated that under the President's budget proposal states would face a \$4.6 billion shortfall over five years and in 2012, 37 states would face a shortfall of \$2 billion to maintain current SCHIP programs.

Spring 2007: Budget Resolution. In the spring of 2007 Congress adopted a budget resolution that created a reserve fund of "up to" \$50 billion over 5 years to support coverage for children. However, Congress also reinstated PAYGO rules which require any new spending be offset with spending cuts or revenue increases. The budget resolution did not specify how SCHIP funding would be offset.

Summer 2007: House & Senate Bills (HR 3162 & S 1893). Both the House and Senate passed versions of SCHIP reauthorization bills over the summer of 2007 that would have significantly expanded funding and coverage for children. Both bills included fiscal incentives to enroll more children, grants for outreach, enhanced SCHIP benefits for mental health and dental services, efforts to improve premium assistance programs and measures to improve quality measures and reporting. The bills applied the new Medicaid citizenship documentation requirements to SCHIP, but allowed states the option to use social security numbers to help comply with the requirements. The bills relied primarily on increased tobacco taxes for funding.

The House version, the Children's Health and Medicare Protection Act (CHAMP or HR 3162) increased funding for children's health coverage by \$50 billion over the next five years and would have expanded coverage to 5 million more uninsured children. The House bill had new options for states to cover older children to age 21 and legal immigrant pregnant women and children. The bill also included funding offsets and policy changes related to Medicare.

The Senate bill, the Children's Health Insurance Program Reauthorization Act (CHIP or S 1893), included \$35 billion over baseline levels and expanded coverage to 4 million children who would have otherwise been uninsured. The bill limited enhanced matching funds for children below 300% of poverty and prohibited new SCHIP waivers to cover parents.

August 2007: SCHIP Guidance from CMS. On August 17, 2007, CMS issued new guidance in the form of a letter to State Health Officials. This guidance requires states to show that they have enrolled 95% of the children under 200% of poverty who are eligible for SCHIP or Medicaid, and that private employer-based coverage for lower income children has not declined by more than two percentage points during the prior five years before they can consider an expansion beyond 250% of poverty. To expand to these higher income levels, states must adopt specific strategies to prevent substitution of public coverage for private coverage or “crowd-out” including a requirement that children be uninsured for at least one year before they could be eligible for SCHIP. At the time, twenty-three states were directly affected by the guidance (10 that already covered children with incomes above 250% FPL and 14 states that had authorized expansions beyond this level).¹ States were given 12 months to come into compliance, but in August 2008 CMS was not taking action against states not in compliance.

Fall to Winter 2007: CHIPRA Bills (HR 976 and HR 3963).

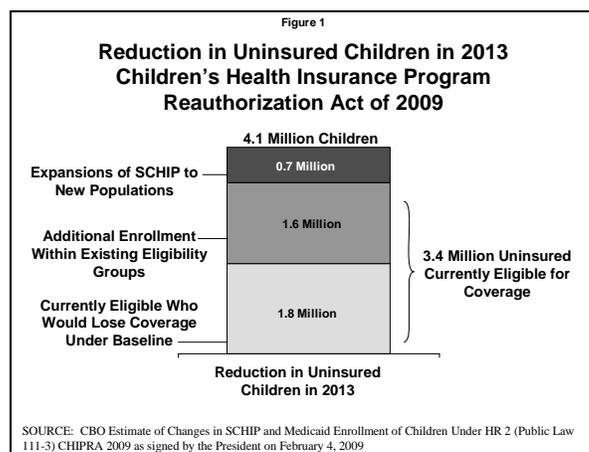
In the fall of 2007, Congress passed HR 976 the Children’s Health Insurance Program Reauthorization Act (CHIPRA) with bi-partisan support. The bill was similar to the Senate passed SCHIP reauthorization bill. Funding for the bill was derived exclusively from increases in the tobacco tax. The bill included provisions to address the issue of crowd out which would override the guidance issued by CMS in August. The bill required the General Accountability Office (GAO) and the Institute of Medicine (IOM) to identify best-practices for states to use in addressing crowd-out if states chose to enroll higher income children. HR 976 was vetoed and the House failed to override the veto.

The first CHIPRA bill, in the view of opponents, did not adequately address issues around income eligibility for children, crowd-out, and the treatment of immigrants, parents and childless adults. In response, Congress passed a revised bill with bi-partisan support (HR 3963). This bill prohibited SCHIP matching funds for coverage of children beyond three times the poverty level, required additional verification of citizenship status, required all states to implement best practices to limit crowd-out, encouraged premium assistance options, and sped up the transition of childless adults from SCHIP from two years to one year. The President vetoed HR 3963 and efforts to override the veto on January 23, 2008 failed.

December 2007: Extension Bill (S 2499). The Congress passed and President Bush signed the Medicare, Medicaid and SCHIP Extension Act of 2007. The bill maintains current funding levels for the program of \$5 billion per year; however, there is an additional appropriation of \$1.6 billion in FY 2008 and another \$.275 billion in FY 2009 (through March 2009) to address states that have projected shortfalls.

February 2008: President’s Budget. The President’s proposed FY 2009 budget would have increased federal SCHIP allotments by about \$19.7 billion over the 2009-2013 period and would impose a hard cap on SCHIP eligibility at 250% of poverty. Funding and enrollment estimates exceeded estimates from the FY 2008 proposal, but were significantly lower than the bi-partisan CHIPRA bills.

February 2009: CHIPRA 2009. The Children’s Health Insurance Program Reauthorization Act (CHIPRA) of 2009 expands federal funding for children’s coverage by \$33 billion over the next four and half years and is expected to cover to 4.1 million children in CHIP and Medicaid who otherwise would have been uninsured in 2013 (Figure 1).



CHIPRA 2009 looks very similar to the first CHIPRA bill (HR 976) except that it allows states the option to expand coverage to legal immigrant children and pregnant women during their first five years in the country. CHIPRA 2009 requires CHIP plans to include benchmark dental benefits and allows states the option to provide dental-only supplemental coverage for children who otherwise qualify for a state’s CHIP program, but have other health insurance without dental benefits. The final CHIPRA legislation also establishes the Medicaid and CHIP Payment and Access Commission (MACPAC) that will review Medicaid and CHIP access and payment policies and then submit reports and recommendations to Congress.

The new legislation did not address the August 17th Directive, but this guidance was withdrawn on February 4, 2009 by President Obama.

Outlook. The reauthorization CHIP will help support coverage for millions of low-income children. However, the length and depth of the economic downturn as well as efforts for broader health reform will inevitably have significant implications for children’s coverage looking forward.

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¹ WA is in both categories