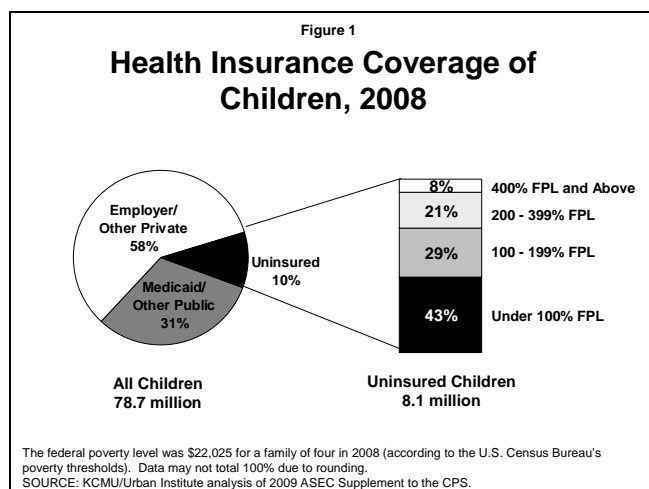


HEALTH COVERAGE OF CHILDREN: THE ROLE OF MEDICAID AND CHIP

During the current recession, Medicaid and the Children's Health Insurance Program (CHIP) have served as an important safety-net for children in low or moderate income families. Together, these programs insure almost one-third of all children and target those who do not have access to affordable private coverage. Despite the success and high participation rates in Medicaid and CHIP, 8.1 million children remain uninsured, and the vast majority of them are from low- and middle-income families (Figure 1). Provisions to strengthen coverage for children are included in both the 2009 Children's Health Insurance Program Reauthorization Act (CHIPRA) and the Patient Protection and Affordable Care Act (ACA) of 2010.



MEDICAID AND CHIP COVERAGE OF CHILDREN

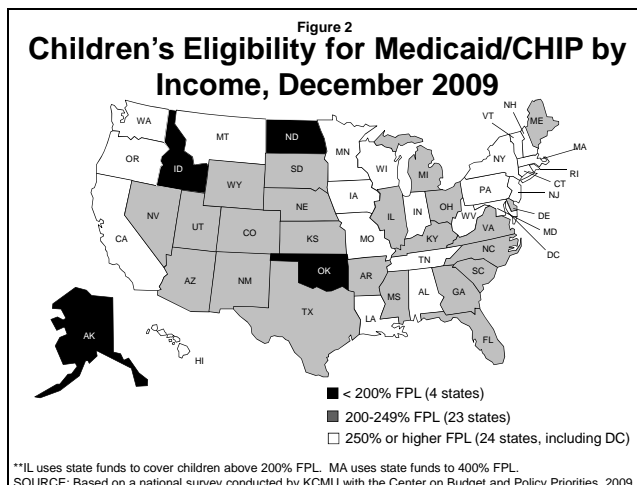
Medicaid pays for a full set of services for children, including screening and treatment (EPSDT), check-ups, physician and hospital visits, and vision and dental care. In 2007, Medicaid covered 29 million children at some point in the year. Children represent half of all Medicaid enrollees, but account for only 19% of total program spending.

The broad coverage provisions of the ACA go into effect in 2014 and will set national minimum Medicaid eligibility for nearly all individuals (including children) at 133% of poverty. Until 2014, states are required to extend Medicaid eligibility to children under 6 years old living in families with incomes at or below 133% of poverty (\$29,327 for a family of four in 2009), and to children ages 6-18 living in families with incomes at or below 100% of poverty. States also have authority to expand Medicaid eligibility beyond these minimum standards, and many states have used this authority to reach more children.

States can also cover children beyond their Medicaid eligibility levels through CHIP, which was created in 1997

and covers about six million children. Within CHIP, states are allowed to set premiums and cost sharing on a sliding scale based on income and can provide a more limited set of benefits than Medicaid. States and the federal government jointly fund both programs, although the federal government pays a higher proportion of CHIP costs up to a capped total amount for each state.

The enactment of CHIP spurred states to invest heavily in outreach and improve their enrollment processes for both Medicaid and CHIP while expanding children's coverage. As the cost of private coverage has increased, many states have expanded eligibility for public coverage. Forty-seven states including the District of Columbia cover children in families with incomes at 200% of poverty or higher (Figure 2).



The passage of CHIPRA provided states with increased federal funding, new tools and fiscal incentives to promote coverage for children. Prior to CHIPRA, states were precluded from using federal dollars to provide Medicaid or CHIP to legal immigrants who had been in the U.S. less than five years. States now have the option of providing this coverage to children and pregnant women who previously would have been subject to the five year ban.

TRENDS IN CHILDREN'S COVERAGE

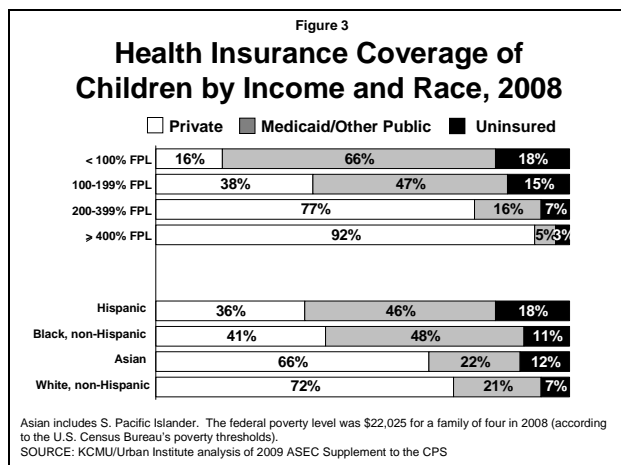
In 2008, despite a recession and a resulting decline in employer-sponsored coverage, the uninsured rate for children continued to drop and nearly 800,000 fewer children were uninsured than in 2007. That decline was caused by an increase in public coverage, with 1.7 million children gaining coverage through Medicaid or CHIP in 2008. In contrast, from 2004 to 2006, public coverage rates for children did not increase as private coverage rates fell. These trends resulted in a rise in the number of uninsured children during this earlier period.

Medicaid and CHIP are in a strong position to prevent children from losing coverage during the current recession because many states had expanded these programs when their economies were stronger. To aid states struggling to maintain Medicaid during the recession, the American Recovery and Reinvestment Act (ARRA) provided a temporary increase in federal Medicaid funding through December 2010. To be eligible for the funds, states could not restrict eligibility or make it more difficult for individuals to enroll. As the recession has continued, Congress has considered extending this additional Medicaid funding but has not yet passed this legislation. The ACA extended funding for CHIP through 2015 (an additional 2 years) and also included a maintenance of eligibility for children in Medicaid and CHIP through 2019.

UNINSURED CHILDREN

Almost three-quarters (72%) of the 8.1 million uninsured children in the U.S. live in families with household incomes below 200% of the federal poverty level (about \$44,000 for a family of four). The majority of uninsured children (68%) live in families with at least one full-time worker. These families often are not offered coverage by an employer or cannot afford the premiums. The full cost of family coverage purchased through an employer has doubled since 2000, reaching \$13,375 in 2009.

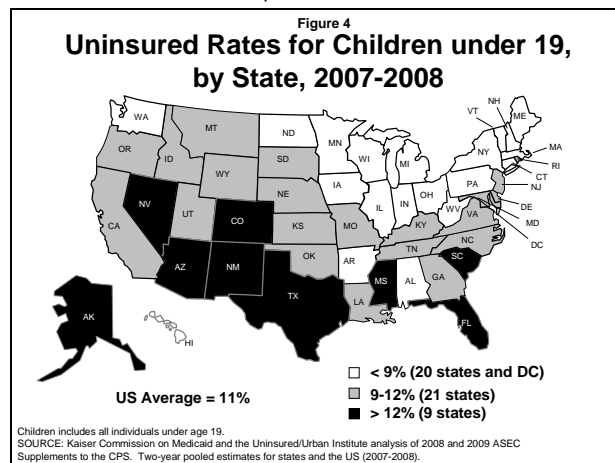
Public coverage targets lower income children who are more likely to be uninsured (Figure 3). Most of the 5.8 million uninsured children below 200% of poverty are eligible for Medicaid or CHIP, but are not enrolled. In many families with uninsured children, the parents are not eligible for Medicaid coverage. Research suggests that this may lead to confusion about eligibility rules that results in children going uninsured. Under the ACA, more parents and other adults will qualify for Medicaid in 2014.



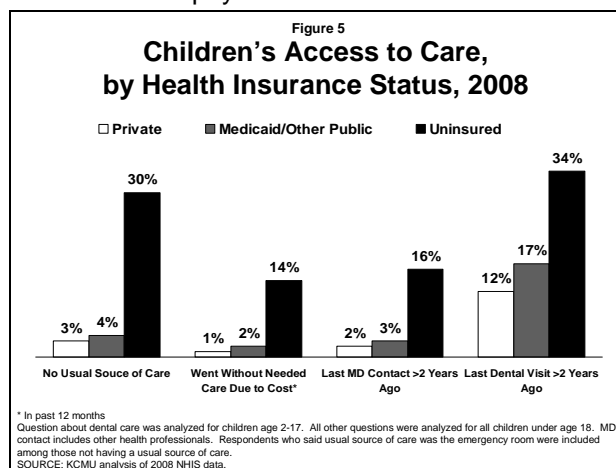
Racial and ethnic minority children are more likely to be uninsured than white children. However, uninsured rates for black and Hispanic children decreased significantly in 2008 as more children enrolled in Medicaid and CHIP.

The risk of being uninsured also differs depending on where a child lives, as the share of children who are uninsured varies widely across states (Figure 4). While

the uninsured rate for children is 5% or less in six states (HI, IA, MA, ME, NH, WV), in four states (FL, NM, NV, TX) more than 15% of children are uninsured. Additionally, almost half (47%) of all uninsured children live in 5 states (CA, FL, GA, NY and TX).



The role of health insurance coverage in improving access to care is well documented. Uninsured children have worse access to care than those who are insured by either Medicaid or private insurance (Figure 5). Research also demonstrates that parents whose children are uninsured or have public coverage think highly of Medicaid and CHIP. These programs offer strong protection against high out-of-pocket costs, while private insurance may have high deductibles and co-pays.



OUTLOOK

The ACA uses Medicaid as a base for a broad coverage expansion in 2014, but most uninsured children are currently eligible for Medicaid or CHIP and do not need to wait until 2014 to gain coverage. The Secretary of Health and Human Services has issued a challenge to find and enroll the some 5 million uninsured children who are currently eligible for public coverage. Enrolling these children will provide them with comprehensive insurance and strengthen Medicaid's base of coverage as the wider health reform effort gets underway.

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The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, DC office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bipartisan group of national leaders and experts in health care and public policy.