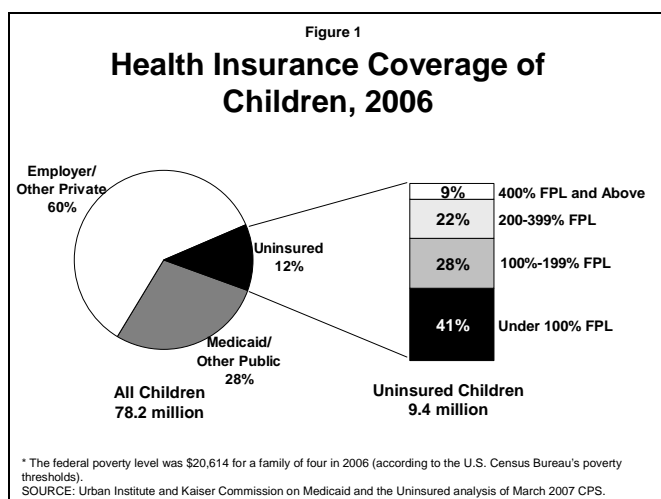


September 2007

## HEALTH COVERAGE OF CHILDREN: THE ROLE OF MEDICAID AND SCHIP

Medicaid and SCHIP play a crucial role in the U.S. health insurance system by providing coverage for more than one in four children. These children are typically from lower income families for whom private plans are often unavailable or unaffordable. During 2005, about 28 million children were on Medicaid and more than 6 million were covered through the State Children's Health Insurance Program (SCHIP). However, 9.4 million children remain uninsured, and the vast majority of these children are from low and middle income families (Figure 1).



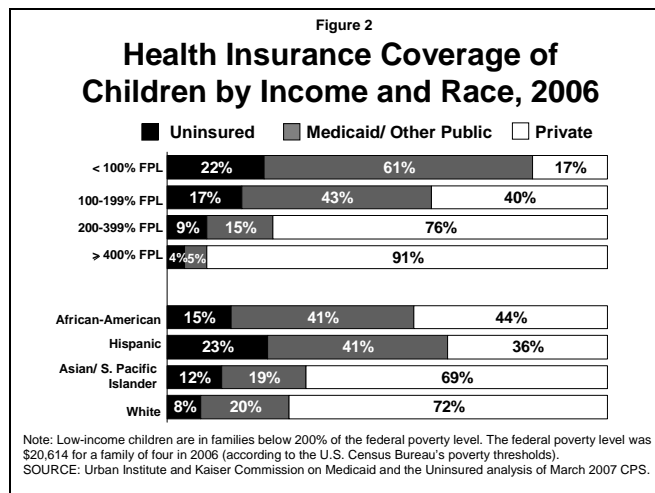
### UNINSURED CHILDREN

More than two-thirds of the 9.4 million uninsured children in the U.S. live in families with household incomes below 200% of the federal poverty level (\$41,228 for a family of four in 2006). The majority of uninsured children (72%) live in families with at least one full-time worker. These families often are not offered coverage or cannot afford the premiums. Since 2001, premiums for family coverage have increased 78%, while wages have gone up 19%. The average total premium in 2007 for a family of four with employer coverage is over \$12,000 per year.

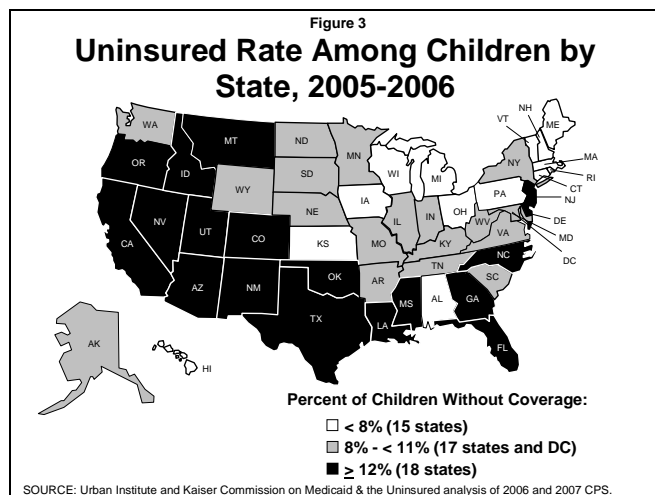
Public coverage targets lower income children who are more likely to be uninsured (Figure 2). Almost all of the 6.5 million uninsured children below 200% of poverty are eligible for Medicaid or SCHIP, but are not enrolled. Nearly one in 10 children from middle income families (200-399% of poverty) is uninsured. Those children are less likely to be eligible for public coverage.

Hispanic and African-American children are more likely to be uninsured than white children. Adolescents are also more likely than younger children to be uninsured, due in

part to lower Medicaid income eligibility levels for older children in some states.

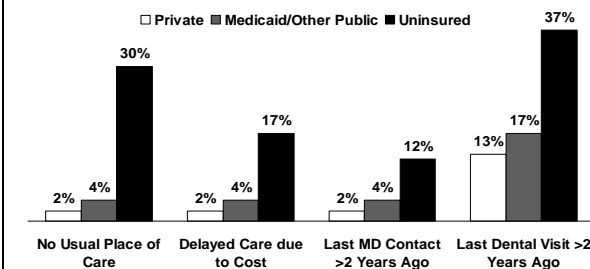


The risk of being uninsured also differs depending on where a child lives, as the share of children who are uninsured varies widely across states (Figure 3). While in Michigan only 5% of children are uninsured, in five states (AZ, FL, NV, NM, TX) over 16% are uninsured. Although those five states have large immigrant populations, they also have some of the highest uninsured rates among children who are U.S. citizens.



The role of health insurance coverage in improving access to care is well documented. Uninsured children have markedly worse access to care than those with Medicaid or private insurance. Medicaid provides children with a level of access to care that is comparable to that of children with private insurance coverage (Figure 4).

Figure 4  
**Children's Access to Care,  
by Health Insurance Status, 2006**



MD contact includes MD or any health care professional, including time spent in a hospital. Data is for all children under age 18, except for dental visit, which is for children age 2-17. Respondents who said usual source of care was the emergency room were included among those not having a usual source of care. All estimates are age-adjusted.  
SOURCE: National Center for Health Statistics, CDC. 2007. Summary of Health Statistics for U.S. Children: National Health Interview Survey, 2006.

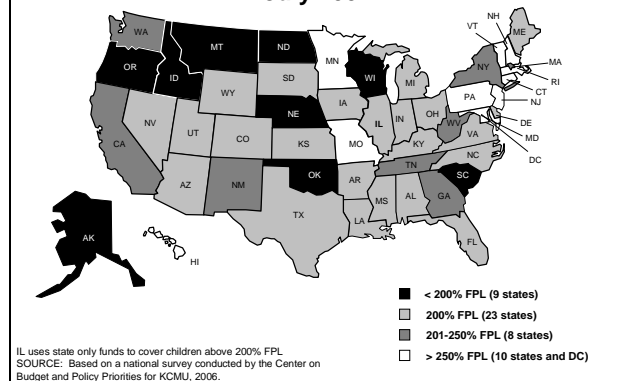
## MEDICAID AND SCHIP COVERAGE OF CHILDREN

The Medicaid program provides coverage for millions of low-income children. Children represent half of all Medicaid enrollees, but account for only 17% of total program spending. Medicaid pays for a comprehensive set of services for children, including physician and hospital visits, screening and treatment (EPSDT), well-child care, vision care, and dental services.

States are required to extend Medicaid eligibility to children under 6 years old living in families with incomes at or below 133% of poverty, and to children ages 6-18 living in families with incomes at or below 100% of poverty. Low-income, recent immigrant children are barred from federally-financed public coverage.

SCHIP was created in 1997 as a block grant to give states the flexibility to cover uninsured children in families with incomes above Medicaid eligibility levels (Figure 5). The program will expire on September 30, 2007 if it is not reauthorized. Within SCHIP, states can set premiums and co-payments on a sliding scale based on income and can cover a more limited set of benefits than Medicaid. SCHIP provides an enhanced federal match, but each state's federal funding for SCHIP is capped; as a result some states have experienced funding shortfalls.

Figure 5  
**Children's Eligibility for Medicaid/SCHIP by Income,  
July 2007**



## ISSUES IN IMPROVING COVERAGE

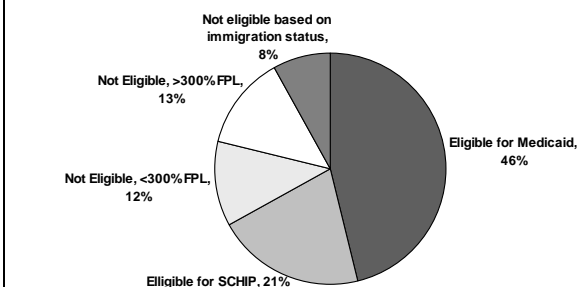
The enactment of SCHIP spurred states to invest heavily in outreach and improve their enrollment processes for both Medicaid and SCHIP while expanding coverage for children. As employer-sponsored coverage rates have declined, many states have extended coverage to children in families with higher incomes. Forty-two states including the District of Columbia cover children in families with incomes of 200% of poverty or higher.

Over the past decade, Medicaid and SCHIP helped reduce the uninsured rate for low-income children by about one-third. That trend reversed in 2005. From 2004 to 2006, public coverage rates did not change and the decline in employer coverage resulted in 1 million more uninsured children.

In 2006, about half of the increase in uninsured children occurred among children in families from 200% to 400% of poverty (\$41,228 to \$82,456 for a family of four) and was driven by a decline in employer coverage. When such families lose employer coverage, many cannot afford insurance in the individual market and in most states they have incomes above Medicaid and SCHIP eligibility.

States are moving forward to reach uninsured children who are currently eligible for public coverage and to extend coverage to middle income uninsured children without access to private coverage (Figure 6). Educating families about Medicaid and SCHIP and simplifying enrollment/renewal processes will help children gain consistent coverage and access to care.

Figure 6  
**Medicaid/SCHIP Eligibility and Family Incomes  
of Uninsured Children, 2004**



In 2004, 300% of the federal poverty level was \$57,921 for a family of four. Data has been adjusted for the Medicaid undercount.  
SOURCE: Urban Institute analysis of 2005 CPS data for KCMU.

Efforts to use SCHIP to improve children's coverage could be impeded by new guidance issued in August by the Bush administration that precludes states from expanding SCHIP coverage to children in families above 250% of poverty unless states meet a series of strict benchmarks. Recent increases in uninsured children point to the potential for past gains to be reversed if states are unable to expand SCHIP to reach the growing numbers of children without affordable private coverage and if program funding is inadequate to secure coverage.

Additional copies of this publication (#7698) are available on the Kaiser Family Foundation's website at [www.kff.org](http://www.kff.org).