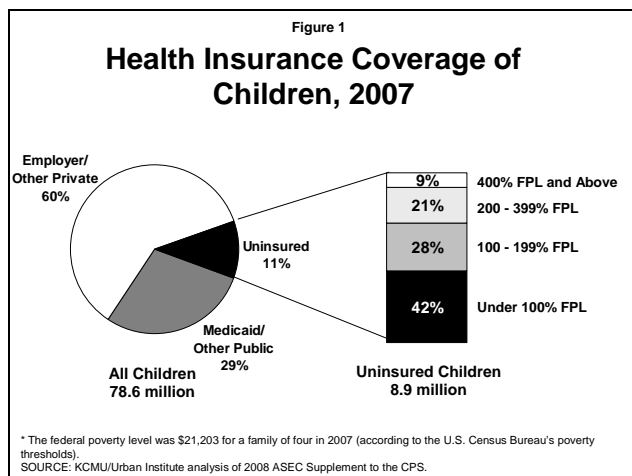


November 2008

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. In 2005, about 29 million children were enrolled in Medicaid at some point in the year. The State Children's Health Insurance Program (SCHIP) builds on Medicaid and provided coverage to 7 million children by 2007. However, 8.9 million children remain uninsured, and the vast majority of these children are from low and middle income families (Figure 1).

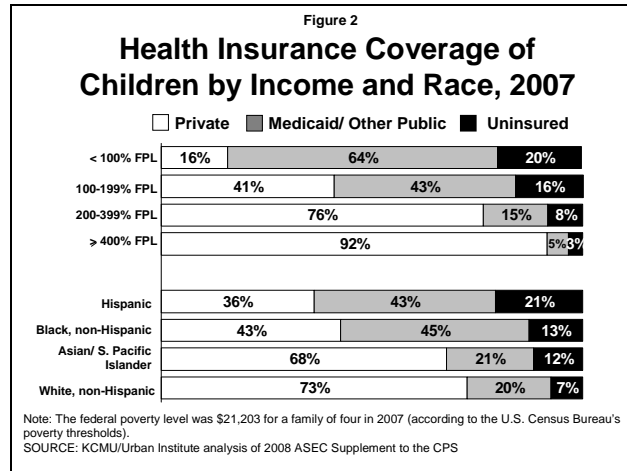


UNINSURED CHILDREN

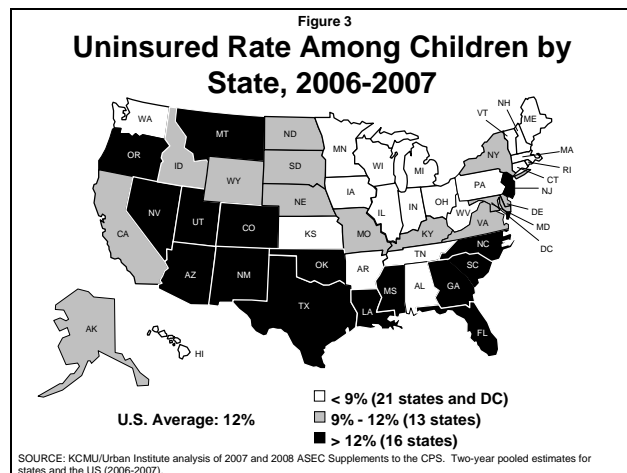
More than two-thirds of the 8.9 million uninsured children in the U.S. live in families with household incomes below 200% of the federal poverty level (\$42,406 for a family of four in 2007). The majority of uninsured children (70%) live in families with at least one full-time worker. These families often are not offered coverage or cannot afford the premiums. Premiums for family coverage have approximately doubled since 2000, reaching \$12,680 in 2008 for a family of four.

Public coverage targets lower income children who are more likely to be uninsured (Figure 2). Almost all of the 6.2 million uninsured children below 200% of poverty are eligible for Medicaid or SCHIP, but are not enrolled. About 8% of children from middle income families (200-399% of poverty) are 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 somewhat more likely than younger children to be uninsured, due in part to lower Medicaid income eligibility levels for older children in some states.

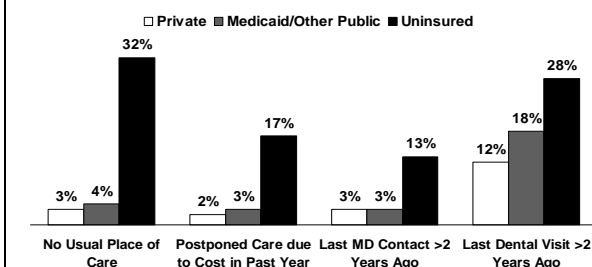


The risk of being uninsured also differs depending on where a child lives, as the share of children who are uninsured varies widely across states (Figure 3). While in Massachusetts and Wisconsin only 5% of children are uninsured, in six states (AZ, FL, MS, NM, NV, TX) more than 15% are uninsured.



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. About one-third of uninsured children do not have a usual source of care and 17% had to delay care in the past year due to cost. Medicaid provides children with a level of access to care that is comparable to that of children with private insurance coverage (Figure 4). Findings from surveys and focus group studies show a high degree of satisfaction with Medicaid and SCHIP among parents with children covered through the programs.

Figure 4
**Children's Access to Care,
by Health Insurance Status, 2007**



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.
SOURCE: KCMU analysis of 2007 NHIS data.

MEDICAID AND SCHIP COVERAGE OF CHILDREN

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. Children represent half of all Medicaid enrollees, but account for only 17% of total program spending.

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 and undocumented children are barred from federally-financed public coverage.

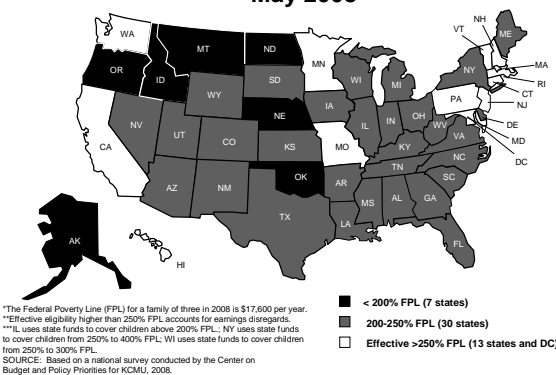
SCHIP was created in 1997 to give states the flexibility to cover uninsured children in families with incomes above Medicaid eligibility levels. Within SCHIP, states can set premiums and co-payments on a sliding scale based on income and can cover a more limited set of benefits than Medicaid. SCHIP provides an enhanced federal match, but each state's federal funding for SCHIP is capped; as a result some states have experienced funding shortfalls.

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 the cost of employer-sponsored coverage has increased and more families have had trouble affording private coverage, many states have raised eligibility levels for public coverage. Forty-three states and the District of Columbia cover children in families with incomes at 200% of poverty or higher (Figure 5).

TRENDS IN CHILDREN'S COVERAGE

Over the past decade, Medicaid and SCHIP helped reduce the uninsured rate for low-income children by about one-third. That trend reversed after 2004. From 2004 to 2006, public coverage rates did not change and the decline in employer coverage resulted in 1 million more uninsured children. In 2007, the number of uninsured children declined by 570,000 as a result of an increase in public coverage.

Figure 5
**Children's Eligibility for Medicaid/SCHIP by Income,
May 2008**



Anticipation of SCHIP reauthorization in 2007 and a strong economy encouraged states to redouble efforts to expand coverage and reach more eligible but uninsured children. Those efforts were impeded by guidance from the Bush administration issued in August 2007 that precludes states from expanding SCHIP coverage to children in families above 250% of poverty unless states meet a series of strict benchmarks.

In the months after that guidance was issued, Congress passed two bi-partisan versions of bills to reauthorize SCHIP, which was set to expire. Both bills would have expanded the number of children covered through Medicaid and SCHIP and both bills were vetoed by the President with insufficient votes in the House to override the veto. In December 2007, without the votes to reauthorize the program, Congress instead extended SCHIP through March 2009.

OUTLOOK

As the economy continues to weaken in 2008 and 2009, Medicaid and SCHIP provide the safety net to ensure that low-income children who lose private coverage do not become uninsured. However, an economic downturn may make it more difficult for states to afford outreach efforts and coverage expansions to assist more uninsured children without access to private coverage. A timely SCHIP reauthorization with reliable and expanded funding and assistance for Medicaid coverage would provide additional federal aid to enable states to maintain the availability of public coverage and prevent an increase in the number of uninsured low-income children.

Medicaid and SCHIP are central to the insurance coverage of children. These programs prevent a much larger share of children from being uninsured and provide access to health care that is similar to private coverage. Earlier increases in uninsured children point to the potential for past gains to be reversed if states are unable to use Medicaid and SCHIP coverage to reach the growing numbers of children without affordable private coverage.

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