

PRESIDENT'S FY 2009 BUDGET and SCHIP

The State Children's Health Insurance Program (SCHIP) was enacted with bi-partisan support a decade ago as part of the Balanced Budget Act of 1997 (BBA) to provide coverage for low-income children who are not eligible for Medicaid. SCHIP was authorized for ten years and was up for reauthorization by October 1, 2007. The Congress passed two bi-partisan bills to reauthorize and expand SCHIP, but both were vetoed by the President. The President's FY 2009 budget proposal would increase SCHIP funding by \$19.7 billion over the next five years, more than the \$5 billion included in the FY 2008 budget proposal, but less than the \$35 billion included in the SCHIP reauthorization bills that were vetoed.

Together with Medicaid, SCHIP has helped to reduce the number of low-income uninsured children by expanding eligibility levels and simplifying application procedures. In 2006, SCHIP covered 6 million low-income children during the course of the year and about 4 million at any point in time. Underpinning SCHIP, Medicaid covered 28 million poor and low-income children in 2005.

BACKGROUND: SCHIP REAUTHORIZATION IN 2008

The President' FY 2008 budget proposed to increase SCHIP allotments by about \$5 billion over the 2008 to 2012 period. Over the summer of 2007, the House passed a SCHIP reauthorization bill that would have increased funding for children's health coverage by \$50 billion and the Senate passed a bill that would have increased funding by \$35 billion.

As Congress was debating SCHIP reauthorization legislation, CMS issued new guidance in the form of a letter to State Health Officials on August 17, 2007 that would limit states' ability to expand coverage in SCHIP to children with family incomes above 250 percent of poverty unless they could meet new requirements. States were given 12 months to come into compliance with this directive. Twenty-three states are expected be directly affected by the new requirements (10 that already cover children with incomes above 250% FPL and 14 states that had authorized expansions beyond this level).¹

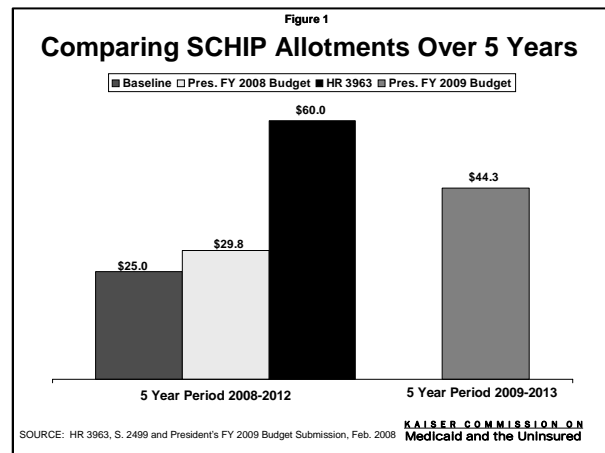
After four temporary program extensions to prevent SCHIP from expiring on October 1, 2007, Congress passed two versions of the Children's Health Insurance Program Reauthorization Act of 2007 (CHIPRA) to expand and extend

SCHIP with bi-partisan support. Both bills (HR 976 and HR 3963) were vetoed by the President and there were insufficient votes in the House to override the veto. In December 2007, Congress passed S 2499 which extended SCHIP through March 2009 and included additional funds to help states maintain current coverage levels.

This extension fell short of the SCHIP reauthorization efforts which would have significantly increased SCHIP funding and reached nearly 4 million children who otherwise would have been uninsured. 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.

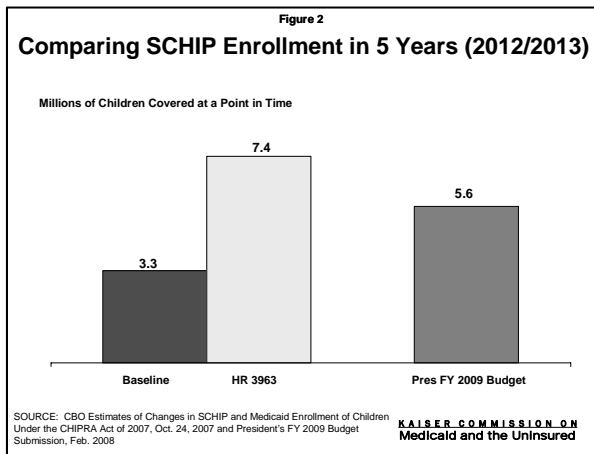
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SCHIP Allotments. The President's FY 2009 budget proposes to reauthorize SCHIP for five years and increase SCHIP allotments by \$19.7 billion over the 2009 to 2013 period. While this is higher than levels included in the FY 2008 budget, they are lower than \$35 billion increases approved in bi-partisan efforts to extend and expand the program. (Figure 1)



Enrollment. According to Administration estimates, 5.6 million children would be enrolled in SCHIP after five years (in 2013). This is greater than baseline estimates of enrollment (3.3 million children in 2012) but less coverage than the 7.4 children that would be been covered under the CHIPRA bill that was vetoed by the President (Figure 2). Under the FY 2008 budget proposal with smaller increases

in SCHIP allotments, the Congressional Budget Office estimated that states would face a \$4.6 billion shortfall over five years and in 2012 and 37 states would face a shortfall of \$2 billion to maintain current SCHIP programs.

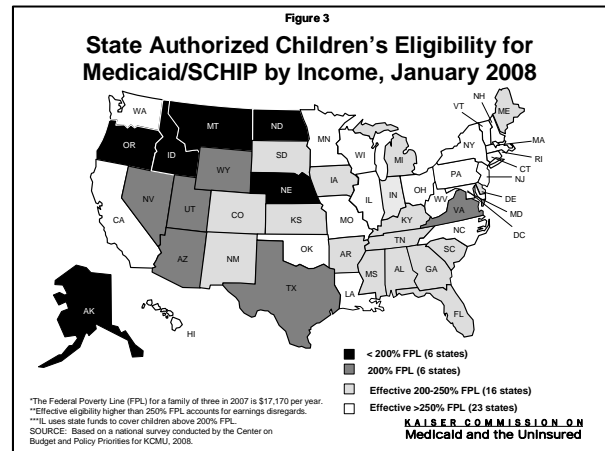


Eligibility Changes. Similar to the FY 2008 proposed budget, the Administration would target SCHIP funds to children with family incomes below 200 percent of poverty and establish a “hard cap” for SCHIP eligibility at 250 percent of poverty (\$44,000 for a family of 3 in 2008) based on a family’s gross income (without accounting for income disregards). Children with family incomes above 250 percent currently enrolled in SCHIP would be “grandfathered” in and would not immediately lose eligibility. However, if these children cycle off of SCHIP coverage, they could not re-apply because they would be subject to the new eligibility cap.

Additionally, the FY 2009 budget proposal would continue to apply the requirements in the August 17th directive and place additional restrictions on states. The directive requires states to show that they have enrolled 95 percent of the children under 200 percent 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 percent of poverty.

The FY 2009 budget would apply these requirements to states seeking to expand beyond 200 percent of poverty. For states expanding beyond 200 percent of poverty, they 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. A total of 39 states could be affected by the directive because they currently have net SCHIP eligibility set at or above 200 percent of poverty. Nineteen states have eligibility set at 200 percent of poverty, but thirteen states use income disregards

which means that their effective income eligibility is greater than 200 percent of poverty. (Figure 3)



Outreach Grants. The FY 2009 budget also includes annual outreach grants to identify and enroll children eligible for Medicaid and SCHIP. \$50 million would be available in FY 2009 and \$100 million in each year from FY 2010 to FY 2013.

OUTLOOK AND IMPLICATIONS

The Administration’s FY 2009 budget would increase SCHIP allotments by \$19.7 billion over the 2009 to 2013 period and cover 5.6 million children through SCHIP on average by 2013. While these funding levels and enrollment estimates exceed what was proposed in the President’s FY 2008 budget, the funding and coverage proposals are significantly lower than what was called for by the bi-partisan CHIPRA bills passed at the end of 2007. The President’s budget would also impose a “hard cap” on SCHIP eligibility at 250 percent of poverty and apply the requirements from the August 17 Directive to states expanding coverage beyond 200 percent of poverty (instead of 250 percent of poverty).

Last year, states moved forward with aggressive expansions of children’s health coverage; however, many of these efforts have already been affected by the August 17th directive. The new limits could further hinder efforts in the 39 states cover children with family income greater than 200 percent of poverty. As states enter another economic downturn, efforts to expand coverage or even maintain current coverage levels will be difficult with these new eligibility restrictions and could lead to a rise in uninsured children, especially for moderate income children.

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ⁱ WA is in both categories