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Out in the Cold:

Enrollment Freezes in Six State Children's Health Insurance Programs Withhold Coverage from Eligible Children

by Donna Cohen Ross and Laura Cox

Introduction

Children applying for health coverage under the State Children's Health Insurance Program (SCHIP) in six states now confront a barrier they have not faced in the past: Enrollment is frozen, and uninsured children found to qualify for SCHIP are not being admitted to the program. Instead, states are either placing these children on waiting lists or notifying them that they must reapply if and when enrollment opens in the future.

Enacted as part of the Balanced Budget Act of 1997, SCHIP has played an important role in reducing the number of uninsured children. As of June 2003, some 3.9 million children were enrolled in SCHIP nationwide.[1] In addition, a large number of children who have applied for coverage through SCHIP have been found eligible for Medicaid and have been enrolled in that program. Data released by the Centers for Disease Control and Prevention (CDC) show that between 1997 and 2002 enrollment of low-income children in SCHIP and Medicaid led to a one-third reduction in the percentage of low-income children who are uninsured.[2]

Even with this progress, roughly 6.8 million children in families with incomes below 200 percent of the federal poverty line remain uninsured.[3] The emergence of SCHIP enrollment freezes could undermine further progress toward reducing this number.

This report presents the findings of a survey of state SCHIP officials and child health advocates in six states that were implementing enrollment freezes in November 2003. It is part of a series of surveys conducted over the last three years by the Center on Budget and Policy Priorities for the Kaiser Commission on Medicaid and the Uninsured to track strategies that states are using to facilitate enrollment in health coverage for children and families. The survey found that the enrollment freezes in these states are causing tens of thousands of eligible children to go without health insurance and are creating inequities among children. The enrollment freezes also have amplified the need for effective outreach efforts aimed at helping families

[1] Vern Smith and David Rousseau, "SCHIP Program Enrollment: June 2003 Update," Kaiser Commission on Medicaid and the Uninsured, December 2003, Publication #4148.

[2] Centers for Disease Control and Prevention, National Center for Health Statistics, "Early Release of Selected Estimates Based on Data from the 2002 National Health Interview Survey," June 2003.

[3] Analysis of March 2003 CPS data, Kaiser Commission on Medicaid and the Uninsured

protect the eligibility of children currently enrolled in SCHIP in these states; these children stand to join uninsured, eligible children awaiting admittance into SCHIP if they do not comply promptly with renewal procedures and keep current on their premium payments.

Over the past few years, many states have faced their most difficult budget squeezes in several decades. These state budget pressures, not a lack of federal SCHIP funds, have driven the decision to freeze SCHIP enrollment. Federal funding shortfalls *are* expected to be a concern in future years in some states, but none of the states in question is experiencing a federal SCHIP funding problem at this time. Various states have faced choices about the extent to which they will preserve health coverage for children and families. Some states in which policymakers made a decision to save money by scaling back SCHIP have judged an enrollment freeze to be less egregious than ratcheting back the eligibility criteria or eliminating health benefits. Even if this is the case, however, enrollment freezes impose significant hardship, as this report indicates.

This survey of state enrollment freeze policies indicates that *how* an enrollment freeze is implemented matters. There are choices states can make to reduce — but not eliminate — some of the hardships an eligibility freeze creates. In addition, states can dedicate new resources to ease or lift an enrollment freeze, specifically the federal fiscal relief funds allocated to states last May under the Jobs and Growth Tax Relief Reconciliation Act of 2003. This act provided $20 billion in fiscal relief funds to the states. One state with an enrollment freeze — Montana — used a share of its fiscal relief funds in October 2003 to enroll 1,300 children who had been on the SCHIP waiting list. The other five states with enrollment freezes have not availed themselves of this opportunity.

States With SCHIP Enrollment Freezes and How They Work

The states that had enrollment freezes in effect in November 2003 — Alabama, Colorado, Florida, Maryland, Montana and Utah — are six of the 35 states that have used their federal SCHIP funds to create children's health coverage programs separate from Medicaid. (States that used their SCHIP funds to expand Medicaid cannot cap or freeze enrollment of children eligible under the expansion.) An additional state — North Carolina — had a SCHIP freeze in place between January and October 2001, but has since found the funds to keep the path to its SCHIP program open. Another state, Tennessee, has frozen enrollment for some children under TennCare, its Medicaid waiver program.

When a state imposes a freeze, it stops enrolling eligible children in its separate SCHIP program. When a family submits an application on behalf of a child, the process initially proceeds as it would under normal circumstances. Under a part of federal law known as the "screen and enroll" provision, the application is first screened to assess whether the child qualifies for Medicaid; children found eligible are enrolled in Medicaid. Children not eligible for Medicaid are then assessed to determine whether they qualify for SCHIP. While an enrollment freeze is in effect, states deal with these eligible children in one of two ways:

- The SCHIP-eligible children are put on a waiting list, as is the case in Alabama, Florida and Montana, or

- Families of the SCHIP-eligible children are notified that SCHIP enrollment is closed and they will have to re-apply on behalf of the child when enrollment re-opens in the future. Colorado, Maryland and Utah proceed in this manner.

At the time that children are told to reapply in the future, families generally are not given specific information about when the enrollment freeze will be lifted; families are told to watch for public announcements of an open enrollment period. In states with waiting lists, families are told they will receive notification.

In all six states, children who are already enrolled in SCHIP can retain their coverage as long as they recertify their eligibility and pay any required premiums on time. If their families do not complete the renewal process on time or if their premium payments are not received on time, however, the child loses SCHIP coverage and becomes uninsured. If the family subsequently re-applies, the child will be placed on the waiting list or informed that enrollment is closed, depending on the state.

Generally, all new SCHIP applicants in these states are subject to the enrollment freeze, with few or no exceptions. Some states may exempt one or a few specific categories of applicants from the freeze, such as the children of military personnel no longer on active duty who were previously enrolled in SCHIP. A summary of states' enrollment freeze policies is provided in the Appendix.

Ramifications of SCHIP Enrollment Freezes

Enrollment Freezes are Leaving Eligible Children Uninsured

Many families have lost employment as a result of the weak job market, and with it, their private health coverage. Other low-income families may encounter difficulty keeping up with premiums associated with private health care coverage and other out-of-pocket health care costs. In short, the increase in unemployment and poverty of the past few years has increased the need for publicly funded health insurance programs. The SCHIP enrollment freezes, however, are leaving tens of thousands of SCHIP-eligible children without coverage.

These children live in low-income families, with many of them living just above the federal poverty line of $15,260 per year for a family of three in 2003. Table I presents the income levels of eligible children who are unable to enroll in SCHIP programs in the six states as a result of enrollment freezes in effect as of November 2003.

In Florida, where the freeze went into effect on July 1, 2003, more than 44,000 uninsured children who have been determined eligible for one of the state's three SCHIP-funded programs were on the waiting list as of November 14, 2003. (In addition to the waiting list for children eligible for the state's SCHIP-funded programs, Florida maintains a separate waiting list for children eligible for health coverage paid for with state funds only. These children are primarily immigrant children and children of state employees not eligible for Medicaid or SCHIP. As of November 14, 2003, there were 27,186 children on this waiting list.)

Table I.
Family Incomes of Children Eligible for SCHIP Who Are Subject to the Enrollment Freeze
(Based on a Family of Three in 2003)

	Children Ages 0-5		Children Ages 6-19	
	Percent of the Federal Poverty Line	**Annual Family Income**	**Percent of the Federal Poverty Line**	**Annual Family Income**
Alabama	133%–200%	$20,296–$30,520	100%–200%	$15,260–$30,520
Colorado	133%–185%	$20,296–$28,231	100%–185%	$15,260–$28,231
Florida[1]	133%–200%	$20-296–$30,520	100%–200%	$15,260–$30,520
Maryland	200%–300%	$30,520–$45,780	200%–300%	$30,520–$45,780
Montana	133%–150%	$20,296–$22,890	100%–150%	$15,260–$22,890
North Carolina	*133%-200%*	$20,296–$30,520	*100%-200%*	$15,260–$30,520
Utah	133%–200%	$20,296–$30,520	100%–200%	$15,260–$30,520

1. In Florida, *infants* in families with income up to 200 percent of the poverty line ($30,520 per year) are not subject to the enrollment freeze. In North Carolina, infants in families with income up to 185 percent of the federal poverty line ($28,231 per year) are not subject to the enrollment freeze.
2. The North Carolina enrollment freeze was lifted on October 8, 2001.

Nationwide, exactly how many children are affected by the freezes is impossible to quantify since three of the states with freezes — Colorado, Maryland and Utah — do not maintain waiting lists. Some related information is available, however, from Utah: that state has lifted its enrollment freeze three times in the two years since its freeze was first established, and Utah reports that 25,302 applications, representing an estimated 55,043 potentially eligible children, were submitted during the periods when enrollment was open.[4]

In addition to the number of children whose families apply but are turned away because enrollment is closed, there are an unknown number of children whose families are confused or discouraged by news stories about the freeze and do not apply. News articles have borne headlines or leads such as "State Has Run Out of Money," the program will "Refuse New Patients," and "Door Shuts on Children Who Lack Medical Insurance."[5] Families may interpret such messages to mean it is not worth submitting an application. A particular concern is that a significant proportion of families discouraged from submitting applications are likely to have children eligible for Medicaid. If such families were to submit an application, the child would have an opportunity to be determined eligible for Medicaid and would receive health coverage. Information that families receive about the freeze may not highlight this reason to submit an application even though SCHIP enrollment is closed.

Not much information is available about the conditions and health status of the children affected by an SCHIP enrollment freeze, but the data that are available indicate that while children are on a waiting list, their health may be compromised and their families may suffer

[4] Utah Department of Health, *Utah CHIP Open Enrollment Response for July 28-August 1, 2003*, November 7, 2003.

[5] Allison Sherry, "State's Child-Health Plan to Refuse New Patients," *Denver Post*, October 14, 2003 and Guy Boulton, "A Door Shuts on Children Who Lack Health Insurance," *Tampa Tribune*, August 29, 2003.

significant anxiety and financial hardship. A study on an SCHIP enrollment freeze in place in North Carolina in 2001, conducted for the Kaiser Commission on Medicaid and the Uninsured, found that children affected by the freeze were uninsured from four weeks to more than a year. Generally, families reported not being able to obtain private coverage while they waited for NC Health Choice, the state's SCHIP program, due to the high cost of premiums. In focus groups, they described serious problems in getting care for sick children, and especially in obtaining needed medications. Many described having to delay medical or dental care, with children suffering as a result. Nearly all families experienced financial difficulties as a trade-off for securing necessary health care for their children. Some families put off paying rent or utility bills. A number of families reported incurring large medical bills they were still paying off. Others reported going with less food or lower quality food.[6]

Enrollment Freezes Create Inequities Among Children

State policies and procedures being used to implement enrollment freezes are resulting in dramatic inequities among children eligible for health coverage programs.

- **Higher income children retain health insurance, while some lower income children become uninsured.** New applicants to SCHIP who are found eligible may not enter the program until the enrollment freeze is lifted. Since current enrollees may have family income up to the state's SCHIP income limit — approximately 200 percent of the poverty line in most cases — and a new applicant may have a much lower income, higher income children are covered during the freeze while some lower-income children remain uninsured.

  Suppose, for example, a child with family income of 170 percent of the federal poverty line ($25,942 per year for a family of three) applies for SCHIP in January when no freeze is in effect and is enrolled in the program for the next 12 months. In July, the state imposes an enrollment freeze. Shortly thereafter, a seven-year-old child with family income of 110 percent of the federal poverty line ($16,786 per year for a family of three) applies. Although the seven-year-old is eligible for SCHIP, the freeze prevents her from obtaining coverage, and she is placed on the waiting list.

  The age-based structure of children's health coverage programs, described later, increases the likelihood that such scenarios will occur, since children losing Medicaid at age six in the states with enrollment freezes are, by definition, children in families with incomes between 100 percent and 133 percent of the poverty line, or between $15,260 and $20,206 per year for a family of three in 2003. Children in this income range have lower incomes than many children who are already enrolled in SCHIP in these states.

[6] Pam Silberman, Joan Walsh, Rebecca Slifkin, and Stephanie Poley, *The North Carolina Health Choice Enrollment Freeze of 2001: Health Risks and Financial Hardships for Working Families*, Cecil G. Sheps Center for Health Services Research, University of North Carolina for the Kaiser Commission on Medicaid and the Uninsured, January 2003.

- **Newborns may be barred from the program and remain uninsured.** Four states that have frozen SCHIP enrollment — Alabama, Florida, Maryland and Utah — do not allow eligible newborns to enroll in SCHIP. In Colorado and Montana, newborns are exempt from the freeze if they have older siblings enrolled in SCHIP. (Utah is considering adopting this policy.) Barring eligible newborns from health coverage is especially problematic, considering the vulnerability of newborns in their first days and months of life. Guidelines established by the American Academy of Pediatrics call for more frequent well-baby visits in the first year of life.[7] Infants born at low-birth weight, or whose health is otherwise at risk, can require intensive medical care.

- **Children who lose Medicaid coverage because their family income increases become uninsured.** Under normal circumstances, children enrolled in Medicaid may "roll over" or transfer into their state's separate SCHIP program if their family income increases above the Medicaid income limit but remains below the SCHIP income limit. Suppose, for example, a state's Medicaid income limit for a child age six or older is 100 percent of the poverty line or $15,260 for a family of three in 2003, and the state's SCHIP program covers children who are not eligible for Medicaid whose family income is below twice the poverty line, or $30,520 for a family of three. A ten-year-old whose parents earn $14,000 a year would be enrolled in Medicaid. If the child's father gets a better-paying job and the family income rises to $20,000, the child will no longer qualify for Medicaid but will be eligible for coverage under the state's SCHIP program. Usually, the child "rolls over" or is transferred from Medicaid to SCHIP and remains insured. In many states, this occurs without the family having to submit a new application.

  In states with enrollment freezes, however, such children would generally be considered "new applicants" to SCHIP and would be subject to the enrollment freeze. Thus, a child who has been covered under Medicaid whose parent secures a better job, gets even a small boost in pay or has a temporary increase in working hours can find herself uninsured and placed on a waiting list for health coverage. As a result, it can be to a parent's disadvantage to accept a raise or promotion or to work more hours.

- **Six-year-olds and one-year-olds who previously were enrolled in Medicaid can become uninsured.** The age-based eligibility structure of most states' children's health coverage programs puts young children enrolled in Medicaid at increased risk of becoming uninsured if a SCHIP enrollment freeze is in effect. Under federal law, states are required, at a minimum, to cover in Medicaid children under age six whose families have income below 133 percent of the poverty line and children ages six to 19 in families with incomes below 100 percent of the poverty line. Some states may have established a higher Medicaid income limit for infants (i.e., children under age one) than for children aged one through five. Separate state SCHIP programs serve children in families with

[7] Committee on Practice in Ambulatory Medicine, *Recommendations for Preventive Pediatric Health Care,* American Academy of Pediatrics, 2000.

incomes that are above the state's Medicaid income limit but below the state's SCHIP income limit, which often is in the range of 200 percent of the poverty line.

The consequence of these "age-based" eligibility rules is that when Medicaid-enrolled children reach their sixth birthday (or in some states, their first birthday), they cease to qualify for Medicaid and become eligible for SCHIP. Normally, these children "roll over" from Medicaid to SCHIP and remain covered. In states that have a SCHIP enrollment freeze in effect, however, such children become uninsured upon turning six, even if their families have complied with all Medicaid renewal procedures.[8]

To illustrate the predicament that families are facing, suppose a family with income at 125 percent of the poverty line — $19,075 for a family of three in 2003 — has children aged five and eight. The five-year-old would be enrolled in Medicaid, while the eight-year-old would be enrolled in the state's separate SCHIP program. Upon reaching her sixth birthday, coverage of the younger child ordinarily would shift to the SCHIP program. In most states that have frozen SCHIP enrollment, however, the six-year-old will lose her health coverage and be treated as a new SCHIP applicant. She will be relegated to a waiting list or told to reapply at a later, unspecified time when enrollment is open. The result is that the family has one child with coverage and one child who is uninsured. Montana is the only state with age-based eligibility that has exempted children "aging out" of Medicaid from its freeze.

Surveys and focus groups have found that families find this situation to be difficult to understand and demoralizing. A national survey conducted by the Kaiser Commission on Medicaid and the Uninsured in 1998, found that because parents often think in "whole family" terms, about 60 percent of parents who have children enrolled in Medicaid, or uninsured children who are eligible for Medicaid, are not aware that eligibility rules can result in one child qualifying for Medicaid while another child in the family is ineligible.[9]

[8] Florida is a state that covers infants up to 200 percent of the federal poverty line in Medicaid while adhering to the federal Medicaid minimums for older children. In Florida, infants who reach their first birthday, as well as children who turn six, are subject to the freeze.

[9] Michael Perry, Susan Kannel, R. Burciaga Valdez and Christina Chang, *Medicaid and Children Overcoming Barriers to Enrollment Findings from a National Survey*, the Kaiser Commission on Medicaid and the Uninsured, January 2000.

Focus groups conducted in North Carolina heard concerns from parents on this subject.[10] As one parent explained:

> "My two older children are on NC Health Choice but my youngest currently doesn't have anything… For my first two children I applied for Medicaid and qualified for NC Health Choice… When I first applied for them they were (put on the waiting list) and then about four months later I got a letter saying that the program had re-opened and then they got in…My (youngest) daughter had …Medicaid while I was pregnant with her so she was automatically covered on Medicaid for the first year but then after the first year… she no longer qualified for Medicaid. I sent the papers in for the NC Health Choice and I got a letter back saying that the program was full at this time and that she couldn't qualify."

As discussed, states do not have to maintain Medicaid income limits that vary by the age of the children. Since the federal income limits related to children's eligibility for Medicaid are *minimums* that states are free to exceed, states may establish a single Medicaid income limit that applies to children of all ages — such as at 133 percent or 150 percent of the poverty line — and have SCHIP eligibility start at that level. This avoids disparate treatment of children in the same family. As of April 2003, however, only seven of the 35 states with separate SCHIP programs have used the option to set a uniform Medicaid income limit for children and thereby eliminate the drop-off of children from Medicaid upon their reaching their sixth birthday.[11] Of the states with enrollment freezes only one state — Maryland — has eliminated age-based income-eligibility.

- **Children subject to the freeze may lose the value of 12-month "continuous eligibility" and remain uninsured for part of the year.** Two states with SCHIP waiting lists — Alabama and Montana — have guaranteed children 12 months of SCHIP coverage, without regard to changes in family circumstances that may occur during this period. This policy affords children needed health care without interruption. In these states, children who were enrolled in SCHIP before the freeze was implemented, and whose families comply with renewal procedures on time, will have their eligibility renewed for another 12 months of continuous coverage, as long as they remain eligible after the initial 12 months. In Montana, however, the length of the coverage period for children on the waiting list will be shorter than 12 months when they are eventually enrolled in the program, since Montana begins counting the child's 12 months at the time eligibility is determined. For example, suppose a child is determined eligible for SCHIP and remains on the waiting list for seven months before a SCHIP slot opens. When

[10] See Pam Silberman et al., footnote 6.

[11] Donna Cohen Ross and Laura Cox, *Preserving Recent Progress on Health Coverage for Children and Families: New Tensions Emerge*, Center on Budget and Policy Priorities for the Kaiser Commission on Medicaid and the Uninsured, July 2003.

the child becomes enrolled, he has just five months left of coverage before his family must re-establish his eligibility.

- **Children may be required to be uninsured for a period of time *after* the enrollment freeze is lifted.** A number of states require children to be uninsured for a period of time before they can apply for SCHIP. Such waiting periods were put in place ostensibly to guard against the substitution of public coverage for private coverage, a phenomenon known as "crowd out." All states with a SCHIP enrollment freeze, except Florida, have "crowd-out" waiting periods that range from three months (in Alabama, Colorado, Montana, and Utah) to six months (in Maryland).[12] Two of these states — Alabama and Montana — have established SCHIP waiting lists. In both states, the child must meet this "crowd out" waiting period to be determined eligible and placed on the SCHIP waiting list. Thus, by the time the child obtains SCHIP coverage, he or she will have been uninsured for three months longer than the time he or she has spent on the waiting list.

  Families in the states with "crowd out" waiting periods may face a problem if they decide it is too risky to leave their child without health coverage during the time that enrollment is closed and purchase private insurance for the child in the interim. Some families make extreme financial sacrifices to pay for even bare-bones private coverage for their children. When SCHIP enrollment opens, the child may not be able to enroll because he or she has not been uninsured for the required period of time.

  Federal SCHIP rules do not require states to impose "crowd out" waiting periods; they are required only to monitor their programs to be sure "crowd out" is not a problem. Research has found that a relatively modest percentage of the children covered through expansions in public health insurance programs previously had employer-sponsored coverage.[13] Of the 35 states with separate SCHIP programs, 30 imposed a "crowd out" waiting period when they implemented the program; eight have since reduced or eliminated their waiting periods.[14] North Carolina eliminated its "crowd out" waiting period to ensure that families whose children had gone without coverage during the freeze were not further exposed to the consequences of not having insurance.[15]

[12] See Donna Cohen Ross and Laura Cox, footnote 11.

[13] Lisa Dubay, *Expansions in Public Health Insurance and Crowd-Out: What the Evidence Says*, Kaiser Family Foundation, October 1999; Amy Lutzky and Ian Hill, *Has the Jury Reached a Verdict? States' Early Experiences with Crowd-Out Under SCHIP*, Urban Institute, June 2001.

[14] Donna Cohen Ross and Laura Cox, footnote 11.

[15] Communication with June Milby, Coordinator, North Carolina Health Choice, July 2003.

Strategies for Reducing Hardships Created by an Enrollment Freeze

Conduct Outreach Aimed at Helping Families Protect Their Children's Eligibility and Respond Quickly When SCHIP Enrollment Opens

One of the key ingredients contributing to the increase in enrollment of eligible children in Medicaid and SCHIP over the past several years has been an unprecedented state investment in effective outreach activities. With the advent of SCHIP came large-scale media campaigns, the development of attractive promotional materials encouraging families to apply and, perhaps most critical, state support for community-based outreach and enrollment assistance. Across the country, this wave of activity has largely subsided. The need for outreach and effective public education remains important, however, and takes on special importance in states with enrollment freezes.

In such states, clear messages need to be crafted to communicate accurately the status of the SCHIP program. Such messages need to inform families about the waiting list but not discourage them from submitting an application on behalf of a child who needs health coverage. Since all applications are screened for Medicaid eligibility, public messages that deter families from submitting applications altogether will close off an important avenue for obtaining coverage for many children. In Alabama, for example, 40 percent of SCHIP applications are submitted on behalf of children who turn out to be eligible for Medicaid.[16] In addition, in states that keep waiting lists, it is important for families to submit applications so their children will be positioned to move into SCHIP in the event enrollment opens. Outreach messages can be developed that affirmatively encourage families to submit applications for these reasons.

The information on Colorado's website, for example, emphasizes that any applications submitted during the freeze will continue to be screened for Medicaid eligibility. In Alabama, information about the enrollment freeze distributed to community organizations that work with low-income families and others explains that a letter will be sent to applicants advising them that if their situation changes while on the SCHIP waiting list, they should notify the program because the change might make them eligible for Medicaid.

In Utah, however, families visiting the SCHIP website may be missing out on the opportunity to have their child screened for Medicaid eligibility. In that state, paper applications go through the routine "screen and enroll" process so that children found eligible for Medicaid can be enrolled in that program. But Utah also allows families to apply for SCHIP via an on-line electronic application, and during periods when SCHIP enrollment is closed, families cannot get access to the on-line application. When they visit the website, they receive the following message: "Thank you for your interest in the Children's Health Insurance Program (CHIP). Unfortunately, the …open enrollment period has ended. Please check back periodically for updates on the next open enrollment period." A family that reads this message and, quite understandably, does not submit an application, loses an avenue for applying for Medicaid. The website does not advise families that a paper application can still be submitted to have the child

[16] Communication with Gayle Sandlin, ALLKids Program Director, November 2003.

screened for Medicaid eligibility**.** During Utah's last open enrollment period, 44 percent of families applied using the on-line application.[17]

In addition to informing the public at large about the enrollment freeze, there also is a need to inform *current* enrollees about the freeze and what they need to do to safeguard their child's eligibility. During the freeze, the importance of completing the renewal process on time and paying premiums on time needs increased emphasis. Although a complete review of notices and outreach materials was beyond the scope of this survey, it was possible to identify a few examples of efforts to encourage families to renew. For example:

- The headline on a notice to Alabama families that have children who are enrolled in the state's SCHIP program states: "Renewing your children ON TIME is more important than ever." The notice describes the renewal process and provides instructions on how to contact a customer service representative if there are questions.

- A notice to families with children on Maryland's program gives guidance on how to "Protect your child's eligibility." Families are advised to pay their monthly premiums on time and to complete the annual renewal application on time. A brief description of the renewal process is included.

- Montana sends a reminder notice to families two weeks before they will be receiving a SCHIP renewal packet in the mail. It cautions families that, "If you miss the deadline … your children's CHIP insurance will end. Your children could spend several months on CHIP's waiting list if you return the renewal materials late." A second notice is sent to families for which renewal forms and documentation have not been received by the deadline on the renewal packet. It states, "Keeping insurance is just as important as getting insurance for your children." The notice reminds the family that, "time is running out and your child's CHIP insurance could end." It reiterates the renewal instructions and gives families a toll-free number to call if they have questions or need replacement materials.

Across the country, local outreach organizations have proved to be extremely helpful in assisting families through the renewal process. In many states, however, including those with SCHIP enrollment freezes, funding for community-based outreach and application assistance has been curtailed or eliminated. As a result, some families may not be able to find the help they need in understanding notices or new rules, particularly families with limited literacy or language skills. In addition, in states without waiting lists, it is important that families get the help they need to complete required paperwork when enrollment reopens and applications are again accepted. In Utah, for example, SCHIP enrollment was opened for five days between July 28 and August 1, 2003, and 9,811 applications were registered. Of those, 53 percent were denied. Of the applications denied, 47 percent were denied because the applicant "did not complete [the]

[17] See Utah Department of Health, footnote 4.

process."[18] Many of these children could have qualified for coverage if their applications had been completed.

Simple application procedures that include short application forms and minimal verification requirements are helpful. Yet even when forms are made simple, experience shows that having direct assistance from an application assistor increases the chances that an application will be approved. For example, in California, where prior to June 2003, Community Application Assistors received state payments to help families complete application forms for children's health coverage, data indicate that this help made a difference: 63 percent of applicants who received no assistance were approved, compared to a 79-percent approval rate for families that received assistance. A similar pattern is evident in Illinois, which continues to pay an application assistance fee to organizations the state has trained to become KidCare Application Agents (KCAAs). According to state officials, of the applications that were submitted with the help of KCAAs, 82 percent were approved over the course of a year, as compared with 66 percent of applications that were submitted without the help of a KCAA. KCAAs worked with families to help make sure their applications were complete. Only 8 percent of the applications approved after getting the help of a KCAA required an eligibility worker to go back to the family to get more information; by contrast, 33 percent of applications from families that did not get the help of a KCAA required follow-up.[19]

Simplify Renewal Procedures

In each of the states that have imposed SCHIP enrollment freezes, children can retain their eligibility and remain enrolled in the program if their families complete the renewal process on time and keep current on premium payments. To protect their children's enrollment, families must comply fully and promptly with state procedures. A late renewal form or one that does not have all the required documents attached can result in an eligible child losing SCHIP coverage and being relegated to the waiting list. Making renewal easier has clear advantages for families, but also helps to streamline the administrative workload for eligibility staff who may have fewer resources with which to process renewal forms in a timely manner because of state budget constraints.

States can take a number of steps to simplify the renewal process and improve retention rates. These strategies include: requiring less frequent renewal; following up with families by phone or mail to ensure they know about the obligation to renew their child's coverage and understand the process; using information from existing state databases to renew health coverage without requiring families to provide information or verification of data the state already has on hand; and issuing simplified renewal forms. For example, some states pre-print renewal forms displaying the information the family supplied in its initial application and require the family to indicate whether or not anything has changed, sign the form, and return it. Reducing verification requirements at renewal is another important step in improving retention.

[18] See Utah Department of Health, footnote 4.

[19] Communication with Jane Longo, Illinois Department of Public Aid, May 2003.

Studies of the difficulties that families face in complying with complex renewal procedures underscore the importance of clear messages about the need to renew and the adoption of simplified renewal procedures. A study conducted by the National Academy of State Health Policy (NASHP) found that half the families of children whose SCHIP coverage had lapsed reported they had not been told or did not recall being told they would have to renew their child's coverage. The NASHP study also found that 44 percent of families whose children's coverage had lapsed said the documents required for renewal were too difficult to obtain.[20]

Another study of disenrollment from SCHIP by the Child Health Insurance Research Initiative (CHIRI) found that the administrative requirements imposed by states for renewal lead a large share of children to be dropped from coverage. Up to one quarter of disenrolled children returned to the program within two months, suggesting that they were likely to have been eligible for coverage at the point of disenrollment. (Many of the children in families that did not attempt to re-enroll are likely to have remained eligible, as well. These families may not have realized their children could still qualify or may have been discouraged from returning to the program by the complexity of the procedures.) [21]

Four of the six states with enrollment freezes — Alabama, Colorado, Montana and Utah — have 12-month continuous eligibility in their SCHIP programs, meaning families re-establish their children's eligibility once a year and are not required to report changes in the interim. In Maryland, families renew their child's eligibility annually but *do* have to report changes in family circumstances in the interim. In Florida, families renew every six months and must report changes.[22]

Several of the states with enrollment freezes have simplified their renewal forms. Alabama, Florida and Montana send families renewal forms that are pre-printed with some or nearly all of the information the family supplied at initial application. At renewal, families do not have to re-supply much of the information they already have submitted. These states also employ various follow-up strategies to assist families with renewal.

Three states with enrollment freezes — Alabama, Florida and Utah — have taken further steps to simplify renewal procedures. (These measures were taken either before the freeze or as a result of it.) For example, these three states do not require families to verify their income at renewal, relieving families of the burden of having to collect pay stubs and other documents to attach to their renewal form. In addition, both Florida and Utah employ what is known as "passive renewal" systems, meaning that families do not have to return a renewal form if their circumstances have not changed since applying for the program. As long as the state receives the family's premium payment, the child remains covered. In Florida, this procedure has been in

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[20] T. Riley, C. Pernice, M. Perry and S. Kannel, *Why Eligible Children Lose or Leave SCHIP: Findings from a Comprehensive Study of Retention and Disenrollment*, National Academy for State Health Policy, February 2002.

[21] Andrew W. Dick, R. Andrew Allison, Susan G. Haber, Cindy Brach, and Elizabeth Shenkman, "Consequences of State Policies for SCHIP Disenrollment," *Health Care Financing Review* 23 (3), Spring 2002.

[22] See Donna Cohen Ross and Laura Cox, footnote 11.

effect for several years. In Utah, the procedure was adopted as a way of addressing a new problem created by the enrollment freeze. Since thousands of children were being enrolled within a very short period of time during the states' brief open enrollment period, the entire cohort of children was coming up for renewal at the same time a year later. This situation was placing a large administrative burden on eligibility workers who were finding it difficult to keep up with renewals. The solution was to adopt the passive renewal procedure.[23]

Ease Premium Payment Policies

Another element of the renewal process involves the rules surrounding payment of premiums. In states with enrollment freezes, families must pay all required premiums on time or their children will lose coverage and, depending on the state, be placed on a waiting list or be told to reapply when enrollment opens. Five of the six states with enrollment freezes in effect in November 2003 charge premiums; Montana does not.[24] Table II presents the premium schedules for these states and for North Carolina. Studies indicate that non-payment of premiums is one of the leading causes of disenrollment in SCHIP programs. For example, 27 percent of all disenrollments from California's Healthy Families Program were attributed to non-payment. (The data do not indicate how many of these children were eligible.)[25] A survey conducted by the National Academy of State Health Policy in 2002 found that about 40 percent of families who disenrolled from SCHIP reported difficulties affording premiums; of those who had to pay $20 or more per month, the proportion having difficulty was 50 percent.[26]

[23] Gayleen Henderson and Amy Bingham, *Utah Department of Health Memo on CHIP Renewal Process,* May 2003.

[24] See Donna Cohen Ross and Laura Cox, footnote 11.

[25] Managed Risk Medical Insurance Board, *Healthy Families Program Children Disenrollment Statistics, November 2002-October 2003*and *Healthy Families Program Disenrollment by County*, *November 2002-October 2003*, www.mrmib.ca.gov, October 2003.

[26] See T. Riley et al., footnote 20.

Table II.
Premium Payments in SCHIP for a Family of Three with Two Children
November 2003

State	Frequency of Payment	Amount at 125% of the Federal Poverty Line ($19,075)	Amount at 151% of the Federal Poverty Line ($23,043)	Amount at 200% of the Federal Poverty Line ($30,520)	Effective Annual Amount at 151% of the Federal Poverty Line	Effective Annual Amount at 200% of the Federal Poverty Line
Alabama	Annually	$100	$100	$100	$100	$100
Colorado[1]	Annually	$0	$35	No eligibility	$35	No eligibility
Florida	Monthly	$15	$20	$20	$240	$240
Maryland	Monthly	$0	$0	$37	$0	$444
Montana	None	—	No eligibility	No eligibility	No eligibility	No eligibility
North Carolina[2]	*Annually*	*$0*	*$100*	*$100*	*$100*	*$100*
Utah	Quarterly	$13	$25	$25	$100	$100

1. In Colorado, the $35 premium for two children is charged for families with income between 151 percent and 185 percent of the federal poverty line.
2. The North Carolina enrollment freeze was lifted on October 8, 2001.

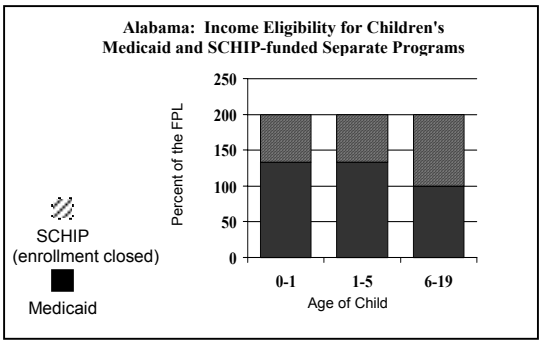
While some states have afforded families grace periods if they have difficulty paying their premiums, or excuse them from paying premiums for "good cause," others impose penalties. In some states, there is a "lock out" period if the family's premium payment is not received. For example, in Florida, in the past, if a premium payment was missed, coverage was cancelled and the child could not be reinstated for 60 days. Florida is proposing to extend this penalty period to *six months*. Particularly at a time when families are experiencing financial stress, making premium payment rules more onerous, rather than easing them, will extend gaps in coverage, which could harm children's health.

Conclusion

With the emergence of enrollment freezes in six states operating SCHIP-funded separate programs, the nation is witnessing a dramatic about-face in the aggressive efforts to enroll eligible children in health coverage. Over the past several years, these efforts have played a major role in reducing the number of uninsured children and in buffering the effects of the weak economy by offsetting much of the loss of private coverage. The decision to freeze SCHIP enrollment, fueled by state budget pressures, has placed this progress in jeopardy. Now, children who have been found eligible for coverage are being left uninsured. Whether they are being placed on SCHIP waiting lists or are being turned away to reapply at some future date, their families are left to grapple with the hardships they confront when they cannot obtain the medical attention their children need.

Appendix: Summary of State SCHIP Enrollment Freezes

Alabama



ALLKids, Alabama's separate SCHIP program covers children up to age 19 who are not eligible for Medicaid, in families with income below 200 percent of the poverty line ($30,520 per year for a family of three in 2003).

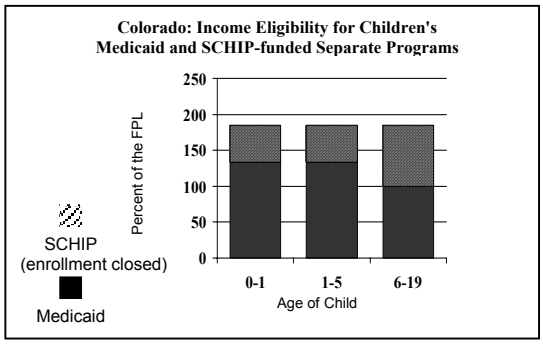
SCHIP freeze implemented: September 2003

Who is subject to the freeze? Alabama's freeze applies to all new applicants to SCHIP, with no exceptions. Included are children who no longer qualify for Medicaid, but who are eligible for SCHIP, either because their family income increases or because they reach their sixth birthday. Such children would normally "roll over" from Medicaid to SCHIP.

Is there a waiting list? Yes

In early December 2003, the state determined that SCHIP program costs had come in lower than had been projected and enrolled 2,500 children who were on the waiting list. Approximately 1,200 children remain on the waiting list, however, and the list is now growing again.

Colorado



Child Health Plan Plus (CHP+), Colorado's separate SCHIP program covers children up to age 19 who are not eligible for Medicaid, in families with income below 185 percent of the poverty line ($28,231 per year for a family of three in 2003).

SCHIP freeze implemented: November 2003

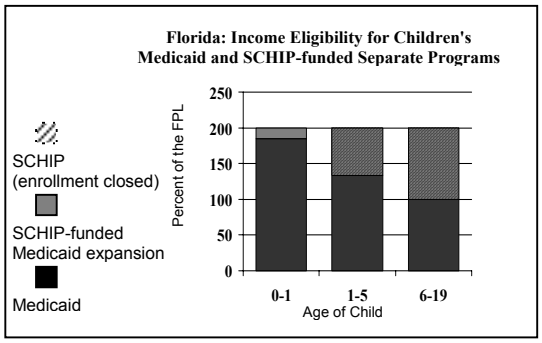
Who is subject to the freeze? New applicants to SCHIP are subject to the freeze, with a few exceptions. For example, families with a child already enrolled in SCHIP may add a "new" child. "New" children in such families could include a newborn, a child returning to the family after having lived elsewhere and a child "rolling over" from Medicaid into SCHIP due to increased income or by virtue of having reached the sixth birthday.

Is there a waiting list? No.

Colorado does not maintain a waiting list, asserting in a website document that, "Waitlists are administratively cumbersome and do not provide a basis for enrollment when it reopens."

Florida

Florida operates three SCHIP-funded programs:



- **Florida Healthy Kids**, for children ages five to 19 who are not eligible for Medicaid, in families with income below 200 percent of the poverty line ($30,520 for a family of three in 2003);

- **Medi-Kids**, for children aged 0 through the fifth birthday who are not eligible for Medicaid in families with income below 200 percent of the poverty line; and

- **Children's Medical Services Network (CMSN)**, for children ages 0 to 18 with special behavioral or chronic medical conditions who are not eligible for Medicaid.

SCHIP freeze implemented: July 2003, in all three SCHIP-funded programs

Who is subject to the freeze? New applicants to SCHIP are subject to the freeze, including newborns and children who no longer qualify for Medicaid but who are eligible for SCHIP, either because their family income increases or because they reach their first or sixth birthday. Florida covers infants up to 200 percent of the poverty line in Medicaid while adhering to the federal Medicaid minimums for older children. In Florida, infants who reach their first birthday, as well as children who turn six, are subject to the freeze. Such children would normally "roll over" from Medicaid to SCHIP. Certain children with special health care needs *are* permitted to keep their coverage when they transfer from one program to another.

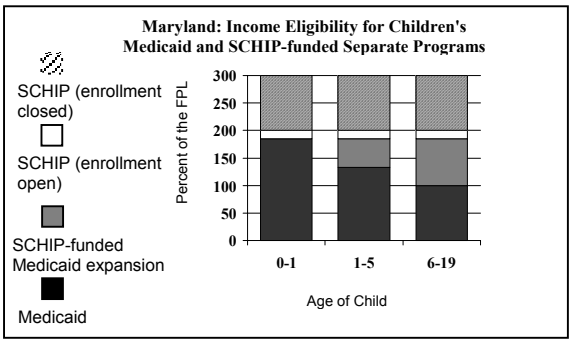
The enrollment freeze also has been applied to children enrolled in one of the three SCHIP-funded programs who become eligible for another one of the SCHIP-funded programs. In the past, such children could transfer from Medi-Kids to Healthy Kids, for example, but these transfers generally are no longer permitted. These strict transfer rules are being reconsidered so that children under age five on Medi-Kids would be able to remain insured after their fifth birthday.

Is there a waiting list? Yes.

As of November 14, 2003, some 44,000 SCHIP-eligible children were on the waiting list. (In addition to the waiting list for children eligible for the state's SCHIP-funded programs, Florida maintains a separate waiting list for children eligible for health coverage paid for entirely with

state funds. These children are primarily immigrant children and children of state employees not eligible for Medicaid or SCHIP. As of November 14, 2003, there were approximately 27,000 children on this waiting list.)

Maryland



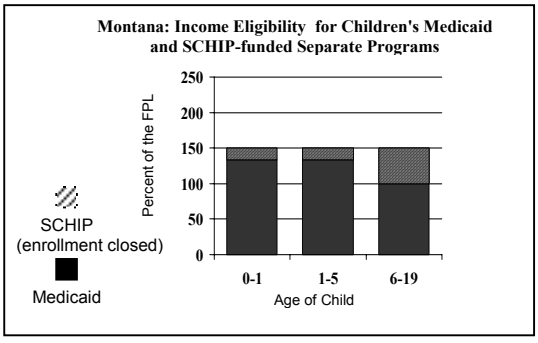
Maryland Children's Health Program Premium (MCHP Premium), Maryland's separate SCHIP program covers children up to age 19 who are not eligible for Medicaid, in families with income between 185 percent of the poverty line and 300 percent of the poverty line ($28,231 to $45,780 for a family of three in 2003). Until the fall of 2003, children in families with income under 200 percent of the poverty line were covered under Medicaid. Some of those children (those in families with income between 185 percent and 200 percent of the poverty line) were shifted into the separate SCHIP program and required to pay a premium.

SCHIP freeze implemented: July 2003

Who is subject to the freeze? Enrollment is frozen for some of the children eligible for MCHP Premium — those in families with income between 200 and 300 percent of the poverty line. New applicants to SCHIP in this income range are subject to the freeze with one exception: Children on Medicaid whose family income increases, making them eligible for SCHIP, are exempt from the freeze, as long as their premium is paid within one month of losing Medicaid. (Maryland has eliminated age-based eligibility in its children's health coverage programs, so children do not "age out" of Medicaid.)

Is there a waiting list? No

Montana



Montana Children's Health Insurance Plan (CHIP), Montana's SCHIP program covers children up to age 19 who are not eligible for Medicaid, in families with income below 150 percent of the poverty line ($22,890 per year for a family of three in 2003).

SCHIP freeze implemented: January 2001.

Who is subject to the freeze? New applicants to SCHIP are subject to the freeze with a few exceptions: Children who lose Medicaid due to

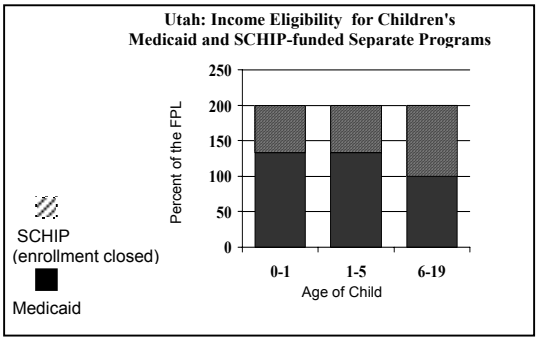
increased family income or as the result of turning age six can enroll in SCHIP. In addition, families with children already enrolled in SCHIP can add a newborn or a child who has returned to the family after living elsewhere. Finally, families who had children on SCHIP before being called up for active military duty can reinstate their children in SCHIP when their tour of active duty ends.

Is there a waiting list? Yes

In late October 2003, Montana's SCHIP waiting list had reached 1,300 children. The Governor used a portion of the federal fiscal relief funds allocated to the state to enable the SCHIP program to enroll these children, clearing the waiting list. Subsequently, the waiting list was re-established; as of December 5, 2003, there were 60 children on the waiting list.

Utah

The **Children's Health Insurance Program (CHIP**), Utah's separate SCHIP program covers children up to age 19 who are not eligible for Medicaid, in families with income below 200 percent of the poverty line ($30,520 for a family of three in 2003).



SCHIP freeze implemented: December 2001.

Who is subject to the freeze? New applicants to SCHIP are subject to the freeze, including children who no longer qualify for Medicaid but who are eligible for SCHIP either because their family income increases or because they reach their sixth birthday. Such children would normally "roll over" from Medicaid to SCHIP. There are two exceptions to the freeze: Families whose children were enrolled in SCHIP before they were called to active military duty can reinstate their children when their tour of duty is over. Also, children on SCHIP who are placed in foster care (and receive Medicaid for the duration of the time they are in care) can re-enroll in SCHIP when they are reunited with their families, provided the child continues to meet the SCHIP eligibility criteria. The state is considering allowing newborns in families with older children on SCHIP to enroll in SCHIP.

Is there a waiting list? No

Since the freeze was first implemented in December 2001, enrollment has opened three times for periods as short as 5 business days and as long as 10 business days. During the first open enrollment period, 6,078 applications were submitted. More than 9,000 applications were submitted in both the second and third open enrollment periods.

Exceptions to SCHIP Enrollment Freezes
November 2003

State	Children losing Medicaid due to age or income	Newborns born to SCHIP-enrolled family	Children returning to a SCHIP-enrolled family after living elsewhere	Children in families returning from active military duty who were previously enrolled in SCHIP
Alabama	No	No	No	No
Colorado	No[1]	Yes	Yes	No
Florida	No	No	No	No
Maryland	Yes[2]	No	No	No
Montana	Yes	Yes	Yes	Yes
Utah	No	No[3]	No[4]	Yes

1. In Colorado, a family with a child already enrolled in SCHIP may enroll another child at any time. Therefore, children with a sibling enrolled in SCHIP may enroll in SCHIP when they lose Medicaid due to age or income.
2. Maryland's SCHIP program requires a monthly premium. Children who lose Medicaid due to increased family income may transfer to SCHIP as long as the premium is paid within one month of losing Medicaid eligibility.
3. Utah is considering allowing newborns in SCHIP-enrolled families to enroll in SCHIP.
4. Utah allows children returning from a foster care placement who were previously enrolled in SCHIP to re-enroll when they reunite with their families.

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