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## SCHIP Reauthorization: US Congress Now Considering \$35 Billion Increase

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Leading members of the U.S. Senate Finance Committee have offered a compromise proposal for reauthorization of the State Children's Health Insurance Program (SCHIP). On July 13<sup>th</sup> Chairman Baucus and Ranking Member, Senator Grassley, in collaboration with Senators Rockefeller and Hatch, proposed that the tobacco tax be increased to finance an additional \$35 million for the reauthorization of SCHIP. The Congressional Budget Office estimates that the bi-partisan proposal would provide coverage to 4.1 million children who otherwise would have been uninsured.<sup>1</sup>

### Positive Features of the Bi-Partisan Proposal

- **Increased SCHIP allotments.** The proposal would increase the amount of SCHIP funding available to states over the next five years from \$25 billion to \$61.4 billion. In addition, in an attempt to be more efficient in the allotment of benefits to states, the new formula for distribution is based largely on each state's projected need. In the event that there is not enough funding to cover each states needs, in 2008 the funds will be allotted on a prorated basis to states. In 2008 and beyond the allotment is based on a new four-part formula that is based on a states projected need as it relates to the nationwide projections.
- **Tools for reaching already-eligible uninsured children.** The proposal creates a new bonus incentive program to encourage states to reach low-income uninsured children, the majority of whom are already eligible for SCHIP and Medicaid. \$100 million would be invested over five years (2008-2012) for outreach programs. Ten percent of the funds would be dedicated to a national enrollment campaign of eligible but not enrolled children and ten percent would be dedicated for outreach to Native American children. The remaining funds would be divided among states through state and local governments

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<sup>1</sup> Of these uninsured children, 1.8 million are already eligible for Medicaid; 900,000 are already eligible for SCHIP; 600,000 are uninsured children who would be made newly eligible by SCHIP expansions; and 800,000 are children who would become uninsured if SCHIP funding shortfalls were left unaddressed.

or other community organizations such as schools, safety-net providers or community-based organizations by HHS (U.S. Department of Health and Human Services).

- **Citizenship Documentation Requirement.** The proposal also provides states with a new and simplified way to comply with the citizenship documentation requirements. It will allow states to meet the citizenship documentation requirement by submitting Medicaid and SCHIP applicants' names and Social Security Numbers (SSN) to the Social Security Administration (SSA) after the application has been processed and the individual has been enrolled in the program. If SSA finds that the name and SSN do not match then the person has 90 days to document citizenship and an additional 30-day grace period before facing de-enrollment. HHS may impose penalties on states if more than seven percent of the names and SSNs they submit to SSA are not valid.
- **New quality initiative.** The proposal establishes a new child health quality initiative within HHS to develop and disseminate child health quality measures, as well as funds to demonstration projects on child health quality issues. This initiative sets aside \$45 million to be used primarily for research based projects to disseminate child health quality measures to states and community-based organizations.
- **New option to cover pregnant women.** States will have the option to cover pregnant women in SCHIP by submitting a state plan amendment. To use this option states must cover pregnant woman up to at least 185 percent of poverty in Medicaid.

## Negative Features of the Bi-Partisan Proposal

- **Funding levels.** The Congressional Budget Office has estimated that the agreement would cost a net of \$35 billion over five years.<sup>2</sup> By using only \$35 billion of the \$50 billion set aside for children's coverage in the congressional budget resolution, the agreement misses the opportunity to go even further in covering more of America's nine million uninsured children.
- **Legal immigrant children.** The agreement does not include a state option to cover legal immigrant children and pregnant women currently barred from coverage during their first five years in the country.
- **Waivers to cover parents.** The agreement shuts down state flexibility to pursue new parent waivers and imposes new financing constraints on states that already have such waivers with a two year transition period for these states to remove these parents off of SCHIP. In 2010 and beyond, the agreement moves parents out of SCHIP and establishes separate allotments to help finance their coverage.
- **Childless Adults.** The agreement continues the existing ban on new waivers to use SCHIP funds to cover childless adults. In the four states that already have such waivers; the agreement terminates the waivers after a one-year transition period. In fiscal year 2009, these states receive a temporary, separate allotment (i.e., outside of SCHIP and

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<sup>2</sup> CBO assumes that the agreement would increase spending by a total of \$36.3 billion, but by only \$35 billion after some offsetting revenues are taken into account. Of the \$36.3 billion in new spending, \$28.2 billion is due to increased SCHIP spending generated by the new, higher SCHIP allotments; \$4.7 billion is due to more children securing Medicaid as a result of the incentive bonus pool and other provisions; and \$3.4 billion is due to the new quality initiative, outreach grants, and other items.

Medicaid) that will provide a regular Medicaid matching rate for adults who were on the program in 2008 (or were enrolled in fiscal year 2008, dropped off and re-enrolled during fiscal year 2009). As for 2010 and beyond, the mark sketches out a process that states may use to request a Medicaid waiver to cover childless adults, but does not appear to require HHS to approve such waivers.

- **Children above 300% Federal Poverty Level.** The agreement reduces the funding to states to extend SCHIP to families with income above 300% of FPL. For children in this income range states no longer are allowed to receive enhanced SCHIP matching instead will be provided only the regular Medicaid matching rate. States that currently cover children at this income range are exempt from the new restriction.
- **Other gaps.** The agreement is missing the Express Lane eligibility option, improvements in SCHIP coverage of mental health and dental benefits, and a proposed commission to study payment rates and ways to increase access to care.

The Senate Finance Committee is expected to convene and begin final mark-up of the SCHIP Reauthorization including the compromise agreement alluded to in this summary the week of July 16<sup>th</sup>.

*The Missouri Budget Project is a statewide, nonprofit, nonpartisan organization that informs the public about the state's budgetary and tax policy options and their impact on low-income Missourians.*