



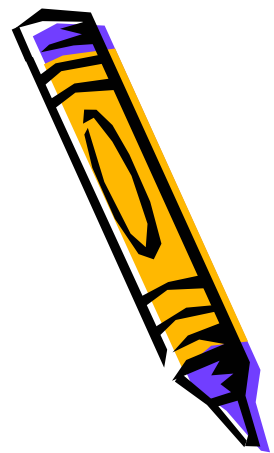
# ABC's of The State Children's Health Insurance Program (SCHIP)



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# The A,B,C's --- What is SCHIP?



- The State Children's Health Insurance Program (SCHIP), designed as a complement to Medicaid, was authorized as part of the Balanced Budget Act of 1997 (BBA '97) and was signed into law by President Clinton on August 5, 1997 as P.L. 105-33.
- SCHIP became Title XXI of the Social Security Act.



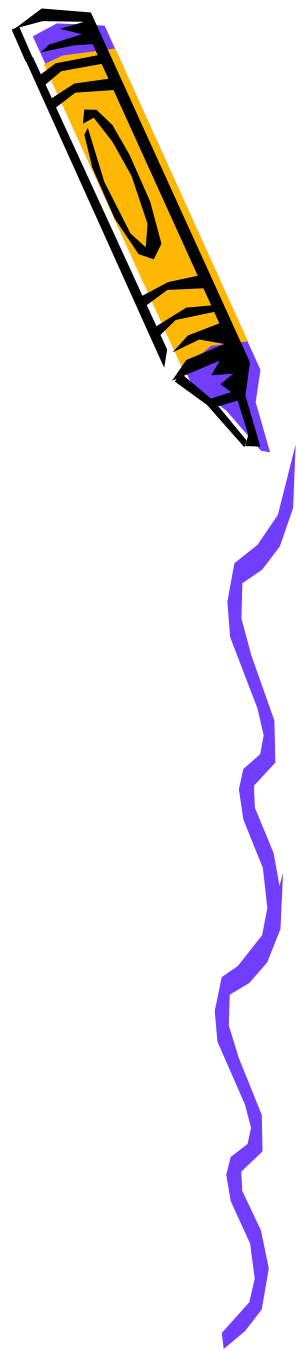
# SCHIP: The Basics



- SCHIP was authorized for ten years FY 1998 - FY 2007. The annual allotments to states was established in statute.
- The law authorizes states to provide health care coverage to "targeted low-income children" who are not eligible for Medicaid and who are uninsured.
- SCHIP is a capped entitlement to states.
- States receive an enhanced federal match (greater than the state's Medicaid match).
- States have three years to expend each year's allotment.



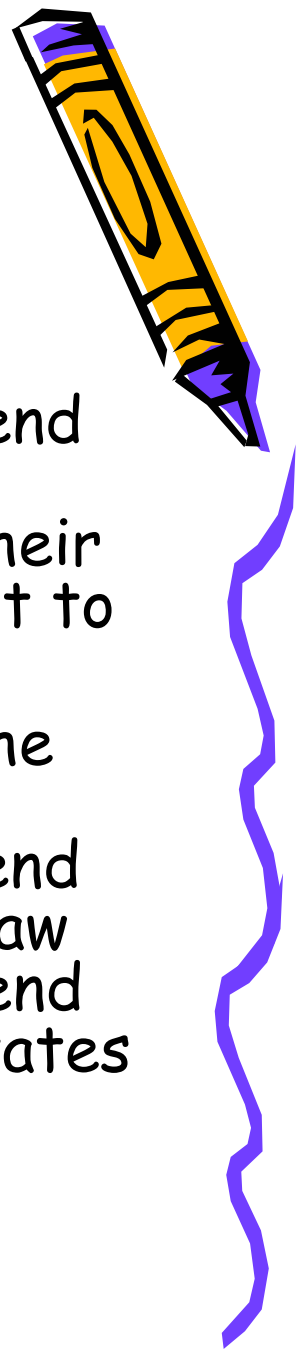
# What is an "Enhanced Match"?



- The federal medical assistance percentage (FMAP) for Medicaid ranges from 50% to 76%.
- The FMAP for SCHIP ranges from 65% to 83%.



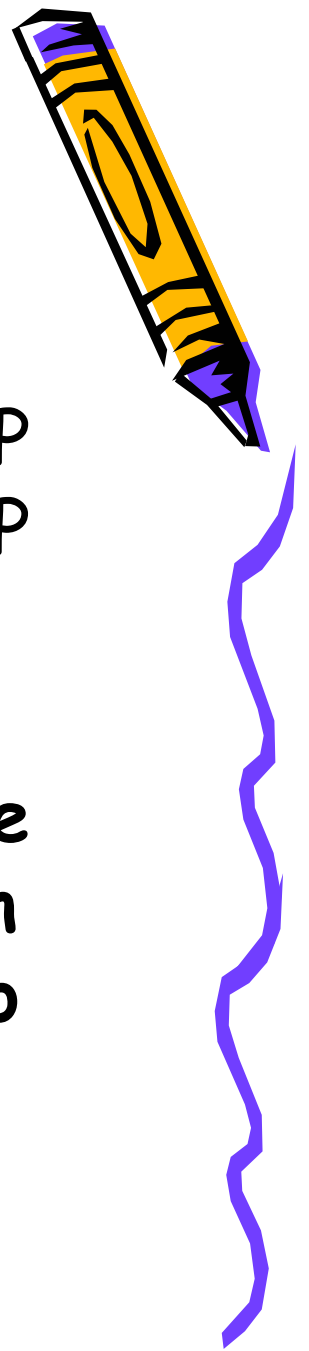
# What is redistribution?



- **Original Rule** - Each state has 3 years to expend each year's allotment. Unexpended funds are redistributed to states that have expended their allotments. Unused redistributed funds revert to the federal treasury.
- **Variations on the Rule** - Congress modified the rules for FY 1998, FY 1999; FY 2000; and FY 2001 to provide states additional time to expend their funds. The 2006 NIH Reauthorization law limits the number of years a state has to expend funds, so the funds can be redistributed to states with a FY 2007 shortfall.



# What does "screen and enroll" mean?



- States are required to screen all SCHIP applicants for both Medicaid and SCHIP eligibility. Many states use joint applications.
- If a child is eligible for Medicaid, the state is required to enroll the child in Medicaid, even if the parent wants to enroll the child in SCHIP.

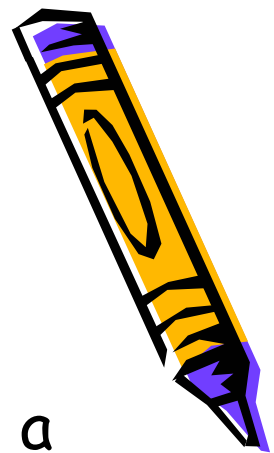




# State Children's Health Insurance Program

Funding

# SCHIP: State Allocations



- Individual state allocations are determined by a formula based on:
  - the relative number of low-income children (incomes below 200% of the federal poverty level) in the state compared to other states;
  - the number of low-income (below 200% FPL) uninsured children in the state; and
  - geographic factor based on wages of health care workers in the state.
- Limit on fluctuation from year to year (+ or - 10%)



# SCHIP Funding 1997 - 2007

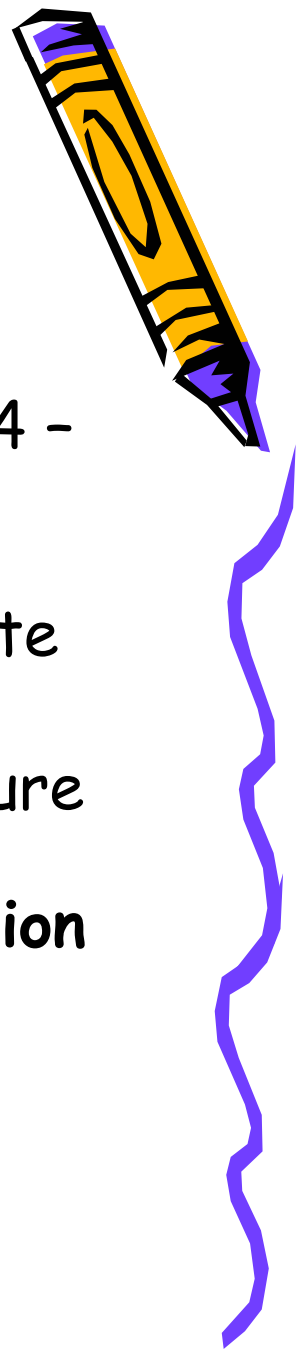


- Approximate funding levels:
  - FY 1998 - FY 2001 (\$4.2 billion annually)
  - FY 2002 - FY 2004 (\$3.2 billion) - This is "fondly" called the "SCHIP Dip"
  - FY 2005 - FY 2006 (\$4.1 billion)
  - FY 2007 (\$5 billion)
- Originally .25% set aside annually for (Puerto Rico, U.S. Virgin Islands, American Samoa, and the Northern Mariana Islands)
- Beginning in FY 1999, additional funds were added for the territories each year.



# SCHIP Allotments and Expenditures

## 1998 - 2007 cont.

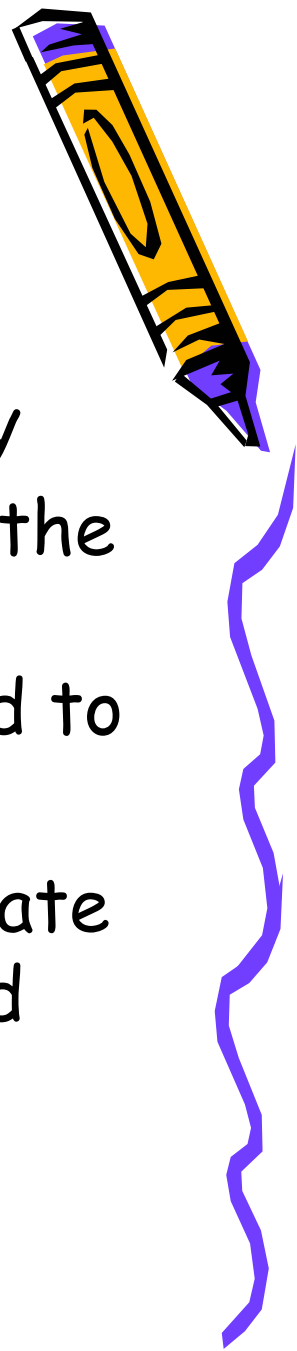


Year	Allotment	Expenditure
1998	4.24	0.12
1999	4.25	0.92
2000	4.25	1.93
2001	4.25	2.67
2002	3.12	3.78
2003	3.18	4.28
2004	3.18	4.64
2005	4.08	5.09
2006	4.08	5.48
2007	5.04	6.40

- FY 2002 - FY 2004 - SCHIP Dip, where federal allotments were less than state expenditures.
- FY 2007 expenditure number is current services, **\$1.4 billion below the CBO baseline for reauthorization.**



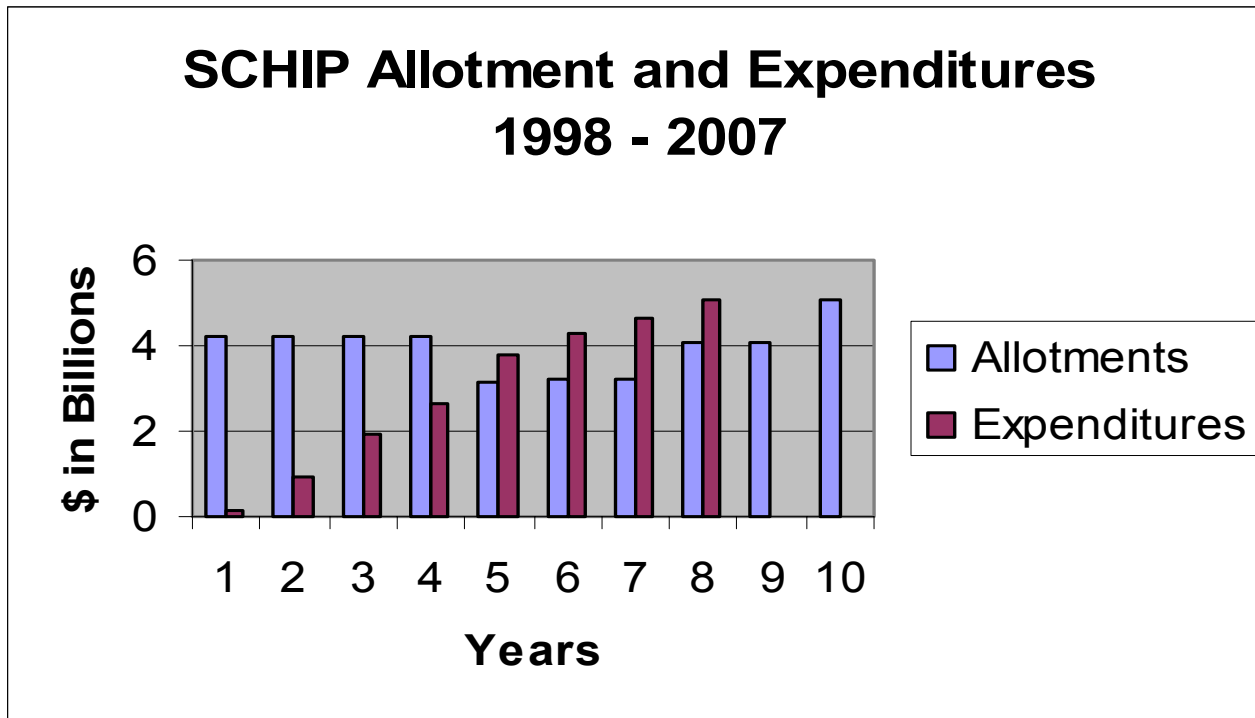
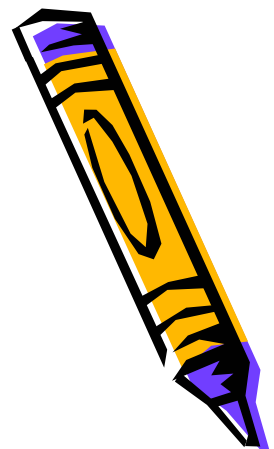
# What is the "SCHIP Dip"?



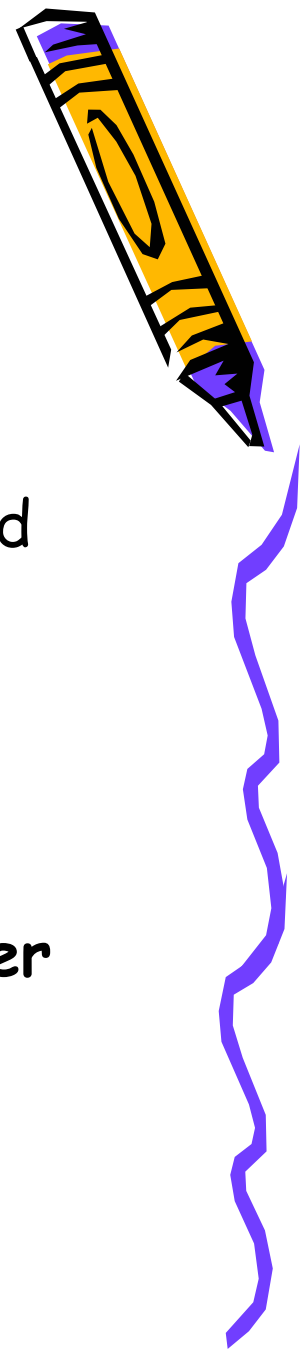
- The "dip" in federal funding between FY 2002 and FY 2004 was incorporated in the SCHIP statute to address a federal budget funding issue that was unrelated to SCHIP.
- Unfortunately, the "dip" occurred as state programs were beginning to flourish and state expenditures were increasing.



# SCHIP Allotments and Expenditures 1998 - 2007



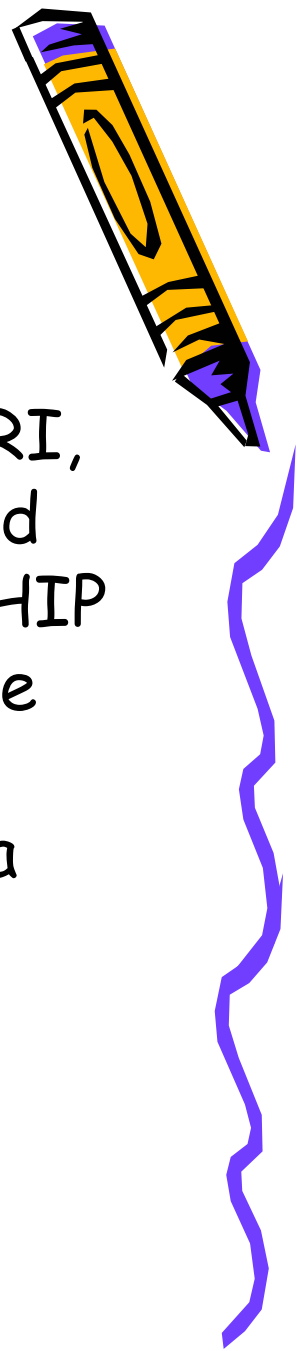
# What are the Rules for Covering Administrative Costs?



- What are administrative costs?
  - Eligibility determination, data collection and reporting
  - Outreach and education
- What are the rules?
  - Federal match is limited to 10% of the dollar amount a state draws down to cover **SCHIP** benefits, not 10% of a state's total allotment.



# Who are and What is the "Qualifying States"



- Eleven states (CT, HI, MD, MN, NH, NM, RI, TN, VT, WA, and WI) made major Medicaid expansions prior to the passage of the SCHIP legislation and are permitted to receive the SCHIP matching rate for the coverage of children enrolled in regular Medicaid (not a SCHIP Medicaid expansion).
- Applies to expenditures after 8/15/03.

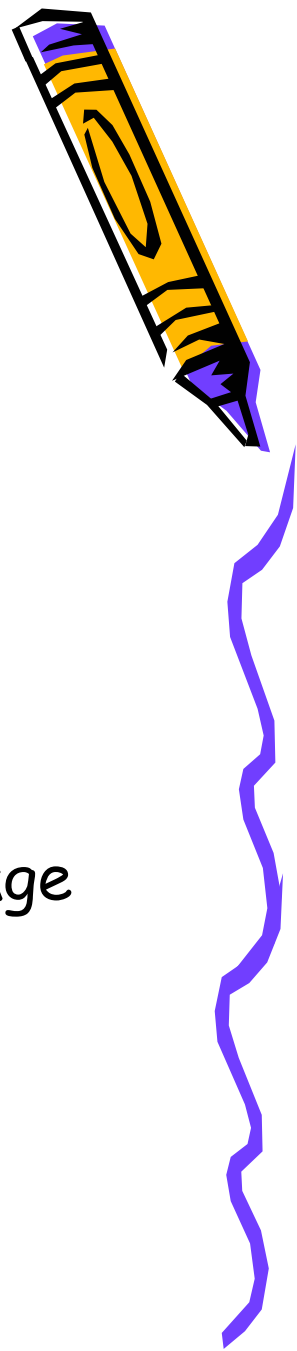




# State Children's Health Insurance Program

Benefits

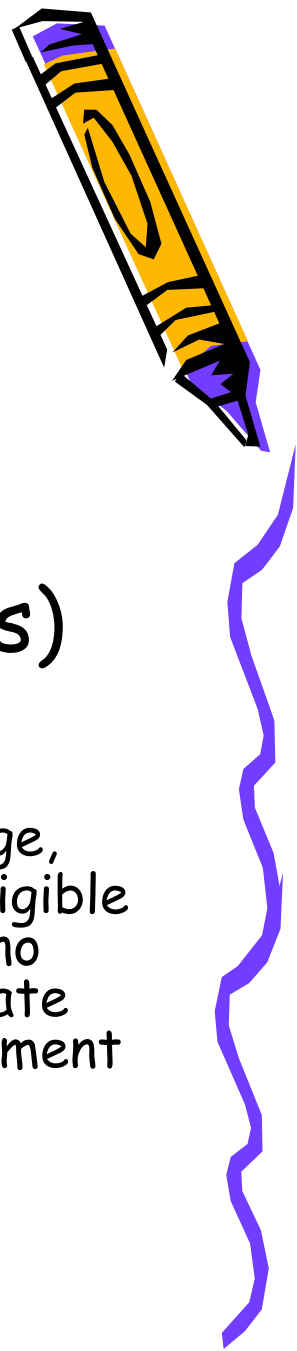
# How Can States Use SCHIP Funds?



- Medicaid Expansion - Medicaid rules apply
- State-Designed Program - States may choose from four options:
  - Benchmark coverage
  - Benchmark equivalent coverage
  - Existing state-based comprehensive coverage
  - Secretary-approved coverage
- Combination Program



# How Can States Use SCHIP Funds?



- Medicaid Expansion (11 states)
  - Medicaid Rules Apply
- State-Designed Program (18 states)
- Combination (21 states)

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Because Medicaid entitles beneficiaries to coverage, children in Medicaid expansion programs remain eligible even when SCHIP funding is exhausted. There is no individual entitlement in the state-designed separate programs, therefore those states may close enrollment and/or impose waiting lists.



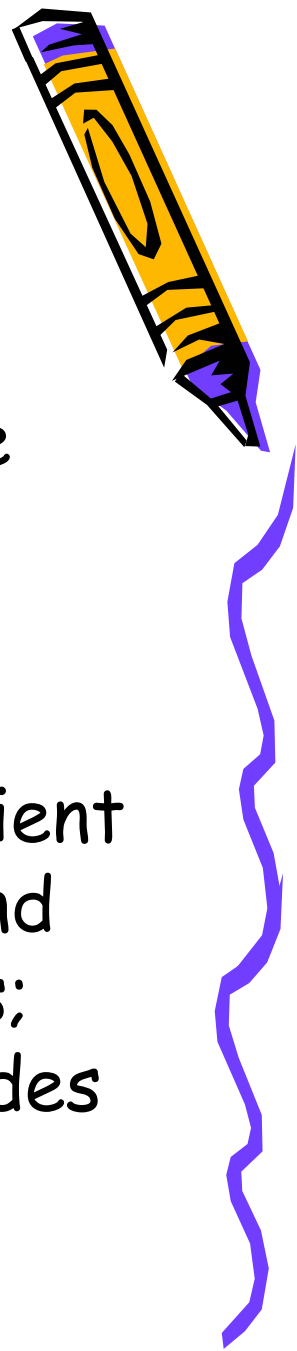
# What is Benchmark Coverage?



- Benchmark Coverage
  - Federal Employee's Health Benefit Package (FEHBP)
  - State Blue Cross/Blue Shield Plan
  - Benefit package offered to state employees
  - Benefit package offered by the HMO in the state with the largest non-Medicaid enrollment



# What is benchmark equivalent coverage?



- Benchmark equivalent coverage must be found to be equivalent by a qualified actuary and must include the "basic benefits" established in the law.
- Basic Benefits --- Inpatient and outpatient hospital services; physicians' surgical and medical services; lab and x-ray services; and well-baby and well-child care (includes immunizations and dental care).





# State Children's Health Insurance

Eligibility

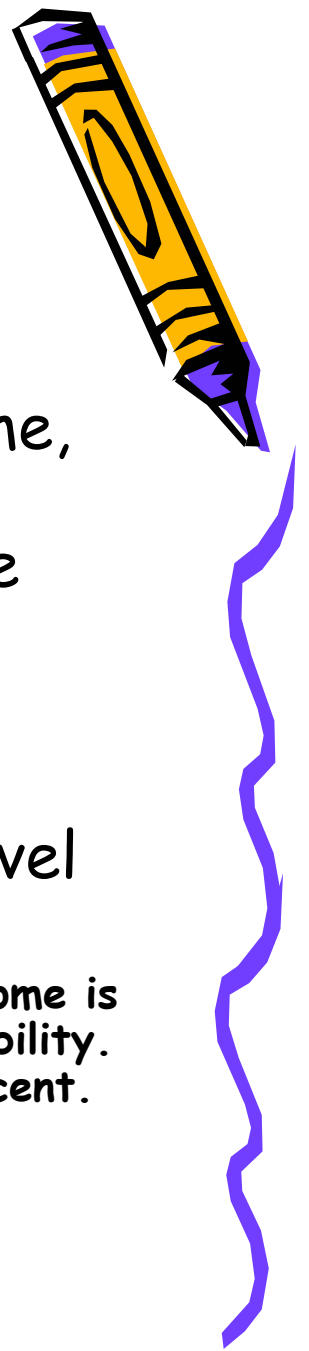
# Who's Eligible for SCHIP?



- Targeted Low-Income Children
- Others (primarily via waiver)
  - Parents
  - Childless adults
  - Premium assistance that can be used by adults
  - Pregnant women; unborn children
  - Certain Medicaid expansions ("qualifying states")



# Eligibility: Targeted Low Income Children



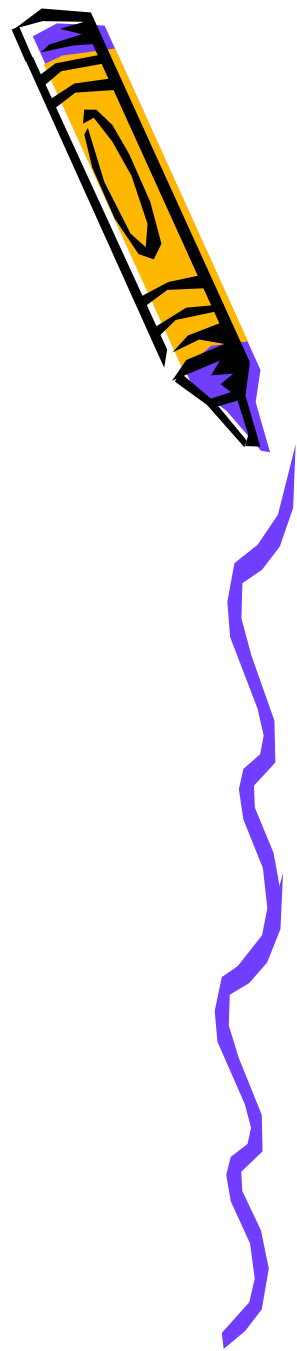
- **“Targeted Low-Income Children”** - Low-income, uninsured children (under age 19) who are not eligible for Medicaid under the rules the state had in place as of June 1997.
- **Low-income** is defined as up to 200% of the federal poverty level (FPL) or 50 percentage points above the state’s Medicaid eligibility level as of June 1997.

Note: Some states apply “income disregards,” where certain income is not counted for purposes of determining income for program eligibility. This can raise the effective federal poverty level above 200 percent.



# Treatment of Adults

- Adults are generally ineligible for SCHIP, but can be made eligible under limited circumstances.
- Adult categories:
  - Pregnant Women
  - Parents and Caretaker Relatives
  - Family Coverage
  - Childless Adults



# Pregnant Women



## Medicaid Expansions

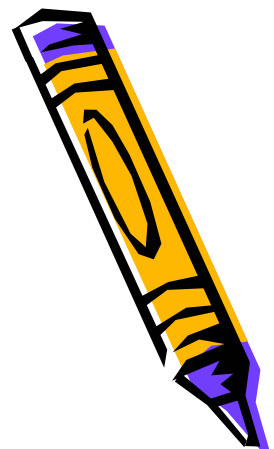
- Pregnant women are eligible for Medicaid, provided they meet the income and asset limitations, therefore pregnant women are eligible to participate in SCHIP Medicaid expansion programs.

## State-Designed Programs

- Pregnant women are not eligible for SCHIP.
- They may be included in two ways:
  - Unborn child state plan amendment (SPA)
  - Waiver



# Pregnant Women cont.



## Unborn Child (SPA)

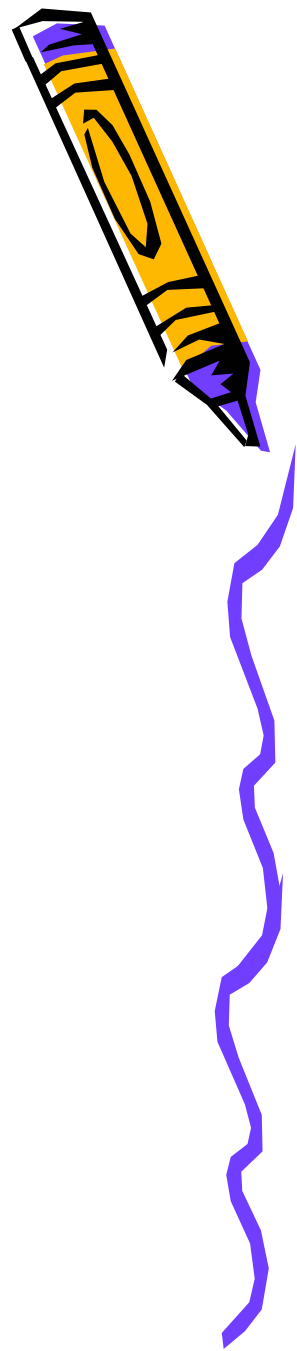
- On October 2, 2002, CMS published the final rule that includes the "unborn child" within the definition of "targeted low-income children," providing all other applicable state eligibility requirements are met.
- The first SPA were approved in April 2003.

## Waiver

- States may also cover pregnant women through the Section 1115 waiver process.



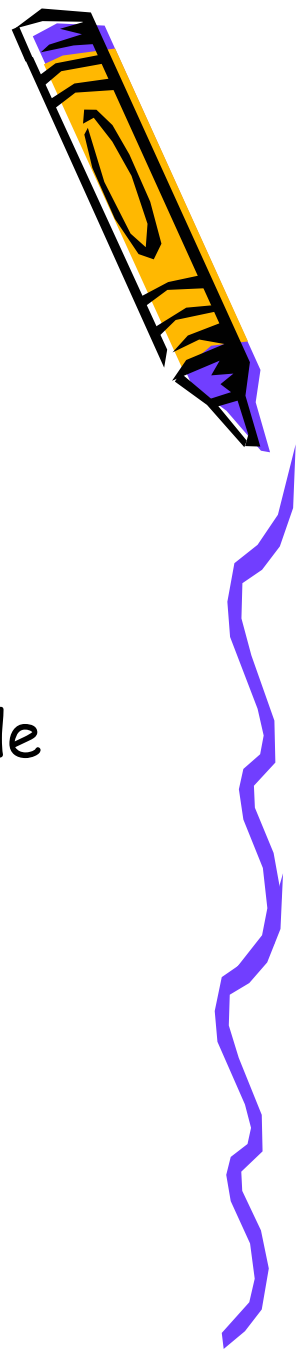
# Parents and Caretaker Relatives



- States can include parents or caretaker relatives in the SCHIP program through the Section 1115 waiver process.



# Family Coverage - Premium Assistance



- States may subsidize employer-based coverage for eligible children.
- States must:
  - Meet minimum benefit standards (or provide wrap-around coverage);
  - Require a certain level of employer contribution; and
  - Establish cost-effectiveness



# Family Coverage - Premium Assistance cont.

- States have found the process for qualifying cumbersome. As of FY 2005, only 9 states (Idaho, Illinois, Louisiana, Massachusetts, New Jersey, Oregon, Rhode Island, Virginia and Wisconsin) were operating some kind of premium assistance program.



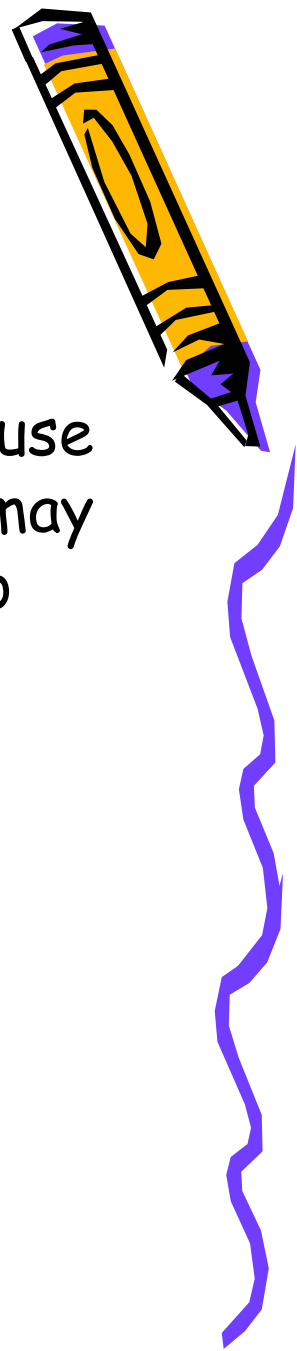
# Childless Adults



- States were able to cover childless adults through the Section 1115 waiver process.
- Currently seven states (Arkansas, Arizona, Idaho, Illinois, Michigan, New Mexico, and Utah) have a waiver.
- The Deficit Reduction Act (DRA) prohibits the HHS Secretary from granting any more waivers for childless adults, except for pregnant women.



# Deficit Reduction Act Citizenship Documentation Provisions



## Medicaid Expansion

- The DRA citizenship documentation provisions apply to SCHIP Medicaid expansion programs.

## State-Designed Program

- The DRA citizenship documentation provisions do not apply to these programs because the DRA provision is a Medicaid, not SCHIP provision.

**NOTE:** States that use joint applications may still be required to comply with the citizenship documentation provisions.



# State Employee's Children



## Medicaid Expansion

- Children of state employees in families that meet SCHIP eligibility requirements are authorized to participate.

## State-Designed Program

- Children of state employees who are eligible for state employee health insurance coverage are specifically excluded from

eligibility, unless a state provides less than 10% of the cost of the coverage.

- Arkansas and North Carolina provide less than 10% of the cost of coverage.
- There is no similar restriction regarding the eligibility of children of federal government employees.



# Legal Immigrant Children



- In both Medicaid expansion and separate state-designed programs eligibility is usually limited to U.S. citizens and to legally present immigrant children who have resided in the United States for at least five years, and who meet the income eligibility requirements.
- Medicaid (regular Medicaid matching rate) will cover emergency health services to immigrant children who do not meet the above eligibility requirements, but who meet the income requirements.

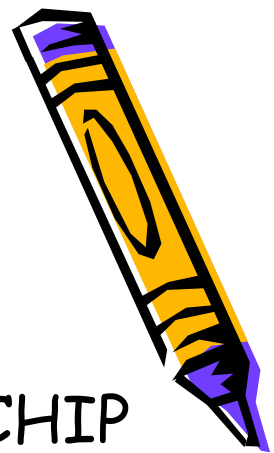




# State Children's Health Insurance Program

Cost-Sharing

# Cost-sharing - SCHIP State-Designed Programs



- Federal law permits states to require some SCHIP beneficiaries to share costs. Cost-sharing may not be required for preventive services such as well-child services, routine physical examinations, associated laboratory tests, immunizations, and routine preventive and diagnostic dental services.
- American Indians and Alaska Natives are exempt from all cost-sharing requirements.
- Under both Medicaid and SCHIP rules, total cost-sharing obligations cannot exceed 5 percent of total family income.



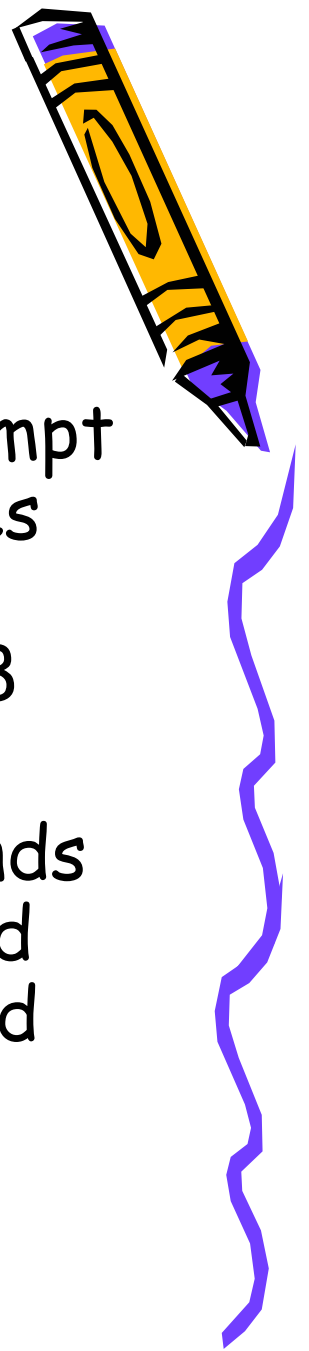
# Cost-sharing - SCHIP State-Designed Programs



- States with separate state-designed SCHIP programs may charge children at or below 150 percent of the FPL a monthly premium of no more than \$19 and nominal co-payments that generally are no more than \$5.
- States may set their own premium and cost-sharing schedules for children in families with incomes above 150 percent of the FPL, as long as cost-sharing is not lower for higher income children than for lower income children.
- Total aggregate cost-sharing cannot exceed 5 percent of total family income.



# Cost-sharing - Medicaid Expansion Programs



- Under Medicaid, most children are exempt from cost-sharing requirements. States have the option of imposing service-related cost-sharing to children over 18 years of age.
- The Deficit Reduction Act (DRA) expands state options for imposing premiums and service-related cost-sharing in Medicaid expansion programs.



# Cost-sharing - Medicaid Expansion Programs (DRA options)



- The Deficit Reduction Act Medicaid rules prohibit premiums for children in families with incomes between 100 percent and 150 percent of the FPL, but states can require service-related cost-sharing of up to 10 percent of the cost of the service rendered.
- For children in families with incomes above 150 percent of the FPL, states may charge premiums and can require cost-sharing of up to 20 percent of the cost of the service rendered.
- Aggregate cost-sharing cannot exceed 5 percent of family income (determined on a quarterly or monthly basis as required by the state).

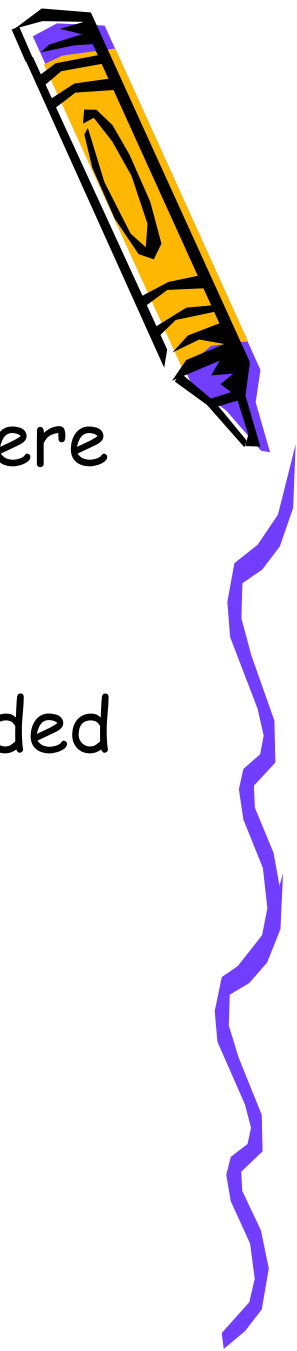




# State Children's Health Insurance Program

The FY 2007 Shortfall

# Shortfall - A Brief History



- Previous shortfalls (except FY 2006) were addressed through redistribution.
- In FY 2006 (as part of the Deficit Reduction Act of 2005) Congress provided \$283 million to address a predicted shortfall.
- At least 14 states are anticipating shortfalls in FY 2007.



# Shortfall - A Brief History cont.



- The FY 2007 shortfall states are: Alaska, Georgia, Illinois, Iowa, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, Rhode Island, and Wisconsin.



# P.L. 109-482 - Overview of SCHIP Provisions



- A temporary "fix" for the FY 2007 SCHIP shortfall was added to the NIH Reauthorization bill in the waning days of the 109<sup>th</sup> Congress.
- The law shortens the amount of time states without a shortfall have to spend their SCHIP funds.
- The fix is expected to avert the shortfall through May 4, 2007.



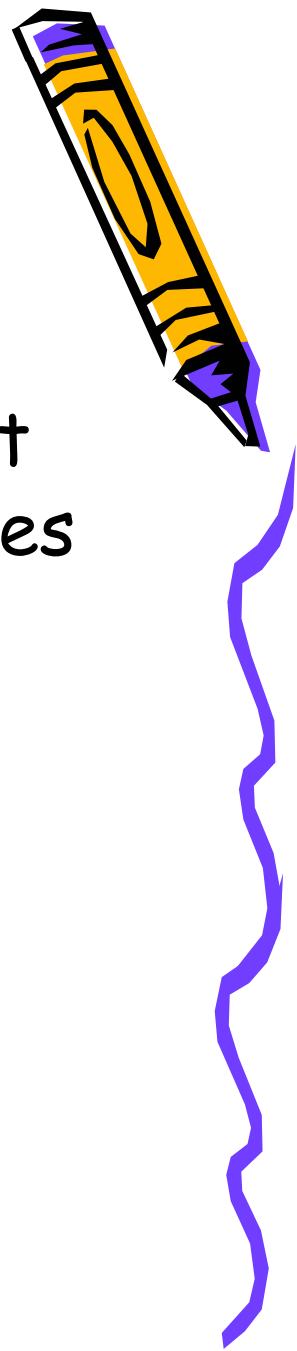
# Redistribution Funds from Expiring FY 2004



- **FY 2004 Redistribution** - Directs the HHS Secretary to spend \$146 million in expiring FY 2004 SCHIP funds (FY 2004 allotments that were unspent after three years and reverted to the Secretary for redistribution to other states) on the states that are experiencing shortfalls, spending down on a monthly basis in the order that states hit shortfalls.



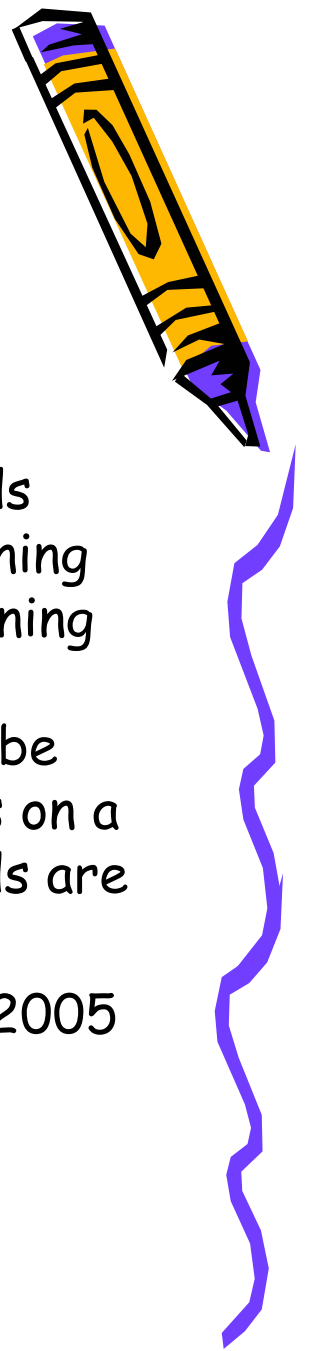
# Redistribution Funds from Expiring FY 2004



- On February 7, 2007, Secretary Leavitt distributed \$146.89 million to five states with FY 2007 short falls:
  - Illinois - \$66.3 million
  - Maryland - \$3.6 million
  - Massachusetts - \$33.6 million
  - New Jersey - \$30.4 million
  - Rhode Island - \$12.9 million



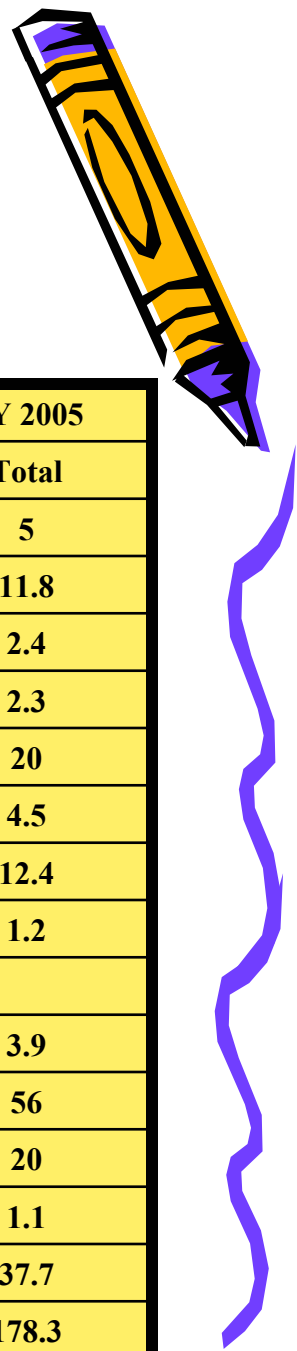
# Redistribution Funds from Unspent FY 2005 SCHIP Funds



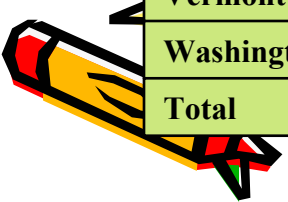
- **FY 2005 Redistribution** - As of March 31, 2007, those states that have more than twice the total SCHIP funds that they need to meet projected demand in the remaining years of the program, would give up half of their remaining FY 2005 funds to a new redistribution pool. These redistribution funds, approximately \$125 million would be spent down by the HHS Secretary to fill the shortfalls on a monthly basis, in the same manner as the FY 2004 funds are spent.
  - No state would give up more than \$20 million in FY 2005 funds.



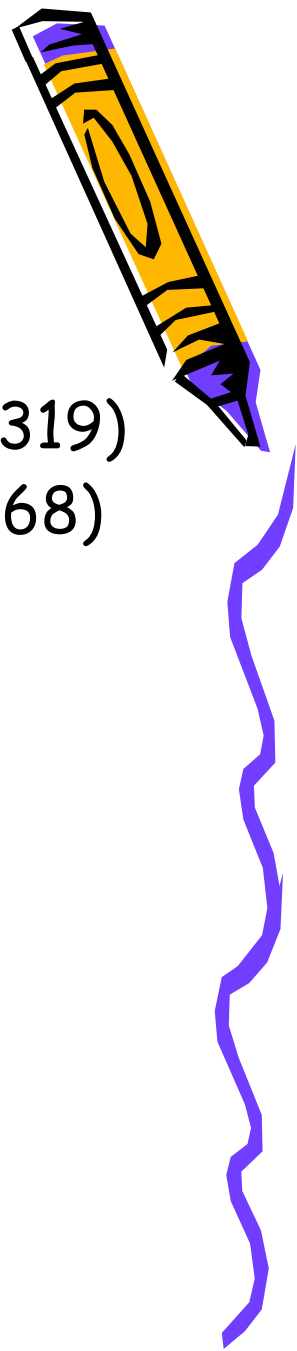
# Redistribution Funds FY 2004/FY 2005



	FY 2004	FY 2005	FY 2005	FY 2005
STATE/JURISDICTION	9/30/2006	3/31/2007	9/30/2007	Total
Colorado		5		5
Connecticut	7.5	11.8		11.8
Delaware	0.8	2.4		2.4
District of Columbia		2.3		2.3
Florida		20		20
Idaho		4.5		4.5
Nevada	3.7	12.4		12.4
New Hampshire		1.2		1.2
New Mexico	1.4			
South Carolina		3.9		3.9
Tennessee	58	20	36	56
Texas	61.5	20		20
Vermont		1.1		1.1
Washington	14.1	20	17.7	37.7
<b>Total</b>	<b>147</b>	<b>124.6</b>	<b>53.7</b>	<b>178.3</b>



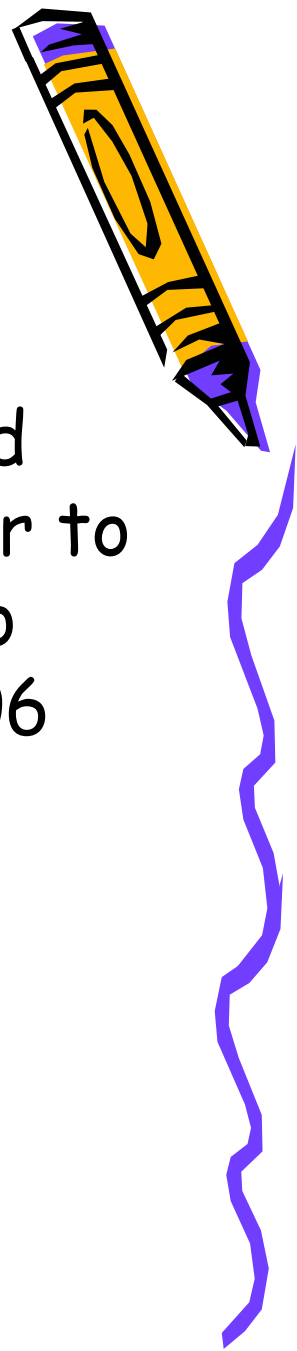
# Reallotment of Unexpended 2005 SCHIP Funds



- On May 30, 2007 Secretary Leavitt announced that the following states were eligible to receive allotments from 2005 unexpended SCHIP funds: Georgia, Illinois, Maryland, Massachusetts, New Jersey and Rhode Island.
- Georgia (\$28,653,319)
- Illinois (\$16,638,268)
- Maryland (\$21,616,185)
- New Jersey (\$27,708,720)
- Rhode Island (\$7,144,187)



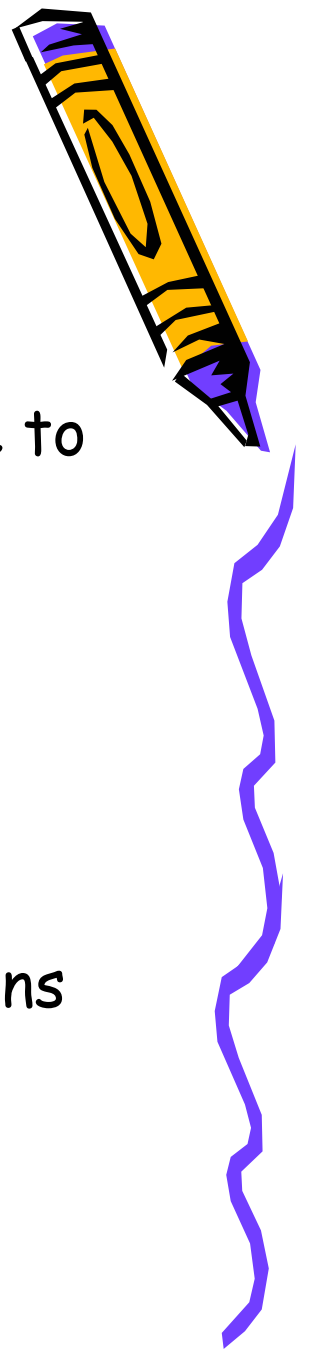
# Treatment of Qualifying States



- The eleven "Qualifying States" that had expanded their Medicaid programs prior to the enactment of SCHIP, will be able to spend up to 20 percent of their FY 2006 and FY 2007 allotments to provide Medicaid coverage to eligible children.
- "Qualifying States"-- CT, HI, MD, MN, NH, NM, RI, TN, VT, WA, and WI



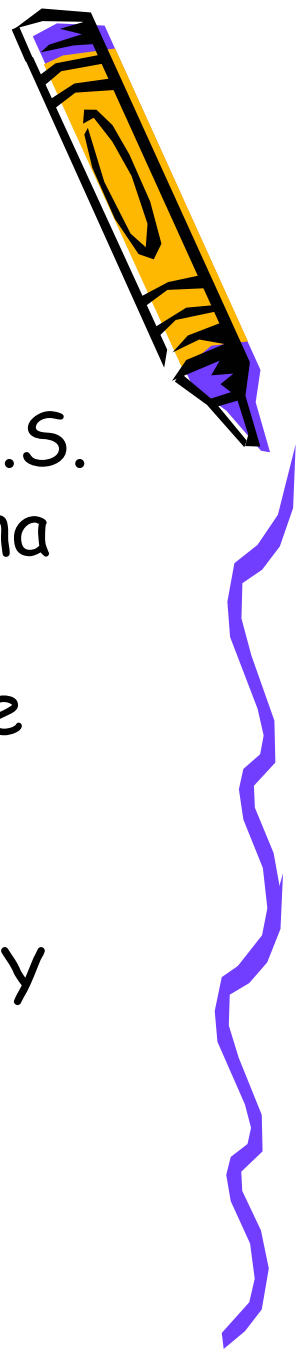
# Differential Match for SCHIP-Covered Populations other than Children and Pregnant Women



- Shortfall states that provide SCHIP coverage to adults, excluding pregnant women, will receive funds from the redistribution pool, but will receive the regular Medicaid matching rate, instead of the enhanced federal match under SCHIP for those individuals.
- This provision prioritizes SCHIP funding for children, but does not exclude other populations eligible for coverage under SCHIP through waivers.



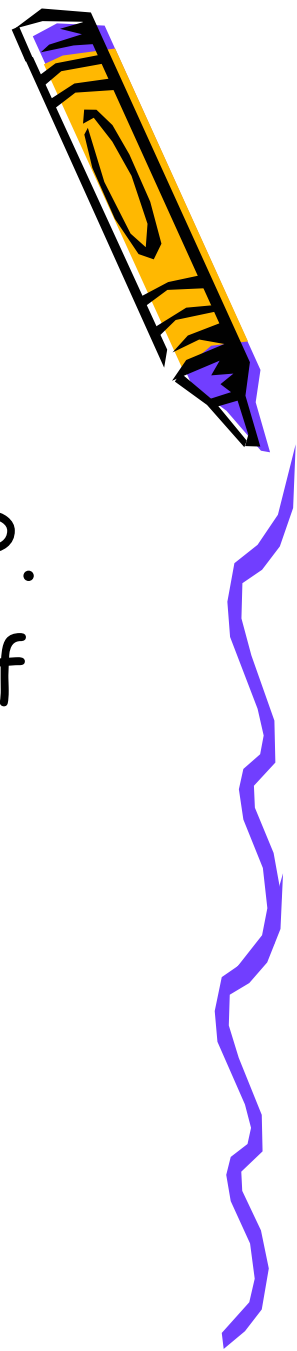
# FY 2007 Emergency Supplemental - SCHIP Provision



- President Bush signed H.R. 2206, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery & Iraq Accountability Appropriations, 2007 (also known as the FY 2007 Emergency Supplemental Appropriations Bill) on May 23, 2007 providing \$650 million to address the FY 2007 SCHIP shortfall.



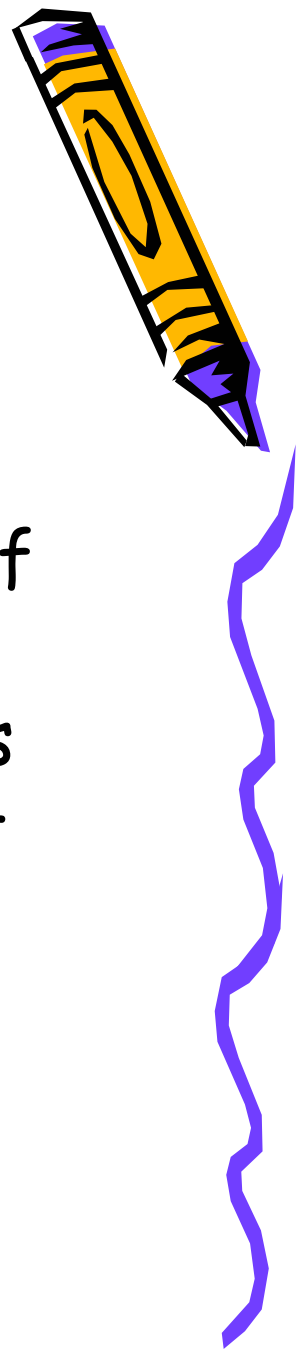
# SCHIP and the FY 2008 Budget Resolution



- Both the House and the Senate establish reserve funds for SCHIP.
- Reserve funds permit the chairs of the budget committees to amend committee allocations provided certain conditions are met.



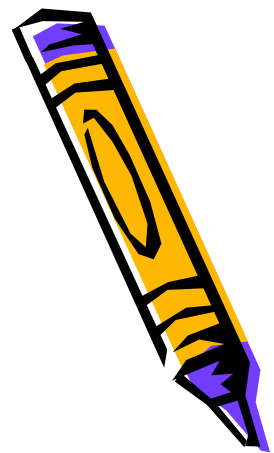
# SCHIP and the FY 2008 Budget Resolution cont.



- Senate
  - Up to \$50 billion for FY 2007-2012 if legislation maintains coverage for currently enrolled children, continues efforts to enroll children eligible but not enrolled, and permits states to cover more children.



# SCHIP and the FY 2008 Budget Resolution cont.



- House
  - Up to \$50 billion for FY 2007-2012
- House and Senate
  - Cannot increase the deficit or decrease the surplus over FY 2007-FY 2012 or FY 2007 - FY 2017.



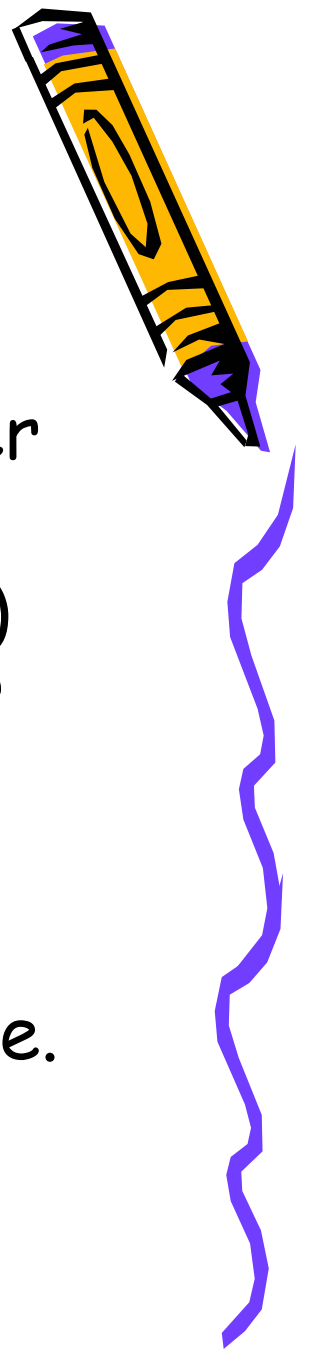


State Children's Health  
Insurance Program

Reauthorization Issues



# Reauthorization Overview

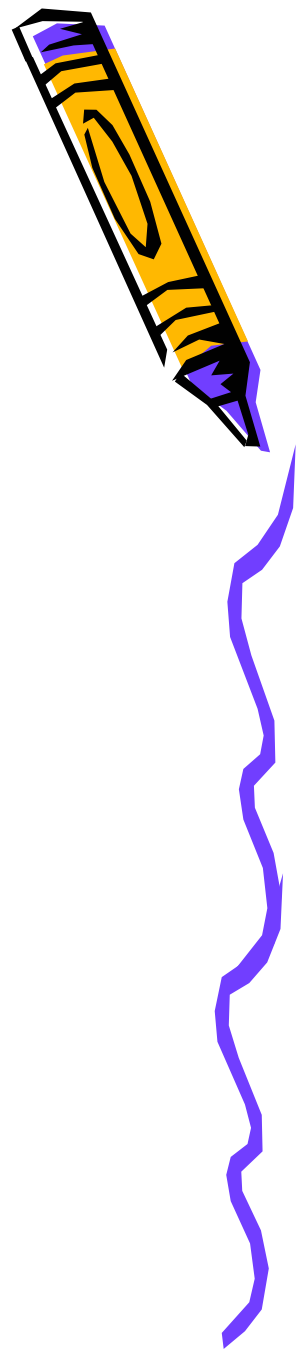


- SCHIP authorization expires September 30, 2007.
- The Congressional Budget Office (CBO) baseline provides \$5 billion annually for the SCHIP reauthorization. Current services for FY 2007 is \$6.4 billion.
- Congressional budget rules require an offset for costs above the CBO baseline.

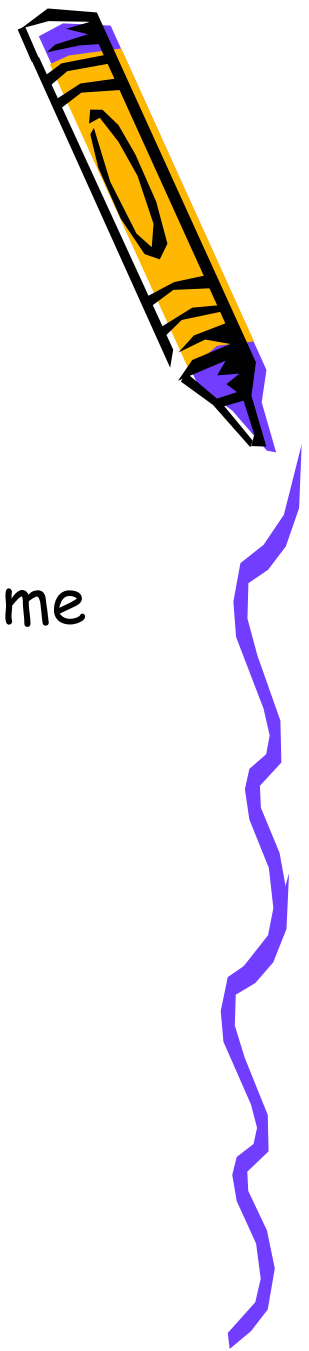


# SCHIP Reauthorization - Key Issue Areas

- Funding
- Eligibility
- Benefits
- Quality/Accountability



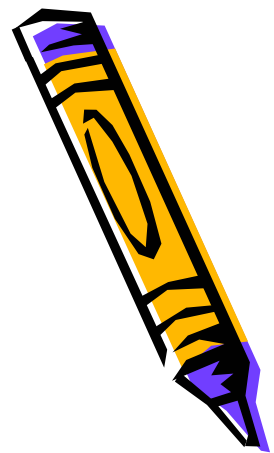
# Funding



- Authorization Level for FY 2008 - FY 2012
  - Program Growth (cover more children) v. Program Stabilization (focus on lowest income children and those who are eligible, but uninsured).
  - Health Care Cost Inflation
- State Allotment Formula
  - Change Components
    - Historic Spending Patterns
  - Cost of Health Insurance in State



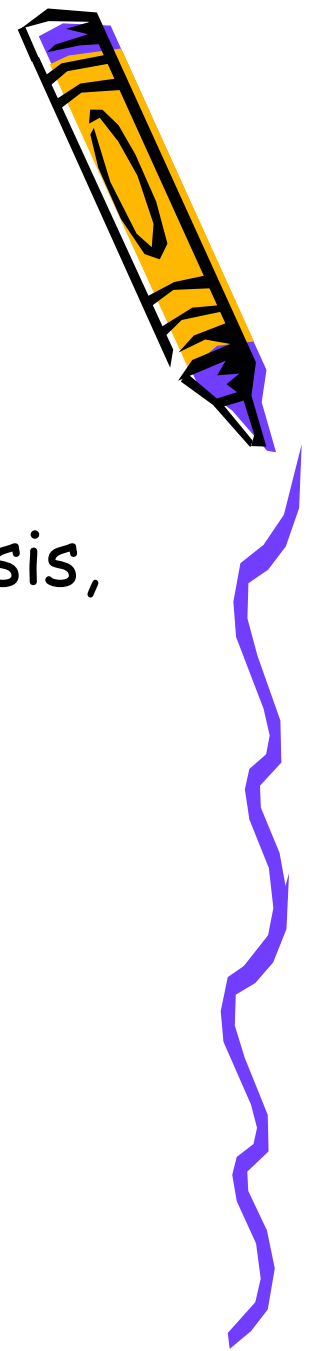
# Funding cont.



- Change Data Sources
- Change Formula Components and Data Sources
- Number of Years Provided to States to Expend Annual Allotments
  - Future Role of Redistribution
- Keeping Unused Funds in SCHIP
  - Eliminate requirement that unused SCHIP funds revert to the federal treasury
- Incentive Funding for States
- Exempt Outreach from 10% Administrative Cap



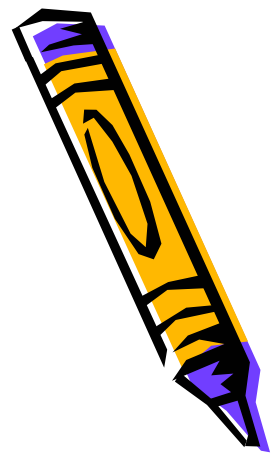
# Benefits



- New benefit mandates
  - Early and Periodic Screening, Diagnosis, and Treatment (EPSDT)
  - Dental Services
  - Mental Health Services/Parity
  - Substance Abuse Services/Parity



# Eligibility



- Limit eligibility to children with incomes at or below 200% of the federal poverty level (FPL)
- Substantially raise income eligibility limit
- Increased focus on children who are eligible, but not enrolled
- Include children who have insurance coverage, but are "underinsured"
- Eliminate the "screen and enroll" requirement and let families choose between Medicaid and SCHIP (coupled with disclosure requirements regarding benefit package)



# Eligibility - New State Options



- Add to State Options:
  - Pregnant Women (without waiver)
  - Legal Immigrant Children
  - Children of State Employees
  - Children between Ages 19 - 21 (already Medicaid option)
  - Improved Family Coverage/Premium Assistance Option
  - Vaccine for Children Program Participation



# Quality/Accountability

- Increase Federal Oversight
- Add Performance Measures
- Better Utilize Existing Performance Measures
- Increase Technical Assistance/Focus on Best Practices

