

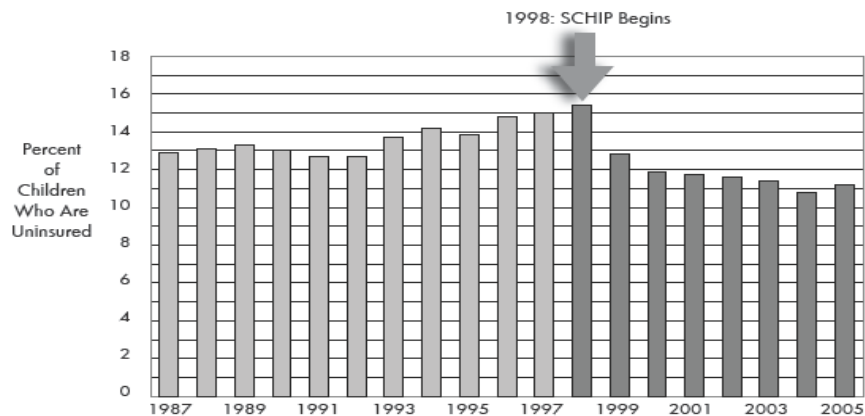
## The State Children's Health Insurance Program: Why Reauthorization and Increased Funding are a Good Investment

The State Children's Health Insurance Program (SCHIP), Title XXI of the Social Security Act, was created as part of the federal Balanced Budget Act of 1997. SCHIP was the largest expansion of public health insurance coverage since the creation of Medicare and Medicaid in 1965. Designed to build on the success of Medicaid, SCHIP provided states with the resources to cover uninsured children whose family incomes are too high to qualify for Medicaid but too low to afford private insurance. Under SCHIP, states can choose to expand their existing Medicaid program, create a separate children's health insurance program, or use a combination of the two approaches. Since 1997, Congress has appropriated almost \$40 billion to fund SCHIP.<sup>1</sup>

### The Importance of SCHIP

In 2005, there were over 4 million children enrolled in the SCHIP program nationally.<sup>2</sup> Since 1997, SCHIP has played a major role in decreasing the percentage of uninsured children (see Figure 1). This reduction in the uninsured rate among children occurred despite the erosion of employer-sponsored insurance (ESI) and an increase in the number of uninsured adults.<sup>3</sup> SCHIP, as well as Medicaid, offers health benefits that ensure that children receive preventive care, screenings for physical and developmental health problems, and health care services that allow them to grow into healthy and productive adults. Additionally, as ESI continues to erode, SCHIP acts as a safety net for those children whose parents have lost access to private family coverage.

**Fig. 1 Percent of U.S. Children who are Uninsured, 1987-2005**



Source: U.S. Census Bureau Current Population Survey, 2006.  
 Note: Includes children ages 0-17.

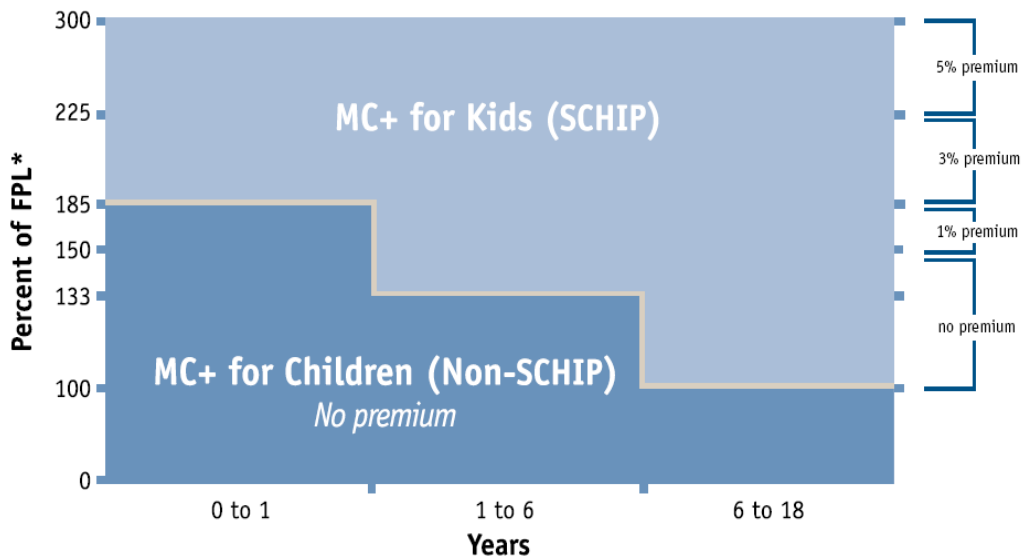
## SCHIP in Missouri: The MC+ for Kids Program

In establishing SCHIP in Missouri, the state chose the option of expanding its Medicaid program to children in families with incomes up to 300 percent of the federal poverty level (FPL). SCHIP, termed MC+ for Kids in Missouri, currently covers approximately 73,000 children.<sup>4</sup> The MC+ for Kids program provides the same health services as those covered under Missouri's Medicaid program for children, except that SCHIP kids are not eligible for non-emergency medical transportation.

**In SFY 2005, Missouri spent only \$346,299 in General Revenue to cover almost 73,000 children under the state's SCHIP (MC+ for Kids) program.**

Based on an income scale, some individuals covered under MC+ for Kids must pay premiums. Premiums paid per family per month range from 1 percent to 5 percent of a family's income (see Figure 2). The federal government matches SCHIP spending at a higher rate than for Medicaid. In Missouri, the federal FY 2007 match for Medicaid is 62 percent, but the federal match for Missouri's SCHIP program is 73 percent. Missouri's SCHIP costs the state relatively little in General Revenue because of the high match rate. In fact, estimates by the Missouri Department of Social Services (DSS) show that for the entire state fiscal year (SFY) 2005, coverage for all of Missouri's SCHIP children cost the state only \$346,299 in general revenue.<sup>5</sup> Additionally, per child annual expenditures for the MC+ for Kids program averaged only \$1,652 in SFY 2006.<sup>6</sup>

**Fig. 2 MC+ Covered Children by Age and Income with Premium Requirements**



## SCHIP Financing

Federal funding for SCHIP is capped annually at about \$5 billion and each state receives a portion of the overall amount. However, each state can roll-over unspent federal SCHIP funds for up to three

years. Until recently, states that experienced yearly shortfalls in federal SCHIP funding were covered through a redistribution of unspent federal SCHIP funds. States generally have one year to spend these redistributed funds. In FY 2006, two states experienced shortfalls totaling \$20 million that were not remedied through the redistribution process. In 2007, it is estimated that 17 states will face federal funding shortfalls totaling \$921 million.<sup>7</sup> Unless federal funding is provided to close this gap, these states will have to choose between increasing state funding to make up for the shortfalls or cutting back their SCHIP programs by reducing eligibility, capping enrollment, eliminating benefits, increasing beneficiary cost-sharing, or cutting provider payments. In states that choose to cut back their programs, substantial numbers of low-income children could lose their health insurance.

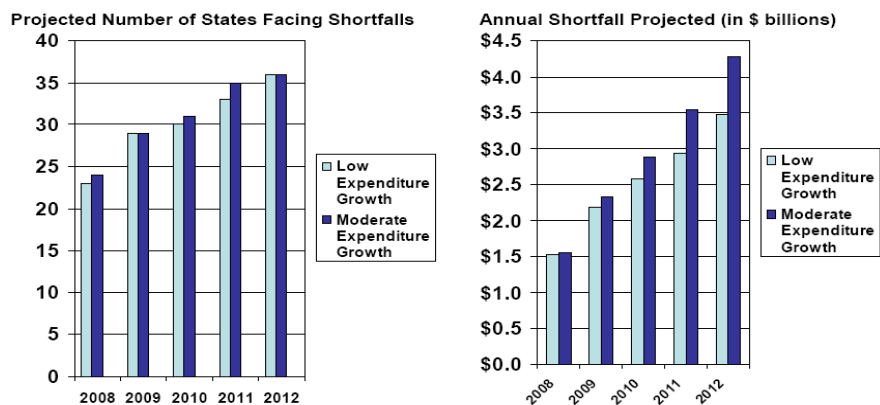
### Reauthorization of SCHIP

In 2007, SCHIP is slated to be reauthorized by Congress. While bi-partisan support exists to reauthorize the program, determining the level of future funding for SCHIP is under discussion. If Congress were to freeze the annual SCHIP block grant at the 2007 level during the reauthorization process, shortfalls such as those seen in 2007 will be larger and more pervasive (see Figure 3). In fact, an analysis by the national Center on Budget and Policy Priorities found that if funding is frozen over the 2008-2012 period:

- states could face an overall federal funding shortfall of \$12.7 billion to \$14.6 billion;
- 24 states could face a combined shortfall of roughly \$1.5 billion in 2008 alone; and
- in 2012, 36 states could face a collective shortfall between \$3.5 billion and \$4.3 billion.<sup>8</sup>

Without an increase in federal SCHIP funding hundreds of thousands of children may join the ranks of uninsured.

**Fig. 3, Number of Shortfall States and Annual Shortfalls Projected, 2008-2012**



Source: Center on Budget and Policy Priorities' SCHIP financing model.

## Summary

Since its inception, the SCHIP program has greatly reduced the number of uninsured children. However, more than 9 million children remain uninsured nationally, with almost 125,000 uninsured children in Missouri.<sup>9</sup> These uninsured children are more likely to:

- go without immunizations,
- have less access to primary care,
- utilize emergency rooms for conditions that could be prevented or managed in a primary care setting, and
- miss school because of untreated illnesses.<sup>10</sup>

Many states are beginning to face federal funding shortfalls in the financing of their SCHIP programs. The reauthorization of SCHIP in 2007 provides policymakers with the opportunity to not only fund the program at a level sufficient to maintain coverage for those already enrolled, but to increase funding so that even more of the nation's uninsured children can receive health coverage.

## References

- <sup>1</sup> "SCHIP—The Basics," National Health Policy Forum, 2004, <http://www.nhpf.org>.
- <sup>2</sup> Broaddus, Matt, and Edwin Park, "Freezing SCHIP Funding in Coming Years Would Reverse Recent Gains in Children's Health Coverage," Center on Budget and Policy Priorities, 2006, <http://www.cbpp.org/6-5-06health.pdf>.
- <sup>3</sup> "Too Close to Turn Back: Covering America's Children," Georgetown University health Policy Institute, Center for Children and Families, 2006, <http://ccf.georgetown.edu/pdfs/121206tooclosereport.pdf>.
- <sup>4</sup> "Medicaid Expenditures by Large Eligibility Groups, Fiscal Year 2006," Missouri Department of Social Services, 2006, <http://www.dss.mo.gov/mis/pdfs/expmtx06.pdf>.
- <sup>5</sup> "Investing in Missouri's Future: The State Children's Health Insurance Program," Missouri Hospital Association, 2006, [http://web.mhanet.com/asp/Governmental\\_Relations/pdf/SCHIP.pdf](http://web.mhanet.com/asp/Governmental_Relations/pdf/SCHIP.pdf).
- <sup>6</sup> "Medicaid Expenditures by Large Eligibility Groups, Fiscal Year 2006," Missouri Department of Social Services, 2006, <http://www.dss.mo.gov/mis/pdfs/expmtx06.pdf>.
- <sup>7</sup> Broaddus, Matt, and Edwin Park, "SCHIP Financing Update: In 2007, 17 States will Face Federal Funding Shortfalls of \$921 Million in Their SCHIP Programs," Center on Budget and Policy Priorities, 2006, <http://www.cbpp.org/6-5-06health2.pdf>.
- <sup>8</sup> Broaddus, Matt, and Edwin Park, "Freezing SCHIP Funding in Coming Years Would Reverse Recent Gains in Children's Health Coverage," Center on Budget and Policy Priorities, 2006, <http://www.cbpp.org/6-5-06health.pdf>.
- <sup>9</sup> Kaiser statehealthfacts.org, "Health Insurance Coverage of Children 0-18, states (2004-2005), U.S. (2005)," <http://www.statehealthfacts.org>.
- <sup>10</sup> "Too Close to Turn Back: Covering America's Children," Georgetown University health Policy Institute, Center for Children and Families, 2006, <http://ccf.georgetown.edu/pdfs/121206tooclosereport.pdf>.