

## **Priorities for Congressional Reauthorization of the State Children's Health Insurance Program (SCHIP)**

The State Children's Health Insurance Program (SCHIP), which was created in 1997, has been a tremendous success. Since the program's inception, the percentage of uninsured children has fallen by a third nationally, even as the overall rate of uninsured people has increased.

However, the SCHIP program must be reauthorized by Congress this year and its future is uncertain because the federal funding level is no longer adequate to continue the insurance coverage for all of the children who are currently served. In addition, some of the policy changes that are under consideration would be very detrimental for Wisconsin.

### **What SCHIP Means for Wisconsin**

SCHIP plays an extremely important role in the financing of Wisconsin's BadgerCare program, which makes health care available to working families with incomes above the Medicaid eligibility limits and below 185 percent of the federal poverty level. SCHIP funding pays for 71 percent of the cost of the 29,000 children enrolled in BadgerCare. In addition, Wisconsin is one of 9 states that use SCHIP funds for coverage of parents. Researchers have found that covering parents results in enrollment of more children and in more kids accessing health care, such as preventive health care, than insured children whose parents lack coverage.

Wisconsin is one of about 17 states expected to have a shortfall in the current fiscal year if Congress does not increase the 2007 funding. The shortfall will rapidly grow worse if the SCHIP funding level is frozen in future years, and the state will have far more difficulty reaching the goal of making health insurance accessible for all of Wisconsin's children.

### **SCHIP Reauthorization Priorities for Wisconsin**

The following is our list of priorities for SCHIP as Congress considers the program's future. It is drawn in part from a list of recommendations developed by the Wisconsin Department of Health and Family Services (DHFS).

#### **1) Continue to allow states to use a portion of their SCHIP funds to cover parents.**

States that have received waivers allowing them to use a portion of their SCHIP funds to cover parents should be allowed to continue to do so. The SCHIP funding for parents has made it possible for Wisconsin to make BadgerCare available for all uninsured children and parents in families up to 185 percent of the federal poverty level.

The coverage of parents has helped improve health care access for children in at least a couple of ways:

- The federal waiver allowing Wisconsin to use SCHIP dollars for parents was contingent on removing barriers to the enrollment of children (such as the Medicaid assets test).
- Studies of the states like Wisconsin that cover parents as well as kids have found that enrolling parents increases enrollment of children and improves their utilization of health

care services. (For more on that topic, see the CBPP paper available at: <http://www.cbpp.org/10-20-06health.htm>.)

## **2) Fully fund the program.**

Coverage of children has grown sharply since SCHIP began, but the current number of people covered cannot be sustained at the present funding level. The Center on Budget and Policy Priorities (CBPP) estimates that more than 2 million children will lose their health insurance by 2012 if the current authorized funding level is continued. CBPP and the Congressional Research Service project that maintaining the current number of people enrolled in state programs supported with SCHIP funding will cost \$12 billion to \$14 billion over the next 5 years (FY 2008-2012). But rather than aiming simply to maintain the current enrollment level, funding should be increased substantially to allow more kids to be enrolled, as more states embark on efforts to cover all children.

## **3) Reward rather than penalize states for increasing coverage.**

The formula that is used to divide SCHIP funding between the states uses several factors, one of which is the number of uninsured children in the state in families below 200 percent of the federal poverty level. That factor should be dropped because it penalizes states that have expanded coverage and have succeeded in reducing the number of uninsured children. The current formula distributes more money to the states that aren't using much of their allocations; however, those states would probably be more likely to expand coverage if they knew that they wouldn't subsequently be penalized for reducing the number of uninsured kids. Another option, in lieu of changing the allocation formula, is to give states an enhanced federal match rate for increasing coverage of children.

## **4) Allow states to use up to 20 percent of SCHIP funds to cover children eligible for pre SCHIP expansions of Medicaid.**

States like Wisconsin and Minnesota that had higher income eligibility caps before the SCHIP law was passed have been at a disadvantage. They were initially prohibited from using SCHIP funds for children eligible for the pre-SCHIP programs. A subsequent policy change now allows states to use up to 20 percent of their SCHIP allotment to cover children previously covered under Medicaid. That option should be continued and expanded. (Wisconsin has not utilized this option, but it could be extremely important for our state if the ability to use SCHIP funds for parents is eliminated or restricted.)

## **5) Give states more flexibility in verifying citizenship.**

Over 17,000 Wisconsin children and parents have lost medical coverage since the implementation of the so-called "citizenship documentation" requirements contained in the 2006 federal budget act. In most cases they have been able to document their citizenship but are being disqualified from participation because they are unable to produce identification documents such as a driver's license. Congress should amend the law to allow states to accomplish the goals of the new rules without the unintended consequence of denying needed health care to thousands of eligible Wisconsin families.

## **6) Maintain limits on cost-sharing for low-income families.**

Federal law limits the amount of premiums and co-pays that can be charged for the participation of low-income children in Medicaid or SCHIP. Those limits are important because increased cost-sharing makes program participation extremely difficult for families who are barely scraping by.

When Wisconsin increased the premiums for BadgerCare (from 3 percent to 5 percent of family income) in 2004, the participation of premium-paying families quickly declined by about 10 percent. States that have raised co-pays for low-income families have found that they often defer check-ups and needed health care services, which results in poorer outcomes for the families and greater public spending over the long haul. To reach the goal of providing health insurance that is cost-effective and truly accessible for children, the current limits on cost-sharing should not be increased.

### **7) Promote quality initiatives**

Congress and the states should put more emphasis on the quality of health care services that are available to children. In both SCHIP and Medicaid, states should be encouraged to use performance measures aimed at improving the quality of care.

### **8) Protect and strengthen Medicaid**

SCHIP serves families above the income limit for Medicaid. Thus, it is often noted – and correctly so – that SCHIP stands on the shoulders of Medicaid. We must keep that relationship in mind as SCHIP is reauthorized. To maintain and improve children's health care it is critically important to provide adequate funding for Medicaid, as well as SCHIP. In addition, Congress should remove barriers to Medicaid participation (such as the extremely detrimental documentation requirements imposed in 2006) and support initiatives that will improve the quality of Medicaid services.

### **9) Reject efforts to couple SCHIP with tax credits for health care**

There has been talk recently of coupling SCHIP reauthorization with a new proposal for providing tax credits to families that purchase health care for their children. We oppose that idea because the proposed credits would have almost no effect on the number of uninsured children, since the proposed credits aren't large enough to enable many parents to buy health insurance who are not doing so already. Instead, it would be a huge federal expenditure benefiting parents already purchasing coverage, rather than a cost-effective investment in increasing health care access for kids. If members of Congress believe that for purposes of tax equity there should be additional tax benefits for health insurance purposes, let's have a good public dialogue about all the facets of that issue. But it's a policy debate that should be done in the broader context of improving tax equity; rather than using the pretext that the proposed credits are an alternative method of expanding access to health care for children.

### **Conclusion**

The SCHIP program is a proven investment that serves taxpayers and families well. We urge our congressional members to stand firm in their commitment to this important program, which gives Wisconsin families the health care they deserve -- and parents much greater peace of mind for the well being of their children.

SCHIP has enabled states to develop a wide range of innovative and successful programs for closing the gaps in insurance coverage, and these programs enjoy broad, bipartisan support. Republican and Democratic governors and legislatures in states like Pennsylvania, Massachusetts and Illinois have recently extended SCHIP to cover all kids. Wisconsin may soon do so as well.

Those state-level lawmakers know that America cannot afford to move backward on children's health coverage. Yet that is precisely what might happen if Congress fails to extend and fully fund SCHIP. The new congressional leadership should make a strong commitment to this extremely important and successful health care program.

February 8, 2007