

Wisconsin Priorities Regarding Congressional Reauthorization of the State Children's Health Insurance Program (SCHIP)

updated January 9, 2009

Since it was initiated in 1997, the State Children's Health Insurance Program (SCHIP) has been a tremendous success in reducing the number of uninsured children nationally. However, the program must be reauthorized by Congress early this year (by March 31, 2009) and its future is uncertain because the federal funding level is no longer adequate to continue the insurance coverage of all of the children who are currently served.

Wisconsin is one of many states likely to have a shortfall if Congress does not increase the SCHIP appropriations. An SCHIP shortfall would make it even more difficult for Wisconsin to cope with the state deficit and the higher-than-anticipated enrollment of children and parents in BadgerCare Plus, and could jeopardize the significant progress the state has made in insuring all Wisconsin children.

In Wisconsin, SCHIP funding pays about 72 percent of the cost of many of the children enrolled in BadgerCare Plus. The following is a list of key issues for Wisconsin as Congress considers the SCHIP program's future:

1) Will there be a significant increase in SCHIP funding?

Coverage of children has grown sharply since the program's inception, but the current level of coverage cannot be sustained at the present SCHIP funding level. The Center on Budget and Policy Priorities (CBPP) estimated last year that more than 2 million children would lose their health insurance by 2012 if the current appropriations levels are continued. Maintaining the current number of people enrolled in state programs supported with SCHIP funding was estimated to cost \$10 billion to \$12 billion over the next 4 years (FY 2009-2012). However, a larger increase should be provided to allow states to significantly expand coverage and to help reduce the roughly 9 million uninsured kids across the nation. A significant increase would enable Wisconsin to reduce its large budget deficit, because the sharp increase in children enrolled in BadgerCare Plus means that the state's SCHIP allocation falls far short of covering all the participating children who are SCHIP eligible.

2) Will states be allowed to use some of their SCHIP allocations to cover certain children previously eligible for 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 those states to use up to 20 percent of their SCHIP allotment to cover children previously covered under Medicaid. The SCHIP reauthorization bill will determine whether that option is continued or possibly expanded. Because the enrollment of children in

Wisconsin grew by more than 60,000 since BadgerCare Plus was implemented, our state does not have enough SCHIP funding to utilize the 20 percent option. However, retaining that flexibility could be very advantageous for Wisconsin if there is a significant increase in funding and if states lose the option of using SCHIP dollars for coverage of parents (see item #3).

3) Will states be allowed to continue to use a portion of their SCHIP funds to cover parents?

Wisconsin is one of about a dozen states that have been granted federal approval to use SCHIP funds to cover parents as well as children. Wisconsin's 2007 BadgerCare waiver allows the state to get the higher federal match rate for parents above 133 percent of the federal poverty level. However, the SCHIP reauthorization bill might end or restrict the ability of states to use SCHIP funds for parent coverage.

Covering parents has been shown to increase enrollment of children. (For more on that topic, see the CBPP paper available at: <http://www.cbpp.org/10-20-06health.htm>.) The SCHIP funding for parents helped make it possible for Wisconsin to make BadgerCare Plus available for parents in families up to 200 percent of the federal poverty level and to achieve a very high enrollment rate for low-income children.

Because of the large growth in children served by BadgerCare Plus, all of Wisconsin's SCHIP allocation is now being used for kids' coverage. Nevertheless, retaining the flexibility to use SCHIP funding for parents could be very important for Wisconsin if there is a significant increase in SCHIP funding, especially if states no longer have the option of using .SCHIP funds for pre-SCHIP expansions of coverage (see #2).

4) Will states be given the option of extending coverage to children who are legal immigrants?

Under current federal law, Medicaid and SCHIP funds generally cannot be used to cover immigrants, except for legal immigrants who have resided in the U.S. for at least 5 years. Many members of Congress have endorsed an amendment to the SCHIP bill that would allow states to get federal matching funds if they expand coverage to include children who are legal immigrants, without first having to reside in the U.S. for 5 years. That change would enable Wisconsin to fill one of the most significant gaps in kids' coverage.

A poll conducted on the eve of the 2008 election found that 79 percent of the 1,200 respondents said they supported providing SCHIP coverage to children who are legal immigrants, compared with just 15 percent who did not. More specifically, the survey found that 67 percent supported eliminating the five-year waiting period required before children who are legal immigrants can enroll in SCHIP.

5) Should there be an income ceiling for families eligible for subsidized coverage?

The current SCHIP statute does not put an upper income limit on eligibility, but in 2007 the Bush Administration established informal policies that have essentially prevented states from using SCHIP or Medicaid funds to subsidize coverage for families with incomes above 250 percent of the poverty level. Since BadgerCare Plus provides subsidies for coverage of children and pregnant women up to 300 percent of the poverty level, the informal federal limits

have increased Wisconsin's share of the cost of BadgerCare Plus and contribute to the fact that the program costs more than initially expected.

One of the main reasons cited for the cap is that the focus of SCHIP should be on improving enrollment of low-income children, rather than on assisting somewhat higher income families. Yet the initial experience in Wisconsin with the BadgerCare Plus initiative casts a different perspective on the question of how best to reach low-income kids. After BadgerCare Plus made all kids eligible for coverage, regardless of income (with subsidized coverage up to 300 percent of poverty), Wisconsin found that about four-fifths of the increased enrollment of children was among families below 200 percent of the poverty level – nearly all of whom met the previous income eligibility standard. Other states with “all kids” initiatives have also reached the same conclusion -- that extending the welcome mat to all children is an extremely effective way of marketing the program to low-income families who might not have previously understood that they were eligible.

6) Will states be given more flexibility to enroll eligible, low-income children?

One of the obstacles to enrolling eligible children and parents has been an increase in red tape caused by federal requirements. For example, thousands of citizen children and parents in Wisconsin have had coverage denied because they could not satisfy a federal rule requiring applicants and enrollees to prove their identity by providing a government-issued photo identification card. That has particularly been a problem for children, since they don't have drivers licenses, and many don't have school identification cards. The vetoed SCHIP reauthorization bill would have given states more flexibility in how they go about verifying the citizenship and identity of children applying for SCHIP or Medicaid, but it is unclear whether the next bill will include such a provision. (For more on this issue, see the WCCF paper at: http://www.wccf.org/pdf/medicaid_documentationreq_effects20080128.pdf.)

7) Will states have incentives to increase enrollment of lower income children?

During the 2007 SCHIP deliberations, there was fairly broad agreement that states should do a better job of enrolling eligible low-income children, but much less agreement in Congress on how to accomplish that bipartisan goal. Part of the challenge for policymakers is that SCHIP is a program for children (and, to a lesser extent, parents) in families above the income limit for Medicaid. It does not currently provide an incentive for states to increase enrollment among the lower income Medicaid-eligible population, which in most states makes up the majority of uninsured kids.

The vetoed SCHIP reauthorization bill would have provided increased financial assistance for states that succeed in increasing enrollment of children below the poverty level. Because BadgerCare Plus was so successful in increasing enrollment of low-income children in 2008, Wisconsin would have been a significant beneficiary of the inclusion of such a provision if the SCHIP bill hadn't been vetoed in 2007. However, whether the adoption of a similar provision in the next bill helps Wisconsin would depend on what date is chosen as the baseline for measuring the enrollment increase.

Using 2007 enrollment as the baseline (perhaps with some adjustment to reflect population growth and the effect of the recession) would be a fair approach that wouldn't penalize states like Wisconsin that decided not to wait for Congressional action.

Background Material

For more information about SCHIP, here are some additional resources:

- **SCHIP fact sheet** – A one-page fact sheet by First Focus provides background about the last SCHIP reauthorization debate and offers a few recommendations for priorities when the issue is reconsidered in 2009.

<http://www.firstfocus.net/Download/SCHIP.pdf>

- ***Putting Out the Welcome Mat: Implications of Coverage Expansions for Already-Eligible Children*** – This September 2008 brief by the Center for Children and Families at Georgetown University examines the implications of data from four states, Illinois, Massachusetts, Pennsylvania, and Wisconsin, that have recently expanded eligibility.

http://ccf.georgetown.edu/index/cms-file-system-action?file=strategy_center/putting_out_the_welcome_mat.pdf

- **SCHIP webpage** -- The Center for Children and Families at Georgetown University provides a wide range of background material relating to SCHIP and reauthorization.

<http://ccf.georgetown.edu/index/schip>