



## **SCHIP Reauthorization Needed to Continue and Expand Health Care Coverage for Children**

Health care for children is critical not only for their optimum development, but also for their quality of life. Federal reauthorization of the State Children's Health Insurance Program (SCHIP) is important to children's health in Michigan because it provides federal funds for the MICHild program, and also through a federal waiver, for the Adult Medical Program (also called the Adult Benefits Waiver). Both of these programs provide critical healthcare coverage to Michiganders who would otherwise be uninsured. More than 30,000 children and 62,000 adults receive critical health care services with funding from this federal program.

### **Background**

The State Children's Health Insurance Program was created by Congress in 1997 for a ten-year period. To continue, the program must be reauthorized in FY2007. The program was designed to cover children in families with too much income to qualify for Medicaid, but insufficient income to afford private coverage. In Michigan, the MICHild program was implemented statewide on September 1, 1998. To qualify for MICHild, a child must be ineligible for Medicaid, and have family income below 200 percent of the federal poverty level. The importance of this program to Michigan families is highlighted by national statistics which indicate that only 20 percent of workers with incomes below 100 percent of the poverty level have employer-sponsored insurance/other private coverage, while only 44 percent of workers with incomes between 100 and 200 percent of the poverty level have employer-sponsored insurance/other private coverage.

The legislation creating the program also permitted state waivers for alternative uses of the SCHIP funds for such purposes as covering parents, childless adults, or pregnant women. Michigan applied for a waiver which was approved in January 2004 to cover childless adults.

SCHIP is a block grant, not an entitlement, with capped federal funding and a state matching requirement. Congress sets the overall limit on annual funding levels and funds are distributed on a formula basis. States administer their programs within broad federal guidelines.

### **Eligibility**

MICHild covers children under age 19 in families with incomes between 150 and 200 percent of the federal poverty level (\$25,800 to \$34,500 for a family of 3); children in families with incomes below 150 percent of the federal poverty level likely qualify for Healthy Kids, a component of Michigan's Medicaid program. Children are enrolled in MICHild for a 12-month period after which families must reapply.

Because SCHIP is a block grant, not an entitlement, if federal funds are exhausted, children are not entitled to coverage even if they meet the eligibility requirements. As of March 2007, there were 30,611 children enrolled in MICHild. To date, Michigan has not experienced shortfalls in federal funding in part because a high percentage of applicants for MICHild are eligible for Healthy Kids, and the caseload began declining after outreach funding was eliminated. The fiscal situation, however, is expected to change as discussed below.

For the adult component, the income limit is very low – 35 percent of the federal poverty level (\$3,600 for an individual). Enrollment in this program is currently capped at 62,000, and as a result of caps, enrollment has been closed much of the time since July 1, 2004.

### **Services**

SCHIP is modeled on private coverage and requires that “benchmark coverage” be provided. “Benchmark coverage” is defined as coverage that would be equivalent to that provided to federal employees by Blue Cross/Blue Shield, coverage provided to state employees, or coverage provided by the Health Maintenance Organization with the largest commercial enrollment in the state. SCHIP does not require the broad coverage mandated under Medicaid. While most states, including Michigan, provide dental coverage, it is not a mandated covered service under SCHIP.

The MICHild Program provides comprehensive coverage through managed care plans for a *family* premium of \$10 per month (effective 4/1/07 the premium increased from \$5 per month to \$10 per month). MICHild benefits are provided through participating health plans, with the exception of mental health, substance abuse and dental services. Mental health services are provided by Community Mental Health Service Programs; substance abuse services are provided by the Substance Abuse Coordinating Agencies; and dental services are provided by Delta Dental, Blue Cross/Blue Shield, or Golden Dental. There are no dollar limits on medical services; there is a \$600 per year per child maximum on dental services.

The adult program provides limited outpatient coverage to single residents or childless couples who do not qualify for Medicaid. Benefits are not provided through managed care organizations, rather some are provided through County Health Plans, while others are fee for service.

### **Financing**

SCHIP is a federal-state partnership with the federal government providing 70 percent of the funding in Michigan and the state contributing 30 percent. The federal annual allotments for SCHIP can be used by states for 3 years. After the 3<sup>rd</sup> allocation year, unspent federal funds revert to the federal government or are redistributed to other states that are experiencing shortfalls. Many states are currently experiencing significant shortfalls as their programs have gained recognition and increased enrollments, in part due to outreach and in part due to the erosion of employer-based coverage, over the years. The President’s recommended level of reauthorization will not only prevent coverage of additional eligible children, but will be inadequate to maintain enrollment of all current beneficiaries.

Since FY2002, states’ spending for SCHIP programs have exceeded the annual federal allotments, resulting in the exhaustion of most prior years’ unspent funds. Current allotments for many states are insufficient to meet current demands. Many states, including Michigan, had developed sizable surpluses during the early years of the program’s development, but those surpluses have mostly been exhausted. Michigan is expected to experience a shortfall as early as FY2008, and certainly by FY2009 if the current level of funding is continued.

Because of somewhat slow program start-up and the high percentage of MICHild applicants who were eligible for Medicaid, Michigan accumulated a surplus of funds that, if not spent, would have

reverted back to the federal government, or been redistributed to other states. To avoid the loss of federal funds and to provide healthcare services to more Michigan residents, the State requested a federal waiver to allow SCHIP funding to be used to provide a limited outpatient health care benefit to very low-income uninsured childless adults. As indicated above, this waiver was approved in January 2004, and currently provides limited health care coverage to 62,000 individuals who would otherwise be uninsured.

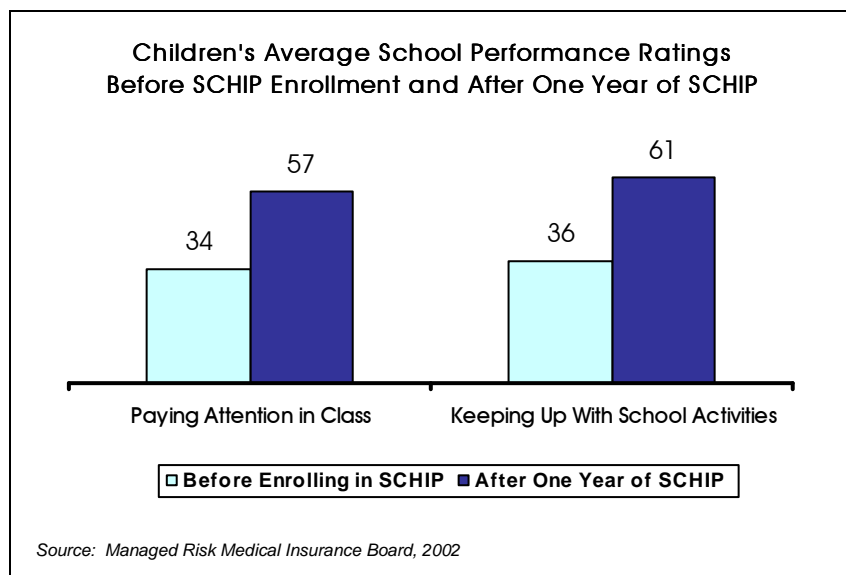
### Current Status of Reauthorization

The President's FY2008 budget recommendation includes the reauthorization of the SCHIP program for 5 years at the current baseline level of \$5 billion per year. If the President's recommended level is adopted, there will be insufficient funding to maintain all of the current enrollees, which would result in increases in the number of uninsured. In addition, there will be little or no opportunity to cover additional uninsured children whose numbers are likely increase as employer-based coverage continues to decline.

A number of reauthorization bills are expected to be introduced over the next few months. Those introduced to date recommend expansion of children's health coverage. The Dingell/Clinton bill expands children's health care coverage under both SCHIP and Medicaid (S.895 in the Senate, HR1535 in the House). The Rockefeller/Snowe reauthorization proposal maintains funding for not only current enrollees, but also provides resources for those children who are likely eligible for, but not enrolled in Medicaid or SCHIP.

### Conclusion

Numerous efforts are underway to educate members of Congress about the importance of this program, and the critical need to reauthorize funding at substantially higher levels, not only to maintain current enrollees, but also to enable increased enrollments. There are currently 9 million children nationally who are likely eligible for, but not enrolled, in this program. SCHIP-funded programs have achieved significant successes in many areas of child health, in reducing the number of uninsured children, and in improving educational success as displayed in the following chart.



As a nation and a state, we cannot afford to compromise our children's health, increase the number of uninsured children, or impede their educational success by inadequately funding the reauthorization of the State Children's Health Insurance Program.