

MEMORANDUM

TO: Interested parties

FROM: Jeanne De Sa, Eric Rollins, and Robert Stewart, CBO

DATE: December 14, 2007

RE: Revised estimate of cost of maintaining SCHIP programs in 2008

We have received numerous requests for an estimate of the additional funding required to maintain the State Children's Health Insurance Program (SCHIP) at currently projected levels of enrollment for 2008. We now estimate that:

- The Congress would need to provide an additional \$1.2 billion in funding (over and above the \$5.0 billion provided in the continuing resolution) to maintain SCHIP programs at those levels, and
- After accounting for the resulting savings in the Medicaid program, the net federal cost of providing that funding would be about \$700 million.

This estimate supersedes our previous estimate, which we presented in a memorandum issued on December 10, 2007. Since then, the Centers for Medicare & Medicaid Services has released more current projections by the states of their SCHIP spending in 2008, and we have revised our estimate to reflect those new projections.

The continuing resolution provided funding at an annual level of \$5.0 billion, but limits states' use of the funds to the period ending December 21, 2007. Our estimate of the additional funding required to maintain existing SCHIP programs is based on the amount of funds from previous years that remain available and states' most recent projections of spending in 2008. Without additional funding, but assuming that states would be able to use the funding in the continuing resolution for the entire fiscal year, we anticipate that a total of 19 states will exhaust their SCHIP funding in 2008, and that the first states to exhaust their funding will do so in March 2008.

Under current law, we expect that states that exhaust their SCHIP funds will respond in part by expanding Medicaid eligibility. Doing so would allow states to continue receiving federal matching funds, albeit at a less-favorable matching rate. The provision of additional SCHIP funding would keep states from expanding Medicaid eligibility, and thus generate about \$500 million in savings in the Medicaid program. As a result, the net federal cost (\$700 million) of providing funding to maintain existing SCHIP programs is lower than the amount of additional SCHIP funding required (\$1.2 billion).