Alaska's covering Kids™

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ALASKA'S COVERING KIDS COALITION

ANTHC, SCF and APCA - The State's Final Report to the Alaska Covering Kids Grantees and Coalition Members - September 28, 2006 - Anchorage, Alaska

DENALI KidCare

Insuring Alaska's Children and Our Future

Expansion Children from March 1999 to August 2006

12 Governor's ask for Bush Administration's Assistance in working with Congress to address federal SCHIP Shortfall

Sonny Perdue *Georgia*	*Frank Murkowski* *Alaska*	*Tom Vilsack* *Iowa*	*Kathleen Blanco* *Louisiana*
Robert Ehrlich *Maryland*	*Mitt Romney* *Massachusetts*	*Haley Barbour* *Mississippi*	*Jon Corzine* *New Jersey*
Mike Easley *North Carolina*	*Donald Carcieri* *Rhode Island*	*Michael Rounds* *South Dakota*	*Jim Doyle* *Wisconsin*

September 19, 2006

The Honorable George W. Bush
The White House
Washington, DC 20500

Dear Mr. President,

We are writing today regarding a vital issue that could derail one of the most popular and forward looking Federal-State partnerships just as we are approaching the ten year anniversary of its creation. If Congress does not move to address funding shortfalls in the State Children's Health Insurance Program (SCHIP) this fall, our states are facing harsh decisions in order to maintain the program through fiscal year 2007 and beyond. We are asking for your assistance in working with Congress to address the issue.

As you know, the State Children's Health Insurance Program was a bipartisan approach to address the growing number of children without health insurance. When Congress authorized the program in 1997, the intent was to expand health insurance coverage to children whose families earned too much money to be eligible for Medicaid but were unable to afford private coverage. Each state was able to use flexibilities inherent in the authorization to design programs specific to the unique circumstances and needs of children in that individual state. Nearly ten years later every state in the nation and Puerto Rico has a version of the program and nationally the program provides health benefits for over 6.1 million children.

While we consider SCHIP a great success, there are long-term funding allocation issues that must be addressed in the reauthorization process, as well as short-term funding issues for FY 2007. According to the Congressional Research Service, forty states will spend more than their SCHIP allotment next year and eighteen of those states will be facing program shortfalls. Congress must address the short-term funding shortfall, or states will be forced to drop children from their programs or move SCHIP eligible children into already stretched-thin Medicaid programs. We ask for your leadership and assistance in working with Congress to strengthen and preserve a successful program that meets the needs of our children.

Thank you for your time and assistance in this important matter.

Sincerely,

Sonny Perdue
Governor of Georgia

Frank Murkowski
Governor of Alaska

The Honorable George W. Bush
September 19, 2006
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Tom Vilsack
Governor of Iowa

Kathleen Blanco
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Alaska Will Have Insufficient Federal SCHIP Funding in 2007

- Alaska is one of at least 17 states facing a 2007 shortfall (total shortfall for 17 states is estimated to be $800-$950 million) of SCHIP funding to sustain the existing Denali KidCare Program.
- This is not the first year Alaska has not had the necessary federal SCHIP funding to cover program expenditures.
- In 2001, Alaska was the first state in the nation ever to exhaust its federal SCHIP allocation and had to revert to lower Medicaid reimbursement rates to cover program expenditures. Since that time, Denali KidCare has relied on new yearly federal allocations plus redistributed federal SCHIP funds from states who did not need all of their allocation funds to cover program expenditures.
- As states enrolled more children, the redistributed federal SCHIP funds have become less and less, and this has led to the funding shortfalls in 6 states in 2006 and 17 states in 2007 of which Alaska is one.
- In 2006, Congress funded the 6 shortfall states through additional federal funding under the Deficit Reduction Act (DRA).
- Alaska will have only 53% of the federal SCHIP funding needed to cover program expenditures in 2007.
- The problem is two-fold:
    1. The federal government has not fully appropriated funding to cover program expenditures.
    2. Changes in the way the Census Bureau reports the data on uninsured children with family incomes ≤ 200% Federal Poverty Level (FPL) in the Current Population Survey (CPS) and reductions in Alaska's cost factor will result in lower federal SCHIP allocations to Alaska in future years.
- The federal government reimburses SCHIP benefits at a higher rate than regular Medicaid; however, the higher reimbursement is capped at the available federal SCHIP funding level.
- If costs exceed the funds, claims are reimbursed at the lower Medicaid rate increasing the amount of state general funds required.

- In SFY 07, SCHIP claims are projected to be $26.7 million; however, our total available federal funds are projected to be only $14.3 million, for a shortfall of $12.4 million federal dollars to which a lower Medicaid reimbursement rate will be applied.

- The difference in the federal matching rates means that Alaska will need $2.2 million in additional state general fund (GF) dollars in 2007 and $3.9 million GF in 2008.

- Because of this shortfall, AK could:

    1. Increase its own GF to make up the shortfall at a lower Medicaid reimbursement rate; or
    2. Cut back Denali KidCare by

        1. reducing eligibility
        2. curtailing benefits
        3. introducing premiums, and or
        4. reducing provider payments.

- If cutbacks occur, even more of the state's low-income children now enrolled in Denali KidCare, 8,809 children, could lose their SCHIP health coverage and become uninsured.

- In September 2003, the Denali KidCare FPL upper guideline was reduced from 200% to 175% and frozen at that year's FPL standard on children in families with incomes ≥ 151% FPL. Thus, the upper guideline declines every year as the national FPL Guidelines generally increase with inflation. For example, since 9/2003, an Alaskan family of four earning $3,355/month has not had annual increases to that figure due to the frozen standard. More than half of the children in families with incomes ≥ 151% FPL have been removed from the Denali KidCare Program since September 2003.

- 46% of Alaska's children live at or below 200% FPL as compared to 40.6% nationwide.

- Approximately 10,000-11,000 of these Alaskan children ≤ 200% FPL are uninsured. If the 2007 funding shortfall is not addressed by providing funding to cover the shortfalls and the Administration's proposal to decrease the number of years from 3 to 2 that the states have to spend their yearly allocations is adopted, Alaska will be at an even greater funding disadvantage. The Center for Budget and Policy Priorities forecasts an additional $4.5 million loss over 5 years in federal SCHIP funding for Alaska if the Administration's proposal is adopted.

- While the Administration's proposal provides a short-term fix for the 2007 shortfalls, it actually makes things worse in the long run.

- A better solution would be to add new money to the SCHIP and redistribute these funds to shortfall states, just as Congress did under the DRA in 2006.

After Congress Reconvenes in November

- **Two SCHIP Issues:**
  - **How to address the17 State '07 Shortfall Issue**
    1. Bush Administration Proposal – allowing only 2 years rather than 3 years for states to spend their '05 allotment
    2. Add new federal dollars to cover shortfall as was done for '06 shortfall states under the Deficit Reduction Act
  - **SCHIP Reauthorization**
    1. Fix the SCHIP Allocation Formula
    2. Establish new baseline based on each state's expenditures, apply inflation factor and factor in increased enrollment
- If both are handled at the same time issues may become intertwined and confused.

U.S. Census Bureau - Low Income Uninsured Children in Alaska
Based on three year averages - Current Population Survey
240,000
230,000
220,000
210,000
200,000
190,000
180,000
170,000
160,000
150,000
140,000
130,000
120,000
110,000
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
1993, 1994 and 1995
1994, 1995 and 1996
1995, 1996 and 1997
1996, 1997 and 1998
1997, 1998 and 1999
1998, 1999 and 2000
1999, 2000 and 2001
2000, 2001 and 2002
2001, 2002 and 2003
2002,2003 and 2004
2003,2004 and 2005
Total Children <19 years, All Income Levels
At or Below 200% of Poverty
At or Below 200% of Poverty Without Health Insurance
Single Year Number at or Below 200% Poverty Without Health Insurance

SCHIP Reauthorization Links

http://ccf.georgetown.edu/

Georgetown University Health Policy Institute
Center for Children and Families
Georgetown UNIVERSITY

http://www.statehealthfacts.org/

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