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RSC Policy Brief: SCHIP Enrollment

September 8, 2008

In light of potential actions by Congressional Democrats to overturn Administration guidelines intended to clarify the mission of the State Children's Health Insurance Program (SCHIP), the RSC has prepared the following policy brief analyzing enrollment within the SCHIP program.

Background: The State Children's Health Insurance Program, established under the Balanced Budget Act (BBA) of 1997, is a state-federal partnership originally designed to provide low-income children with health insurance—specifically, those children under age 19 from families with incomes under 200 percent of the federal poverty level (FPL), or approximately $40,000 for a family of four. States may implement SCHIP by expanding Medicaid and/or creating a new state SCHIP program. In addition, states may expand eligibility requirements by submitting state plan amendments and/or Section 1115 waiver requests to the Centers for Medicare and Medicaid Services (CMS).[1] SCHIP received nearly $40 billion in funding over ten years as part of BBA, and legislation recently passed by Congress in December (P.L. 110-173) extended the program through March 2009, while providing additional SCHIP funds for states.

One concern of many conservatives regarding the SCHIP program relates to crowd-out—a phenomenon whereby individuals who had previously held private health insurance drop that coverage in order to enroll in a public program. The Congressional Budget Office (CBO) analysis of H.R. 3963, a five-year SCHIP reauthorization which the President vetoed (and the House failed to override), found that of the 5.8 million children who would obtain Medicaid or SCHIP coverage under the legislation, more than one-third, or 2 million, would do so by dropping private health insurance coverage.

[1] In general, state plan amendments can expand eligibility to higher income brackets, or otherwise modify state plans, while Section 1115 waivers by definition require the Secretary of Health and Human Services to waive statutory requirements under demonstration authority. For more information, see CRS Report RL 30473, available online at http://www.congress.gov/erp/rl/pdf/RL30473.pdf (accessed September 8, 2008).

In order to prevent policies that encourage crowd-out, and ensure that SCHIP funds are more effectively allocated to the low-income beneficiaries for whom the program was created, CMS on August 17, 2007 issued guidance to state health officials about the way it would evaluate waiver proposals by states to expand their SCHIP programs. Among other provisions, the letter stated that CMS would require states seeking to expand coverage to children with family incomes above 250% of FPL must first enroll 95% of eligible children below 200% of FPL, consistent with the original design and intent of the SCHIP program. Congressional Democrats have introduced both a bill (H.R. 5998) and a joint resolution of disapproval under the Congressional Review Act (S. J. Res. 44) designed to repeal the Administration's guidance.

Enrollment of Wealthier Children: An analysis performed by the Congressional Research Service (CRS), using data provided by the Centers for Medicare and Medicaid Services (CMS), provides some indication of the extent to which states are focusing their efforts on enrolling poor children first before expanding their SCHIP programs up the income ladder. Comparison of Fiscal Year 2006 and 2007 data reveal that in FY06, an estimated 586,117 children from families with incomes ***above 200%*** of the federal poverty level—approximately $41,000 for a family of four—were covered under SCHIP by a total of 15 states.

By contrast, in FY07, a total of 17 states and the District of Columbia covered an estimated 612,439 children in their SCHIP programs—an increase of nearly 30,000 children from wealthier families. Much of this increase stems in part from decisions by three states—Maryland, Missouri, and Pennsylvania—along with the District of Columbia to extend SCHIP coverage to children with family incomes up to 300% of FPL during calendar year 2007, just prior to the release of the Administration's SCHIP guidance. In short, the data show no discernable trend by states to target their energies on enrolling lower-income children first before expanding SCHIP up the income scale—a key concern of many conservatives during the debate on children's health legislation last year.

Enrollment of Adults in Children's Program: The CRS report also analyzes the coverage of adults—pregnant women, parents, and childless adults—in the SCHIP program. The CRS data do indicate that the total number of adults decreased from FY06 to FY07, and the number of childless adults on the SCHIP rolls halved. However, the number of states covering adults increased, and several states saw expansion of the number of adults, and childless adults, covered under the program:

- Eight states—Arkansas, Colorado, Idaho, Illinois, Nevada, New Jersey, New Mexico, Oregon, and Virginia—saw overall adult populations in SCHIP increase;
- Three states—Idaho, New Mexico, and Oregon—saw increased enrollment in the number of childless adults;
- Seven states— Arizona, Arkansas, Idaho, Illinois, Nevada, New Jersey, New Mexico, and Oregon—saw increased enrollment in the number of parents covered;
- Three states—Colorado, Nevada, and Rhode Island—increased SCHIP enrollment for pregnant women.

While many conservatives may support the overall reduction in adults enrolled in a children's health insurance program, some may still be concerned by the persistence of adult coverage—

particularly given decisions by both Arkansas and Nevada to expand coverage to adults during FY07. In addition, the fact that nearly 75% of the reduction in adult SCHIP enrollment from FY06 to FY07 came from one state's (Arizona) decision to remove childless adults from the program rolls may lead some conservatives to question whether this welcome development was a one-year anomaly or part of a larger trend.

Conclusion: Most conservatives support enrollment and funding of the SCHIP program *for the populations for whom the SCHIP program was created*. That is why in December the House passed, by a 411-3 vote, legislation reauthorizing and extending the SCHIP program through March 2009. That legislation included an additional $800 million in funding for states to ensure that all currently eligible children will continue to have access to state-based SCHIP coverage.

However, many conservatives retain concerns about actions by states or the federal government that would reduce private health insurance coverage while increasing reliance on a government-funded program. To that end, data proving that many states have expanded coverage to wealthier populations without first ensuring that low-income children are enrolled in SCHIP, and that states have in recent months expanded coverage under a children's health insurance program to adult populations, suggest that some states continue to expand government-funded health insurance, at significant cost to state and federal taxpayers, in a manner that may encourage individuals to drop private coverage.

Particularly given these developments, conservatives may believe that the Administration's guidance to states remains consistent with the goal of ensuring that SCHIP remains targeted toward the low-income populations for which it was designed. Therefore, many conservatives will support the reasonable attempts by CMS to bolster the integrity of the SCHIP program while retaining state plans' flexibility, and question efforts by Congressional Democrats to encourage further expansion of government-funded health insurance financed by federal taxpayers.

For further information on this issue see:

- *August 2007 CMS Letter to State Health Officials on Crowd-Out*
- *May 2008 CMS Letter to State Health Officials on Crowd-Out*
- *RSC Policy Brief on SCHIP Crowd-Out*
- *RSC Policy Brief: SCHIP Proposals in FY09 Budget*
- *RSC Policy Brief: Q&A on SCHIP Legislation (HR 3963)*

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