

Summary of the Senate SCHIP Bill: The Children's Health Insurance Program Reauthorization Act of 2007

The following summary is based on the child health provisions of the Children's Health Insurance Program Reauthorization Act of 2007 as approved by the U.S. Senate on August 3, 2007. As adopted, the bill would provide states with \$35 billion in additional funding to cover children in SCHIP and Medicaid over the next 5 years. According to the Congressional Budget Office, an additional 4 million children would gain coverage in 2012 as a result of the policies and funding in the Senate bill. (Figure 1.)

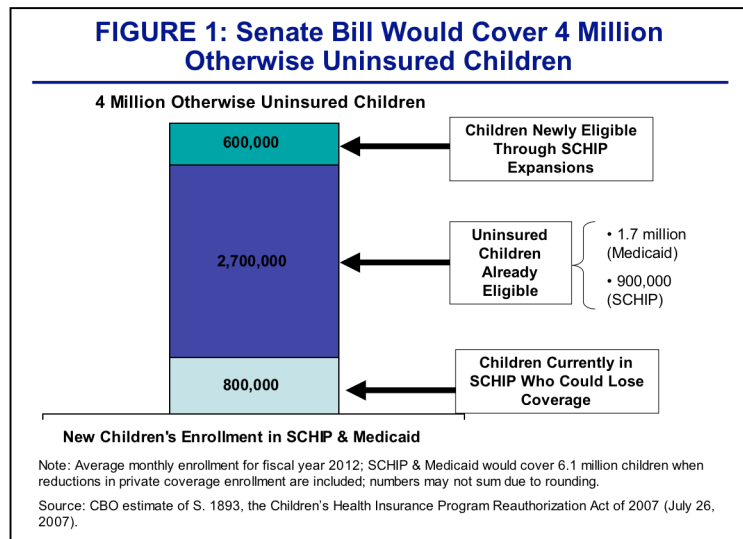
This summary is not intended to be exhaustive, but rather to describe the major child health provisions in the legislation. The bill is available at <http://gppi.georgetown.edu/hpi/ccf/36945.html>.

Financing

- **Offsets.** The bill is funded through a 61-cent increase in the federal tobacco tax.

SCHIP Funding For States

- **Basic Elements.** The bill increases the SCHIP allotments from \$25 billion over the next five years to \$61.4 billion in accordance with the schedule outlined in Figure 2 (Page 2).



- **State-Specific Allotments.** In an effort to better target the distribution of SCHIP funds, the Senate bill establishes a new formula for distributing SCHIP funds among states based largely on states' projected need for such funds. In the event that there is not enough SCHIP funding to accommodate all of the projected need, the bill calls for prorating the available funds in 2008. In 2009 and beyond, it generally relies on a four-part formula to decide where to send the available funds, with the greatest weight given to a state's projected need for SCHIP funds as a share of nationwide projections.

FIGURE 2: PROPOSED SCHIP ALLOTMENT LEVELS (In Billions)

<i>Year</i>	<i>Baseline</i>	<i>Senate Bill</i>	<i>Dollar Increase</i>
2008	\$5.0	\$9.125	\$4.125
2009	\$5.0	\$10.675	\$5.675
2010	\$5.0	\$11.85	\$6.85
2011	\$5.0	\$13.75	\$8.75
2012	\$5.0	\$16.0 ¹	\$11.0
Total (2008-2012)	\$25.0	\$61.4	\$36.4

- Contingency Fund.** To reduce the need for Congress to adopt new legislation to fill SCHIP funding shortfalls in the future, the bill establishes a contingency fund. The fund provides states with supplemental funds when they face a relatively modest SCHIP funding shortfall (i.e., a shortfall that is less than five percent of a state's annual allotment). The fund can be used for more substantial shortfalls if a state has experienced a natural disaster, elevated unemployment rates for a sustained period, or an event-driven increase in the number of uninsured low-income children in the state (e.g., a factory closing).
- Redistribution of Funds.** To help ensure that SCHIP funds are sent to the states that need them for children's coverage, the bill generally reduces the period during which a state can use its SCHIP allotment from three to two years. In addition, if a state has more than a specified percent (20 percent in 2009 and 10 percent in 2010 and beyond) of its allotment remaining in the second year in the life of an allotment, it must return the excess to the federal government for the incentive bonus pool (see below). For example, a state that has used all but 25 percent of its fiscal year 2008 allotment by the beginning of fiscal year 2009 will retain 20 percent of the allotment for use in fiscal year 2009 and send 5 percent of it to the incentive bonus fund.

Reaching Eligible But Unenrolled Children

- Incentive Bonuses.** The Senate bill includes new incentive bonuses to encourage states to increase the enrollment of low-income children who are eligible for SCHIP and Medicaid by helping to finance the cost of the coverage that results. States that increase enrollment of these children above a target level receive a federal payment

¹ In 2012, the bill drops the SCHIP allotment level to \$3.5 billion (compared to \$13.75 billion in 2011), but also provides for a supplemental one-time appropriation of \$12.5 billion to bring the total amount of funding available to \$16 billion. This was done to lower the long-term cost of the bill and allow the Senate to meet the 10-year budget target. By setting the standard allotment for 2012 at \$3.5 billion (instead of the full \$16 billion), the Congressional Budget Office must assume under standard budgeting rules that SCHIP funding will remain at \$3.5 billion for 2013 and beyond.

for each extra child enrolled in Medicaid. The size of the bonus varies from \$75 per child in states that exceed the target by less than 2 percent to \$625 per child in states that exceed it by more than 5 percent. The “target” is based on a state’s enrollment of low-income children in SCHIP and Medicaid in 2007, indexed over time by a state-specific growth factor.

- **Outreach Funding.** The bill sets aside \$100 million for fiscal years 2008 through 2012 for a new outreach program. Ten percent of the funding will be dedicated to a national enrollment campaign and ten percent for outreach grants for Indian children. The Secretary of Health and Human Services (HHS) will distribute the remaining funds to state and local governments and other organizations - such as safety net providers, community-based organizations, or schools - to conduct outreach campaigns. The campaigns are particularly geared to underserved populations and racial and ethnic minorities. The bill also provides an enhanced matching rate in SCHIP for translation and interpretation services to families for whom English is not their primary language. Finally, expenditures on outreach and certain enrollment activities will no longer be subject to a cap on administrative expenses of ten percent of a state’s SCHIP allotment.
- **Express Lane Demonstration Project.** The bill includes a new \$49 million, 3-year "Express Lane" demonstration project that will allow up to 10 states to use findings from school lunch programs, WIC, and other public agencies when evaluating children's eligibility for Medicaid and SCHIP.
- **Citizenship Documentation Requirement.** The bill extends the Medicaid citizenship documentation requirement to SCHIP, while giving states a new way to comply with it. The new option, effective October 1, 2008, is designed to ease the burden imposed on children, pregnant women and parents of providing documents to establish their citizenship. It allows states to meet the citizenship documentation requirement by submitting Medicaid and SCHIP applicants’ names and Social Security Numbers (SSNs) to the Social Security Administration (SSA) after the application has been processed, and the individual has been enrolled in the program. If SSA finds that the name and SSN don't match, the person has 90 days to document citizenship status or otherwise straighten out the problem and then an additional 30-day “grace period” before facing dis-enrollment. HHS may impose penalties on states if more than seven percent of the names and SSNs that they submit to the Social Security Administration are deemed invalid.

Coverage Of Adults

- **Pregnant Women.** The Senate bill gives states the option to cover pregnant women with SCHIP funds by submitting a state plan amendment. To use the option, states must cover pregnant women up to at least 185 percent of poverty in Medicaid. (The bill retains the regulations allowing states to cover pregnant women through the “unborn child” option.)

- **Parents.** The bill prohibits any new waivers to cover parents with SCHIP funds. In the 11 states that already have such waivers, the waivers can continue without change for a two-year transition period (fiscal years 2008 and 2009). In 2010 and beyond, the bill moves parents out of SCHIP and establishes separate allotments to help finance their coverage. Each state's allotment can be used to secure a regular Medicaid matching rate for parent coverage, or, if a state meets benchmarks relating to performance in covering children, it can secure the SCHIP enhanced matching rate in fiscal year 2010 and a modified enhanced matching rate in fiscal year 2011 and future years.
- **Childless Adults.** The bill restates the existing ban on new waivers to use SCHIP funds to cover childless adults. In the four states that already have such waivers, the agreement terminates the waivers after a one-year transition period. In fiscal year 2009, these states receive a temporary, separate allotment (i.e., outside of SCHIP and Medicaid) that will provide a regular Medicaid matching rate for adults who were on the program in 2008 (or were enrolled in fiscal year 2008, dropped off and re-enrolled during fiscal year 2009). As for 2010 and beyond, the bill provides a process that states may use to request a Medicaid waiver to cover childless adults, but does not appear to require HHS to approve such waivers

SCHIP Eligibility Rules

- **Children above 200% FPL.** The Senate bill maintains enhanced SCHIP funding for coverage for up to 300 percent of the federal poverty line but only provides the regular Medicaid matching rate for coverage over that level. States that already cover children in this income range -- or that, by the date of enactment of SCHIP reauthorization have adopted legislation to do so -- are exempt from the new funding restriction.
- **Children and Pregnant Women who are Legal Immigrants.** The bill does not include an option for states to cover children and pregnant women who are legal immigrants and currently barred from coverage until they have been in the United States for at least five years.
- **Children of State Employees.** The bill does not include an option for states to cover the children of state employees. Currently, such children are barred from coverage unless the state makes little or no contribution to the cost of dependent coverage for state employees.

Premium Assistance

- **Coordination Between Public and Private Coverage.** The Senate bill allows states to operate premium assistance programs for families through Medicaid/SCHIP that are cost-effective and ensure that children retain access to the full Medicaid/SCHIP benefits package. The provision also includes changes to other federal laws that could improve coordination between public and private coverage including making Medicaid/SCHIP eligibility and loss of eligibility a “qualifying event” for the purposes of eligibility for employer-sponsored coverage; requiring employers to share information about their benefits package with states so states can assess the need for “wraparound” services; and requiring employers to notify families of their potential eligibility for premium assistance.
- **Premium Assistance Demonstration Program.** The bill establishes a premium assistance demonstration program. The demonstration gives states the option to allow employers with fewer than 250 employees and at least one employee with an SCHIP-eligible child to buy into a purchasing pool that offers SCHIP-benchmark products.

Child Health Quality

- **Funding for Child Health Quality.** The Senate bill sets aside \$45 million for fiscal years 2008 to 2012 for child health quality improvements in accordance with the measures outlined below.
- **Child Health Quality Measures.** The bill creates a new quality child health initiative within HHS to develop child health quality measures and to standardize and improve state reporting. The bill also calls for the Institute of Medicine to study and report on measures of children’s health status and the quality of pediatric care.
- **Demonstration Grants.** Under the bill, \$20 million of the \$45 million set aside for child health quality is available for up to 10 states and child health providers to conduct demonstration projects to evaluate promising ideas for improving the quality of children’s health care. In addition, the bill includes \$25 million for demonstration projects on combating obesity.
- **Model Electronic Health Record.** The Senate bill requires that \$5 million of the \$45 million set aside for child health quality be used by the Secretary of HHS to establish a program to encourage the development of a model electronic health record format for children in Medicaid and SCHIP.

Benefits

- **Dental Coverage.** The Senate bill establishes \$200 million in dental health grants for state programs and activities that will improve dental benefits for children in SCHIP. States awarded grants must maintain current state funding of dental services under SCHIP.
- **Mental Health Parity.** The bill does not require mental health services in SCHIP but requires that to the extent a state does provide mental health services there is parity between those benefits and physical health benefits.

Other Provisions

- **Treatment of States with Significant SCHIP Expansions Pre-SCHIP.** The states that expanded Medicaid coverage for children prior to the enactment of SCHIP are given more flexibility under the Senate bill to use SCHIP funds for these Medicaid expansions. It allows these states to use available balances from their SCHIP allotments for fiscal years 2008 to 2012 to draw down an enhanced matching rate for children in Medicaid with family incomes above 133 percent of the federal poverty level.
- **Miscellaneous.** The bill also 1) provides \$10 million to the Census Bureau to improve the state-specific estimates of uninsured children available under the Current Population Survey and to explore using the American Community Survey for such estimates; 2) makes changes to the “PERM” regulations (i.e., the regulations which require states to report on errors in claim payments and eligibility determinations); 3) applies Medicaid managed care protections to separate SCHIP programs; and, 4) fixes a technical problem with the existing presumptive eligibility option in Medicaid.



CENTER FOR CHILDREN AND FAMILIES
GEORGETOWN UNIVERSITY HEALTH POLICY INSTITUTE

BOX 571444 ■ WHITEHAVEN STREET, N.W., SUITE 5000
WASHINGTON, DC 20057-1485
(202) 687-0880 ■ FAX (202) 687-3110 ■ CCF.GEORGETOWN.EDU