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COMMENTARY

State Children's Health Insurance Program Reauthorization: Will It Get Us Closer to Universal Coverage for America's Children?

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THE STATE CHILDREN'S Health Insurance Program (SCHIP) was passed by Congress in the Balanced Budget Act of 1997 during the Clinton presidency. The legislation appropriated approximately $40 billion for 10 years, 1998–2007.[1] By 2003, 4.4 million children were enrolled in separate SCHIPs, and an additional 1.6 million were enrolled in SCHIP-financed Medicaid expansions.[1] As of 2006, 7 states (Vermont, New Jersey, Connecticut, Maryland, New Hampshire, West Virginia, and Massachusetts) had expanded their SCHIP eligibility to families who are earning at least 300% of the federal poverty level (FPL), which will make almost all uninsured children who are US citizens eligible for public programs. The governors of California, Pennsylvania, Oregon, and Wisconsin have also introduced initiatives that include SCHIP expansions to substantially reduce the number of uninsured children in their states. In 2007, SCHIP must be reauthorized by Congress with a new appropriation of funds to continue to function in 2008. Because SCHIP is a block grant or capped-grant program, a number of states that established programs having higher income-eligibility thresholds, better outreach and marketing, and more streamlined enrollment procedures are projected to have a shortfall in federal support in 2007. For fiscal years 1998 through 2001, the annual appropriation was slightly over $4.2 billion. The appropriation dropped to under $3.2 billion from 2002 through 2004 but then increased to $4.1 billion for 2005 and 2006 and $5.0 billion in 2007.[2] Because of greater than anticipated enrollment and per capita expenditures, the states' total spending of federal SCHIP funds has exceeded the annual appropriations since 2002. The shortfalls of federal SCHIP funds after 2002 were covered by redistributing unspent federal funds allocated to states for the years prior to 2002. However, as states expanded their SCHIP programs during the past several years, the amount of unspent federal funds available for redistribution has diminished. As a result, Congress appropriated an additional $283 million in the Deficit Reduction Act of 2005 for projected shortfall states.[2] In addition, The National Institutes of Health Reform Act of 2006 contained SCHIP provisions requiring an early redistribution of unspent 2004 and 2005 federal allocations to states with federal shortfalls in 2007.[3] However, the original budgeting approach leaves SCHIP future funding vulnerable because significant additional funds over the 2007 allocation, between 12 and 14 billion dollars according to an American Academy of Pediatrics estimate, will be needed during the next 5 years just to allow states to maintain their existing SCHIP programs. Expanding existing state programs will require funds in addition to the 12 to 14 billion dollars. Therefore, consideration of state-based strategies for reducing the number of uninsured children that include expanding SCHIP must depend on the federal SCHIP reauthorization.

Although it seems certain that SCHIP will be reauthorized because of its broad base of congressional support among both Republicans and Democrats, it is less clear

Abbreviations: SCHIP, State Children's Health Insurance Program; FPL, federal poverty level

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how much new funding will be appropriated and whether any changes will be made to promote enrollment, improve quality of care, and facilitate additional expansions in coverage. The authorization could create a financial incentive for states to enroll a higher percentage of their eligible children, which would encourage states to improve their outreach and marketing and implement more streamlined enrollment procedures. Modifying or waiving the onerous citizenship-verification requirements would also assist states in streamlining the enrollment process. The reauthorization could also fund the development, distribution, and evaluation of pediatric quality measures similar to what Medicare is doing in quality for adult care.

There are several incremental options for expanding coverage with SCHIP to reduce the number of uninsured children. The reauthorization could increase the age of eligibility, because 19- to 25-year-olds have the highest rates of being uninsured. It could give states the option to cover legal immigrant children during their first 5 years living in the country and the option to cover pregnant women during their prenatal, delivery, and postpartum periods. The reauthorization could also make it easier for states to use SCHIP funds to help families purchase family employer-sponsored insurance coverage and to help small employers pay for employee children who are enrolled in Medicaid or SCHIP.

The most comprehensive and far-reaching option would establish a new federal mandate that states expand SCHIP coverage and/or create a strong financial incentive for states to expand coverage to families who are earning 250% or 300% of the FPL. The financial incentive could include changing the federal match rate or federal-state financing structure to benefit states. An example of how federal-state financing structure could be changed is illustrated by the "Kids Come First Act," a federal legislative proposal introduced in 2005 but not passed.[4] In this bill, SCHIP coverage would be expanded to all children under age 21 who live in families with incomes ≤300% of the FPL. Although the program would impose a mandate on the states, the joint financing of SCHIP/Medicaid would be restructured to reduce state expenditures for children enrolled in Medicaid. The federal government would take full financial responsibility for Medicaid coverage and outreach costs for children who live with families who earn ≤100% of the FPL, while states would continue to pay the enhanced SCHIP match rate (an average of 36%) for higher-income children up to 300% of the FPL. This approach would save states money and reduce the state-to-state variability in the proportion of children who lack health insurance coverage. This state-to-state variability is substantial for a wide range of child outcomes beyond the number of uninsured. Petit recently published a book entitled *Homeland Insecurity: American Children at Risk*,[5] which used US Bureau of Census data and other official sources to show that children do much better overall if they live in so-called blue states, where there are higher levels of taxation and investments in children, than if they live in red states, where both taxes and social investments have been low.

Realistically, reauthorization of an expanded SCHIP provides the only current federal opportunity to significantly reduce the number of the nation's uninsured children by providing a pathway to affordable or reasonably priced coverage. However, expanding SCHIP alone will not guarantee universal coverage for children. SCHIP does not provide children with an entitlement to health care, and if cost increases are greater than projections or if states experience budgetary difficulties, program enrollment freezes or cutbacks could be implemented. In addition, although raising the income-eligibility thresholds for SCHIP would cover most uninsured children who do not have private or public coverage, both a parental mandate and streamlining the enrollment process are needed to ensure full participation. Currently, ~70% of the nation's uninsured children are already eligible for enrollment in public programs.[6] Many parents are unaware that their children would qualify for public programs, and others have difficulty navigating complex enrollment procedures.[6,7]

However, the road to universal health insurance has been difficult and frustrating to travel. Mayes has written an excellent book entitled *Universal Coverage: The Elusive Quest for National Health Insurance*,[8] in which he describes the lost opportunities dating back to 1935 and failed attempts by Presidents Roosevelt, Truman, Nixon, and Clinton. Whenever the time seems right to pass universal-coverage legislation, an insurmountable political obstacle arises—a recession, a war, a flawed process, or an unwillingness of key stakeholders to compromise. I believe it is unlikely that the US Congress will seriously consider any federal universal-coverage legislation for children or everyone before the 2008 presidential election. Will the nation's huge budget deficit and ongoing war in Iraq make it difficult to appropriate the new federal funds needed to at least maintain the states' existing SCHIPs, if not expand the program to reduce the number of uninsured children? Yes, it will be difficult, but child advocates must speak out in support of efforts to ensure that SCHIP reauthorization becomes a vehicle that gets us closer to (not farther from) the goal of universal coverage for America's children.

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