

**TOP STORY** ■■■

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## Federal health law offers new benefits for children of state workers

By Christine Vestal, Stateline Staff Writer

When the national health law was enacted early last year, it contained one seemingly technical provision that few people noticed. It lifted a ban on state employees enrolling their kids in the federally subsidized Children's Health Insurance Plan (CHIP). In fact, that was no small move. It promised relief from a 13-year restriction resented as unfair by low-income teachers, university staff and other members of the state workforce. But states have been slow to take advantage of it.



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**More than 40 million children are insured by Medicaid or CHIP. States are increasing those numbers, but an estimated 7.4 million children remain uninsured. Nearly two-thirds are eligible but not enrolled.**

So far, only six states — Alabama, Georgia, Kentucky, Montana, Pennsylvania and Texas — have cleared the regulatory hurdles needed to make the federal benefit available to state government workers and their families. This is despite the fact that the provision has the potential to save states millions in employee benefits, lower the number of uninsured children, and improve the household income of thousands of low-wage state workers.

States have maintained their own state-funded health coverage for children of their employees, but in general these have not been nearly as generous as CHIP, which will now be available in states that adopt the policy change.

“This should have been on more states' radar screens,” says Tricia Brooks, senior fellow at the Center for Children and Families at Georgetown University. Of course, the fiscal advantage and potential benefit to state employees does vary from state to state. Some states, such as New Hampshire and Oregon, already had employee health plans for children that were more of a bargain than CHIP. For them, the new provision didn't mean a great deal.

But for other states, it meant a lot. Even before the U.S. Department of Health and Human Services issued rules on the new state-worker provision, Montana was ready to take advantage of it. “For us, it was clear cut,” says Katherine Buckley-Patton of Healthy Montana Kids, the state's CHIP program.

Montana has traditionally been one of the stingier states when it comes to insuring children. In

2008, even before the health law passed, Montana began moving to change that situation, making low-income children's health programs a top priority. In two years, the number of children in CHIP has risen to 89,000, up from 71,000. Inclusion of state workers' children in the program will guarantee that the numbers increase further.

### Cost shifting

The federal rule excluding state employees' families from CHIP was designed to prevent states from shifting more of the cost of covering state workers' children by making the state health plan so expensive for low-income employees that they would sign their kids up for the federally backed CHIP instead.

The exclusion of state employees, written into the 1997 federal law creating CHIP, had been a concern in Montana for years, Buckley-Patton said. "We covered county and federal employees. It always seemed we were saying 'No' to state employees who were just like every other average Montanan who was doing everything they could to make ends meet and take care of their children."

For Montana families whose incomes are at or below 250 percent of the federal poverty line — about \$55,000 for a family of four — enrollment in CHIP is a clear advantage. Instead of paying \$250 per month for family coverage plus co-pays and deductibles, state employees can now enroll their children in CHIP for a maximum out-of-pocket cost of \$215 per year.

As an added bonus, the state benefit plan includes a \$733 per month defined contribution that parents will continue to receive, whether they move their children out of the plan or not. They can use the state money for life insurance or additional dental or vision coverage.

Georgia, a much larger state, expects to shave \$32 million off its employee benefit bill by signing up some 40,000 children of state workers. About 80 percent of those children are currently covered under the state benefit plan. But state officials estimate about 20 percent remain uninsured, because their parents have been unable to afford the employee share of Georgia's health plan.

For a different reason, Alabama calculates it will also save millions. The state has been running a so-called "look-alike" program for teachers and state workers to compensate for the ban on enrolling in CHIP. Now that the ban has been lifted, the state CHIP agency is shifting employees' children to the regular CHIP program, which receives 78 percent of its funding from the federal government. So far, 6,700 children have been enrolled; about 2,500 of them were covered under the look-alike program and the rest were either uninsured or covered under a parent's state health plan.

### Fewer uninsured children

#### Uninsured children

##### States with the highest proportion of uninsured children:

- Texas – 20.8 percent
- Florida – 18.7 percent
- Nevada – 17.8 percent
- New Mexico – 16.5 percent
- Arizona – 16.1 percent

##### States with the lowest proportion of uninsured children:

- Massachusetts – 4.5 percent
- Iowa – 5.5 percent
- Wisconsin – 5.5 percent
- Michigan – 5.6 percent
- Hawaii – 5.6 percent

Source: U.S. Census Bureau

The end of the CHIP exclusion for state employees' children is part of an overall trend toward broader coverage of poorer families. The federal health law prohibits states from rolling back any coverage currently included under CHIP. Despite increased fiscal pressures and a growing number of unemployed parents who have lost their family health coverage in the last four years, a recent report from the Georgetown Center for Children and Families found that a majority of states reduced the number of children going without health insurance during this economic downturn.

Alabama, for example, reduced its percentage of uninsured children from 7.6 percent of the total number of children in the state in 2008, to 5.9 percent in 2010. Georgia's rate went from 11 percent to 9.8 percent, and Montana's went from 13 percent to 12.4 percent.

Overall, researchers found that despite a 19 percent increase in the number of children living in poverty in the United States, the number of uninsured children fell by 14 percent between 2008 and 2010. Another study, published last week by the Urban Institute and the Georgetown Center, predicted that the Affordable Care Act, and its requirement that states not roll back existing eligibility rules for both Medicaid and CHIP, has the potential to cut the number of uninsured children by about 40 percent, from 7.4 million to 4.2 million nationwide. Assuming the law stands as currently written, the repeal of the CHIP exclusion for state workers' families will be a modest but significant part of a broader change.

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