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Defying Slump, 13 States Insure More Children

By [KEVIN SACK](#)

Despite budgets ravaged by the [recession](#), at least 13 states have invested millions of dollars this year to cover 250,000 more children with subsidized government health insurance.

The expansions have come in the five months since Congress and [President Obama](#) used the [reauthorization of the Children's Health Insurance Program](#) to vastly increase its funding and encourage states to increase enrollment. Although the federal government covers the vast majority of the cost, states set their own eligibility levels and must decide whether to spend state money in order to draw even more from Washington.

In addition to increasing income eligibility levels, three states are dropping requirements that legal immigrants wait five years before joining the program, a step newly permitted by the federal legislation. Others have extended coverage to pregnant women or streamlined enrollment and eligibility procedures.

The states' willingness to spend, even under excruciating budget pressures, is a measure of the support for expanding health care coverage to the uninsured as Congress and the administration intensify their negotiations over a new federal health care bill.

But a number of states decided that their depleted coffers did not allow them to insure additional children, even as a minority partner. Several either deferred previously scheduled eligibility expansions or saw their legislatures defeat efforts to broaden coverage.

In Arizona, only opposition from Gov. Jan Brewer, a Republican, prevented lawmakers in her own party from narrowing eligibility. And in California, where Democratic legislators and Gov. [Arnold Schwarzenegger](#), a Republican, are struggling to close the country's largest budget gap, the state on Friday [imposed a freeze](#) on new enrollments.

California officials estimate that up to 350,000 eligible children may be relegated to a waiting list, and that attrition could lower enrollment by 250,000 by June. If money is not found, the losses there might overwhelm the cumulative gains in other states.

Health and Human Services Secretary [Kathleen Sebelius](#) said the potential for major reductions in California was "a huge concern." But over all, she said, the Obama administration was "very pleased that even in what are some of the worst budget times in a very long time, children's

health insurance continues to be an absolute top priority.”

The Children’s Health Insurance Program, known as CHIP, has been politically popular since its enactment in 1997 because it primarily benefits working families that earn too much to qualify for [Medicaid](#) but too little to afford private insurance.

In many states, eligibility expansions have passed with solid bipartisan support. In one of her final acts as governor of Kansas in April, Ms. Sebelius, a Democrat, signed a two-year expansion worth \$4.4 million that had been approved by her overwhelmingly Republican Legislature.

The broadening of eligibility has made a profound difference for parents like Vicky and Dewayne McIntyre of Yakima, Wash. When their state lifted the income cutoff for its program to 300 percent of the [federal poverty level](#) (or \$54,930 for their family of three) from 250 percent (or \$45,775), the McIntyres learned that their 8-year-old daughter, Sarah, had become eligible for the first time.

Sarah, who endured lung surgery at 3 and heart surgery at 6 and now has asthma, had been uninsured for a year. “We were into credit card debt and payday loans,” said Ms. McIntyre, 41, who works part time in a store to supplement her husband’s income as a welder. “Her medicine at one point was \$880 a month, and we had to pay cash, so we were struggling. It is such a relief now that I can just take her to the doctor if I need to and get her medicine.”

The federal legislation, which extended the program through 2013, provided \$32.8 billion in new financing over that period, paid with an increase in tobacco taxes. On the day Mr. Obama signed the bill, calling it a “down payment” on universal coverage, he also rescinded a [Bush administration directive](#) that effectively made it impossible for states to raise their eligibility limits above 250 percent of the poverty level.

The new law allows states to provide coverage to children from families living at up to three times the poverty level. States can set thresholds higher if they wish, but will be reimbursed by the federal government at a lower rate — the same paid for Medicaid recipients. A primary incentive for states to expand coverage is that Washington, on average, pays 70 percent of the cost of CHIP, compared with only 57 percent for Medicaid.

Some states, including New York and New Jersey, were already enrolling children above three times the poverty level, but the federal legislation and the rescinding of the Bush directive made it possible for about 40 states to broaden eligibility.

The reauthorization of CHIP concluded a bruising two-year political battle. President [George W. Bush](#) twice vetoed Democratic measures to expand the program in 2007, depicting the legislation as a stalking horse for government-run health care. Congressional Democrats sustained it through temporary extensions and took full political advantage of Mr. Bush’s stance during the 2008 campaign.

CHIP, which served about 7.4 million people in 2008, is credited with helping reduce the [number of uninsured children](#) by 2.5 million over its first decade. The [Congressional Budget Office estimated](#) that the revitalized program would eventually reduce the number of uninsured youths by an additional 4.1 million.

Of the 8.2 million children who remain uninsured, about two-thirds are eligible for either CHIP or the much larger Medicaid program but have not been enrolled, according to the [Kaiser Family Foundation](#). This year's reauthorization includes \$100 million in grants to help states find and sign up eligible children.

Forty-eight states faced budget shortfalls this year, [totaling \\$121.2 billion](#), according to the National Conference of State Legislatures. But in those that have managed to expand eligibility, governors and legislators said they viewed CHIP as a cost-effective investment.

"In a downturn, the number of people who need the safety net increases," said Gov. Bill Ritter Jr. of Colorado, a Democrat, whose state levied \$600 million in fees on hospitals, some of which will be used to cover an additional 21,000 children.

In Alabama, Democratic legislators overrode the veto of Gov. [Bob Riley](#), a Republican, to extend coverage to 14,000 children at an additional cost to the state of \$8 million.

"Our economy is tough here," said State Senator Roger H. Bedford Jr., a Democrat. "But our decision was to fund the health care needs of our children because a healthy child learns better and they don't show up at the emergency room needing acute care."

Other states expanding eligibility include Arkansas, Indiana, Iowa, Montana, Nebraska, North Dakota, Oklahoma, Oregon and West Virginia. Ohio passed a budget last week that includes an expansion, but its financing depends on the resolution of a court case.

Illinois, New York and Wisconsin, which had been paying for expansions with state money, are now applying for federal matching funds. And many states are enacting measures to make it easier for children to enroll and stay enrolled, steps encouraged by the federal legislation.

But Louisiana and North Carolina chose not to proceed with previously authorized expansions this year, citing a lack of revenue. And bills to either raise eligibility levels or lower premiums failed in Alaska, Delaware, Georgia, Missouri, Rhode Island and Texas. The governor of Wyoming has imposed a cap on enrollment, and New Hampshire may follow.

Officials in those states and others said they had little choice but to leave federal money on the table.

"Michigan's hard-pressed to come up with a quarter to support a dollar's worth of expenditure," said Stephen W. Fitton, that state's acting Medicaid director.

In California, the Legislature beat back Mr. Schwarzenegger's proposal to eliminate CHIP

altogether but seems to have accepted the enrollment freeze.

“It is heartbreaking,” said Ginny S. Puddefoot, deputy director of the agency that administers the program there. “For those of us involved with children’s health care, this is just something we never imagined we would see.”

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