

SOUTHERN GOVERNORS' ASSOCIATION

SGA S-CHIP Reauthorization Principles

Congress Must Act to Reauthorize S-CHIP by the End of FY07

In order to ensure that states can continue to operate their S-CHIP programs for current enrollees, it is essential that Congress complete its work on S-CHIP reauthorization before the program sunsets on September 30, 2007. After that date, states will have no ability to reasonably project the amount of funding that will be made available for FY08 and beyond. Moreover, if the current program is simply extended at its present funding level and without formula changes, more and more states would begin to experience shortfalls in the coming years, and children currently enrolled in the program would be at risk of losing their health care.

Alabama

Arkansas

Florida

Georgia

Kentucky

Louisiana

Maryland

Mississippi

Missouri

North Carolina

Oklahoma

Puerto Rico

South Carolina

Tennessee

Texas

U. S. Virgin Islands

Virginia

West Virginia

Reauthorization Must Provide Adequate Funding

Southern governors strongly support maintaining S-CHIP as a capped block grant program. However, if states are to continue to cover all children currently enrolled and expand the number of eligible low-income children that have access to health insurance through this program, it is imperative that Congress provides sufficient funding to allow them to do so.

Congress Must Recognize the Anticipated Growth in Medicaid Related to Improved S-CHIP Coverage

When considering how much funding is required to both maintain and expand S-CHIP, it is important to anticipate the growth in Medicaid enrollment that results from S-CHIP expansion efforts. On average, states report that S-CHIP outreach efforts result in the provision of services to two Medicaid-eligible children for every additional child enrolled in S-CHIP. Because the Medicaid Federal matching rate is lower than the S-CHIP matching rate, state budgets are stretched even further. It is critical that Congress recognizes this by providing adequate additional resources to support reasonably anticipated Medicaid growth within S-CHIP reauthorization.

States Need to Receive their Allotments in a Predictable, Up-Front Manner

Providing up-front annual allotments from which states draw down as funds are expended allows states to be confident that funding is available. An effective federal-state partnership requires that funding be predictable and stable. To improve predictability, total funding for S-CHIP should increase each year to account for rising costs and increased enrollment. In addition, Congress should require the Centers for Medicare and Medicaid Services (CMS) to provide states with redistribution funding in a timely, predictable fashion. In most states, governors are constitutionally required to present a balanced budget, so predictability of funding is of utmost importance.

Accuracy of Data is Essential For States to be Able to Live Within Their Allotments

Southern governors believe that states should live within their S-CHIP allotments. However, to do that, allotments must be calculated in a manner that accurately reflects both the size of the population it is trying to serve and the economic factors influencing the cost of the service. Southern governors remain concerned about the accuracy of census data about eligible children. In addition, the Health Care Wage Index, based primarily on wages in nursing care facilities, is not indicative of the actual state-by-state cost of providing children's health care. While we have not yet identified appropriate alternatives to these data sources and are not prepared to make recommendations at this time, we encourage Congress to continue to be mindful of the negative impact these data collection issues can have, and consider including language directing the development of recommendations for improving data so that it can more accurately reflect the realities of each state's population.

Congress Should Allow States Multiple Years to Spend S-CHIP Allotments

As states work to adjust to the new parameters of the reauthorized S-CHIP program and implement reforms that improve the quality of services and increase program enrollment, it becomes harder to predict the response and participation of families. Therefore, Congress should be thoughtful when making changes to the current time period in which states have to spend their allotments. Congress should not make changes that would negatively impact states that are currently working to increase the number of enrollees or provide additional benefits.

The Distribution Formula Should Reflect Both Current Spending and the Number of Uninsured Children in Each State

Any new distribution formula must provide states with an allotment that reflects their current S-CHIP program expenditures and funding needs, so that states are able to maintain their current program. In addition, if Congress intends for states to expand their programs, the distribution formula must provide additional resources so that states may cover eligible uninsured children who currently do not receive assistance. Because the current S-CHIP formula bases each state's allotment on its number of low-income children and number of uninsured low-income children, and does not consider current spending, aspects of the formula in effect penalize states for insuring children.

Congress Should Not Impose Additional Mandates on State Programs

Southern governors are concerned that Congress may use S-CHIP reauthorization to impose additional mandates on states that administer stand-alone S-CHIP programs. Many states have chosen to operate a stand-alone S-CHIP program in order to maximize program flexibility and manage benefits to best meet children's health care needs with the available resources. We are specifically concerned about any efforts to require states to provide EPSDT services and their equivalent for dental benefits. Not only would such a requirement incur unnecessary administrative burdens on states, but it also would be extremely costly, leaving less funding available to expand coverage to more eligible children.

Make Children a Priority

Children should be the priority population for S-CHIP. This means that the resources for the program must be focused first on children. CMS has allowed some states to make changes to their programs to include health insurance coverage for pregnant women and adults with

children. Arguably, these populations are directly connected to the targeted population of children. However, some states have been allowed to expand coverage to include childless adults under their S-CHIP programs. At the same time, some Southern states do not have enough S-CHIP resources to cover their eligible children under 200 percent of poverty. Many of the waivers that allow states to cover childless adults through S-CHIP funds were created because of the initial limitations on states that had expanded Medicaid prior to the enactment of S-CHIP. These inequities should be remedied in order to maintain the focus on coverage of children.

Congress Should Streamline Premium Assistance Rules

As Congress considers expanding eligibility to households earning more than 200 percent of poverty, it also should take steps to streamline the currently cumbersome rules to which states must adhere in order to establish a premium assistance program. Moreover, Congress should refrain from adding new requirements that would be a disincentive for states seeking to develop premium assistance programs. In some cases, eligible families, especially those earning more than 200 percent of poverty, have access to employer-sponsored health care, and parents may wish to have their entire family covered under the same employer-sponsored health plan. Unfortunately, some statutory requirements have made it administratively burdensome for states to provide premium assistance programs, and therefore, few do without a waiver from CMS allowing them to by-pass some of these rules.

Reauthorization Should Provide Parity for Stand-Alone Programs

The current S-CHIP authorizing legislation has imposed certain limitations on stand-alone programs to which Medicaid expansion programs are not subject. As part of reauthorization, Congress should provide parity to stand-alone program states and do away with some of these inherently unfair requirements. Specifically, stand-alone program states should be able to:

- Use federal S-CHIP funds to cover eligible children of state employees.
- Participate in the Vaccine for Children Program
- Negotiate the best possible prices and rebates for drugs through an exemption from the Medicaid Best Price Drug Provision.