Georgetown University Health Policy Institute
Center for Children and Families

SCHIP Funding in the Year Ahead

Implications of the Medicare, Medicaid and SCHIP Extension Act

March 2008

Introduction

The year 2007 started with Governors, advocates, and key members of Congress praising the remarkable success of the State Children's Health Insurance Program (SCHIP) and calling for its reauthorization to be a top priority in Congress. Despite this auspicious beginning, the year ended without a comprehensive reauthorization of SCHIP. Although Congress twice passed reauthorization bills with strong, bi-partisan support, President Bush's decision to veto these bills ultimately led Congress to simply extend the existing SCHIP program with additional funding through March 31, 2009. The extension was included in S. 2499, the Medicare, Medicaid, and SCHIP Extension Act of 2007 (hereafter referred to as "the Extension Act").

It often is thought that the Extension Act provides each state with only enough funding to continue their existing SCHIIP programs. In actuality, the Extension Act ensures that all states have at least the amount of federal SCHIP funding that they projected in November 2007 would be needed through March 31, 2009, including for initiatives to cover more uninsured children. As of that date, a significant number of states apparently were planning to move forward with such initiatives. State projections show SCHIP expenditures growing by 23 percent in fiscal year 2008, the highest rate of growth in five years. The Extension Act ensures that the federal funds are available for such a growth rate should they be needed.

Even though federal funding may not be the issue in fiscal year 2008 that some have assumed, states still may face other challenges in covering more uninsured children. With the economy stagnating and substantial state budget deficits occurring, it may be more difficult for some states to generate the state matching funds required to take advantage of federal SCHIP dollars. Also, the Administration surprised states on August 17, 2007 with a controversial decision to make it difficult, if not impossible, for states to offer affordable coverage to uninsured children with family income above 250 percent of the federal poverty level (FPL). If left unaddressed, this new Administration policy may unravel the efforts of states to continue their existing SCHIP programs, as well as, in some instances, to proceed with planned expansions (Box 1).

SCHIP Provisions in the Extension Act

The Extension Act was passed by Congress on December 19, 2007 and signed into law by President Bush ten days later on December 29, 2007.[1] It made the following changes to SCHIP.

1. **Extends SCHIP through March 31, 2009.** When adopted in 1997, the SCHIP program was authorized and funded through September 30, 2007. It was widely anticipated that Congress would complete a reauthorization of the program by this deadline. When unable to do so, Congress adopted temporary extensions of SCHIP in the hopes of completing reauthorization by the end of 2007. Eventually, the year ended without a comprehensive reauthorization and Congress, instead, extended SCHIP through March 31, 2009 in anticipation that it will be able to complete reauthorization by that date.[2]
2. **Provides new funding for SCHIP.** The Extension Act provides SCHIP funding through the first half of fiscal year 2009, relying on a variety of mechanisms.
   - **Establishes SCHIP allotments of $5 billion a year for fiscal years 2008 and 2009.** In the original SCHIP law, Congress allocated a set amount of federal matching funds to SCHIP for each year from fiscal years 1998 through 2007. In fiscal year 2007, the last year of the original program, the national allotment level was set at $5.04 billion ($4.99 billion for states and $50 million for the territories). The Extension Act continues this $5 billion base funding level in fiscal years 2008 and 2009. In accordance with the existing formula in the SCHIP statute, these base allotment funds will be distributed among states based largely on their share of 1) low-income children, and 2) uninsured, low-income children.[3]
   - **Redistributes unused SCHIP funds to states that need them**. Since its inception, SCHIP has

given states three years to use their annual SCHIP allotments. For example, a state can use its fiscal year 2006 allotment in fiscal years 2006, 2007, and 2008. If, after three years, a state has not used its full allotment for a given fiscal year, the unspent funds are distributed to states that have used their full allotment for that fiscal year. Consistent with prior redistribution procedures, the Extension Act directs the Centers for Medicare and Medicaid Services (CMS) to redistribute unspent funds from the fiscal year 2005 allotments to states facing SCHIP funding shortfalls in fiscal year 2008. Until they are depleted, the redistributed funds will be made available to states in the order in which they are needed.[4] A similar mechanism is set up to redistribute unspent fiscal year 2006 funds to states in need of them in the first half of fiscal year 2009.

- **Appropriates supplemental funding.** A Congressional Budget Office (CBO) analysis in December 2007 concluded that without additional funding for SCHIP (i.e., beyond the $5 billion base allotment), 19 states would run out of money in fiscal year 2008.[5] To avert these shortfalls, the Extension Act includes supplemental funding of up to $1.6 billion in fiscal year 2008 and up to $275 million in fiscal year 2009.[6] States are eligible for these supplemental funds in fiscal year 2008 if the amount they projected they would need in November of 2007 outstrips the amount available to them from other SCHIP funds. If, as anticipated, funding levels are adequate, states can receive the full amount of supplemental funding that they need (Box 2). If not, they will receive a share of the supplemental funding that is proportionate to their need.[7]

Taken together, these provisions are expected to allow federal SCHIP spending to reach up to $7.4 billion in fiscal year 2008 and up to $8.1 billion in fiscal year

Box 1

The August 17th, 2007 Directive: Unraveling SCHIP Through the Back Door

In the Extension Act, Congress sought to extend the successful and popular SCHIP program in its current form and with adequate funding through March 31, 2009 or, if earlier, until such time as reauthorization can be accomplished. It, however, is becoming increasingly apparent that some key elements of the SCHIP program are unraveling as a result of recent CMS actions, making it impossible for a number of states to continue operating their existing, SCHIP programs “as is” through March of 2009.

On August 17, 2007, CMS surprised states by issuing a controversial directive that makes it difficult, if not impossible, for states to offer affordable SCHIP coverage to uninsured children with family income above 250 percent of the FPL.[1] Already the subject of three lawsuits, the August 17th directive requires states to meet a range of stringent criteria if they want to cover uninsured children above 250 percent of the FPL with SCHIP funds. Most notably, a state must enroll 95 percent of eligible children below 200 percent of the FPL. No state seeking to expand its SCHIP program has yet been able to meet the directive criteria, and it is widely believed that none will be able to do so in the future unless it relies on a questionable data methodology.[2] If a state should somehow be able to meet the requirements and secure approval to cover children above 250 percent of the FPL, it, nevertheless, must require such children to remain without coverage for a full year before they can be enrolled in SCHIP.

The directive already has meant that at least seven states have scaled back, refinanced, or even foregone eligibility expansions. More states will be affected in the future because states that already covered children above 250 percent of the FPL before the directive was issued have until August of 2008 to come into compliance with it. These states, many of which have offered coverage to uninsured children in this income range for years, will need to turn away children with family income above 250 percent of the FPL who are seeking coverage unless they find a way to navigate the directive or rely entirely on state funds.

[1] Letter from Dennis Smith, Director of the Center for Medicaid and State Operations at the Centers for Medicare and Medicaid Services, to State Health Officials (SHO #07-001), (August 17, 2007), available at http://www.cms.hhs.gov/smdl/downloads/SHO081707.pdf; see also C. Mann & M. Odeh, “Moving Backward: New Federally Imposed Limits on States’ Ability to Cover Children,” Center for Children and Families (August 30, 2007), and C. Mann & M. Odeh, “Moving Backward: Status Report on the Impact of the August 17 SCHIP Directive to Impost New Limits on States’ Ability to Cover Uninsured Children,” Center for Children and Families (December 2007).

[2] In presentations, CMS has suggested that all but a handful of states meet the 95 percent participation rate requirement, but, in doing so, appears to be relying on a questionable methodology. In an unlabeled and undated presentation, CMS displayed the number of children enrolled in Medicaid and SCHIP over the course of a year, according to administrative data, divided by the number of children in the state with income below 200 percent of the FPL, according to survey data. The resulting participation rate indicates that, nationwide, 120 percent of the children with income below 200 percent of the FPL are participating in Medicaid and SCHIP, an obvious impossibility. The reasons for the problems with this methodology include, but are not limited to, that it is inappropriate to use the number of children enrolled in Medicaid or SCHIP at any point over the course of an entire year in the numerator when the denominator better reflects a point-in-time estimate of the number of low-income children.

2009. See Table 1 for state-specific data on available SCHIP funds in fiscal year 2008.

3. **Continues the "qualifying states" option.** The Extension Act continues an option for states with significant Medicaid expansions in place before SCHIP was adopted to use some of their SCHIP allotments for fiscal years 2008 and 2009 to refinance the cost of those expansions. States otherwise are barred from using any SCHIP funds for children who qualify under the Medicaid rules in place before SCHIP was adopted. Specifically, qualifying states can use up to 20 percent of their SCHIP allotments to receive the SCHIP matching rate (rather than the regular Medicaid matching rate) for children in Medicaid with family income above 150 percent of the federal poverty level.[8]

Implications for State Coverage of Children

On a national basis, the Extension Act helps to ensure that significant federal funding is available for SCHIP in fiscal year 2008 and the first six months of 2009. As shown in Figure 1, if states and territories actually use as much SCHIP funding as projected, spending on the program will increase by 23 percent in fiscal year 2008 and by an additional nine percent the following year. These are relatively high rates of growth in the recent history of the program and reflect that a significant number of states are implementing or planning to implement initiatives to enroll more already-eligible children and, in some instances, to expand SCHIP eligibility.

The state-by-state portrait of the adequacy of SCHIP funding levels to support greater coverage is more complex. All states, at a minimum, can receive at least up to the amount of federal SCHIP funding in fiscal year 2008 that they projected they would need in November of 2007. As described below, however, states varied widely in the projections that they submitted. Moreover, in many cases, states have more than enough federal SCHIP funding at their disposal to meet their projected need, largely because they have unspent funds available to them from earlier years.

- **State variation in projections.** As shown in Table 2, states varied widely in the rate of growth that they projected for their SCHIP programs in fiscal year 2008. While the national average growth rate is 23 percent, the state-specific growth rates range from a low of -40 percent to a high of 274 percent.[9] For example, Alaska, Oklahoma, and South Carolina projected that their SCHIP expenditures would grow by 41 percent, 29 percent, and 274 percent respectively. Each of these states is implementing an expansion in SCHIP eligibility. On the other hand, Illinois and Wisconsin projected declines in their SCHIIP expenditures of 40 percent and five percent, respectively. Both of these states are in the process of scaling back or phasing out coverage of parents under SCHIP waivers.

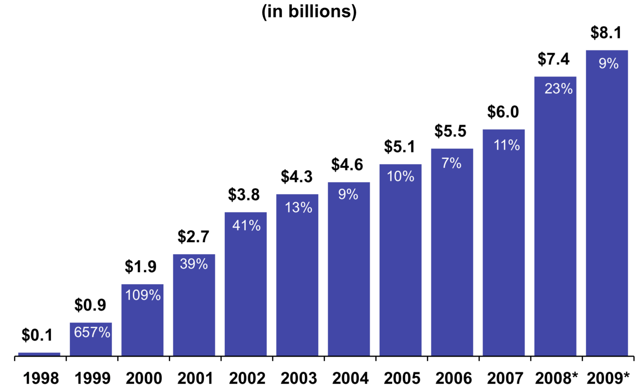
- **State variation in available SCHIP funds.** As shown in Table 1, the amount of federal SCHIP funding available to a state in fiscal year 2008 is comprised of 1) unspent funds from the fiscal year 2006 and fiscal year 2007 allotment; 2) redistributed funds from other states' unspent fiscal year 2005 allotments; 3) the new fiscal year 2008 allotment; and 4) supplemental allotments in states that otherwise would face shortfalls in fiscal year 2008. While 19 states require the supplemental allotments to avoid shortfalls, the remaining 32 states do not need them and can get by using the standard SCHIP funding sources. These states have more federal SCHIP funding available to them than they plan to spend in fiscal year 2008, and, in some cases, considerably more, largely because they still have unspent funds from their fiscal year 2006 and 2007 allotments.[10]

While most states likely have the federal funding needed to implement plans to cover additional children, this does not mean that there are no barriers to pursuing such initiatives. With the weakening economy, states may find it more difficult to come up with the state matching funds required to draw down federal SCHIP dollars.[11] The federal matching rate in SCHIP is relatively generous, but some states nevertheless scaled back their SCHIP coverage during the last downturn in the early 2000s.[12] Of even greater concern may be a recent directive from CMS that

Figure 1

Federal SCHIP Expenditures, FY1998 - FY2009

(in billions)



* Expenditures for fiscal years 2008 and 2009 are based on November 2007 projections. All data includes spending on territories. Source: Center for Children and Families analysis of state expenditure data submitted to the Centers for Medicare and Medicaid Services.

Box 2

State Spending Projections: The Linchpin of Short-Term SCHIP Financing

The federal government requires states to submit quarterly projections of the SCHIP funding that they anticipate they will need for the current and the succeeding fiscal year. The federal government uses the projections to monitor the federal budget and as a financial management tool. In making their projections, states can take into account changes that they plan to make in their SCHIP programs, such as renewed outreach efforts or an expansion in eligibility.

Increasingly, the federal government is turning to these projections as a basis for distributing available SCHIP funds. In recent years, it has relied on them to identify states facing shortfalls and to provide such states with supplemental funds. In the Extension Act, projections again are used to determine which states can qualify for redistributed funds supplemental funding and how much they will receive. Moreover, both comprehensive reauthorization bills adopted by Congress in 2007 (and vetoed by President Bush) relied in part on projections when establishing a new financing system for SCHIP. In light of the growing importance of these projections, it is critical for states to ensure that the projections they submit are as accurate as possible and reflect the full extent of any plans that they may have to change their SCHIP programs.

makes it difficult, and, perhaps impossible, for states to offer affordable coverage to uninsured children with family income above 250 percent of the FPL. If left unaddressed, this new Administration policy may unravel the efforts of states to continue their existing SCHIP programs, as well as, in some instances, to proceed with planned expansions (Box 1).

Beyond March 31, 2009

The future of SCHIP beyond March 31, 2009 will be determined by Congress later this year, or, in early 2009. The Bush Administration recently proposed significant changes to SCHIP in its fiscal year 2009 budget, including again recommending new restrictions on covering children with family income above 200 percent of the FPL. The idea gained little traction last year on Capitol Hill, and is likely to continue to do so, especially because more than half of all states are now covering or planning to cover uninsured children in such families.[13]

Notwithstanding the stalemate over comprehensive reauthorization in 2007, it can be expected that Congress again will extend the program beyond March 31, 2009 and provide it with adequate funding. It is widely hoped that Congress will do so through a comprehensive reauthorization that provides states with a strong, secure, and predictable SCHIP financing stream for the long-term. If this is not possible, however, there is little doubt that Congress will adopt another extension of the program and provide it with adequate funding. At numerous points in the last several years, states were slated to run out of SCHIP money and, in 2007, it was slated to expire on three different occasions.[14] In such instances, Congress has repeatedly demonstrated a willingness to provide the funding needed to sustain the program and allow states to continue covering children.

Conclusion

In sum, it appears that many states across the country have substantial federal SCHIP funding available to them for pursuing plans to enroll more already-eligible children and expanding eligibility to more uninsured children. States still will need to determine whether they have the state resources with which to cover more children, as well as to navigate the August 17th CMS directive that makes it more difficult to cover uninsured children in moderate-income families. However, in all but a handful of cases, states have significant federal resources to cover more uninsured children in the short-term. In the long-term, the history of SCHIP indicates that the federal government will continue to support the SCHIP program and provide states with the federal funding needed to allow it to continue.

Box 3

Explanation of State-by-State Tables

Table 1

This table shows the amount of federal SCHIP funding available to each state in fiscal year 2008 from various sources. Column 2 shows funds from fiscal years 2006 and 2007 allotments that states can retain or "carry over" and are still available to be spent in FY08. At the end of fiscal year 2007 states with unspent fiscal year 2005 allotments were required to return those funds to CMS, which then redistributed those funds to states in need, as shown in Column 3. Column 4 shows the distribution of the national fiscal year 2008 base allotment of $5 billion made available through S. 2499. Column 5 shows supplemental funding appropriated in S. 2499 to fill the gap between a state's projected spending for fiscal year 2008 and funds available to the state in fiscal year 2008 from other sources, as shown in previous columns. The total amount of federal SCHIP funding available to each state is shown in Column 6. Numbers may not sum due to rounding.

Table 2

Table 2 is designed to provide state-by-state information on the projected need for and availability of federal SCHIP funding in fiscal year 2008, and to put these amounts into context by comparing them to a state's recent spending on SCHIP. Column 2 displays the amount that each state actually spent on SCHIP in fiscal year 2007 while Column 3 shows the amount that each state has projected (as of November 2007) it will need for fiscal year 2008. The rate of growth that a state would reach if it were to use all of the funds that it projected were needed is displayed in Column 4. Since some states have more federal SCHIP funding at their disposal than is required to meet their projected need, Column 5 shows the total amount available to a state for fiscal year 2008 (identical to Column 6 in Table 1). As a rough measure of the amount of room that a state has to grow in fiscal year 2008 if it were willing to use all available sources of SCHIP funds, Column 6 shows total available SCHIP funding in fiscal year 2008 as a share of the state's projected spending on the program in fiscal year 2008.

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Table 1: Federal SCHIP Funds Available in Fiscal Year 2008, by State (in millions)

1	2	3	4	5	6
State	Funds Retained from FY06 & FY07 Allotments	Funds Redistributed from FY05 Allotments	Funds Distributed as New FY08 Base Allotments	Funds Distributed as Supplemental Allotments	Total Funds Available in FY08
Alabama	$45.8	$0.0	$72.3	$0.0	$118.1
Alaska	$0.6	$0.0	$11.2	$11.0	$22.8
Arizona	$33.1	$0.0	$143.0	$0.0	$176.0
Arkansas	$56.5	$0.0	$47.5	$13.9	$118.0
California	$296.1	$0.0	$789.2	$205.2	$1,290.4
Colorado	$99.7	$0.0	$71.5	$0.0	$171.2
Connecticut	$68.8	$0.0	$38.8	$0.0	$107.6
Delaware	$17.9	$0.0	$12.8	$0.0	$30.7
District of Columbia	$20.4	$0.0	$12.1	$0.0	$32.5
Florida	$453.1	$0.0	$301.7	$0.0	$754.8
Georgia	$0.0	$0.0	$167.9	$157.6	$325.5
Hawaii	$14.0	$0.0	$15.2	$0.0	$29.2
Idaho	$36.7	$0.0	$23.8	$0.0	$60.5
Illinois	$0.0	$0.0	$208.3	$60.5	$268.8
Indiana	$115.2	$0.0	$97.4	$0.0	$212.6
Iowa	$0.0	$0.0	$33.2	$29.2	$62.4
Kansas	$19.4	$0.0	$36.6	$0.0	$56.1
Kentucky	$62.9	$0.0	$68.2	$0.0	$131.1
Louisiana	$37.0	$0.0	$84.1	$16.2	$137.3
Maine	$0.0	$0.3	$15.4	$16.6	$32.4
Maryland	$0.0	$3.3	$72.4	$83.8	$159.4
Massachusetts	$0.0	$46.9	$73.3	$155.4	$275.6
Michigan	$43.7	$0.0	$147.1	$0.0	$190.8
Minnesota	$0.0	$0.0	$48.6	$35.4	$84.1
Mississippi	$0.0	$0.7	$61.0	$71.8	$133.4
Missouri	$16.0	$0.0	$77.6	$15.0	$108.7
Montana	$14.0	$0.0	$15.9	$0.0	$29.9
Nebraska	$0.4	$0.0	$21.4	$13.6	$35.5
Nevada	$90.4	$0.0	$51.1	$0.0	$141.5
New Hampshire	$14.7	$0.0	$10.7	$0.0	$25.4
New Jersey	$0.0	$42.8	$105.5	$174.7	$323.1
New Mexico	$74.6	$0.0	$52.0	$0.0	$126.6
New York	$447.0	$0.0	$328.7	$0.0	$775.6
North Carolina	$15.7	$0.0	$136.1	$42.8	$194.7
North Dakota	$1.9	$0.0	$7.9	$3.1	$12.9
Ohio	$62.4	$0.0	$157.9	$0.0	$220.3
Oklahoma	$33.8	$0.0	$70.8	$19.8	$124.4
Oregon	$63.9	$0.0	$60.1	$0.0	$124.1
Pennsylvania	$149.2	$0.0	$168.8	$0.0	$318.0
Rhode Island	$0.0	$13.0	$14.0	$32.8	$59.7
South Carolina	$122.4	$0.0	$71.0	$0.0	$193.5
South Dakota	$5.8	$0.0	$10.5	$0.0	$16.3
Tennessee	$177.9	$0.0	$99.8	$0.0	$277.7
Texas	$1,012.7	$0.0	$556.2	$0.0	$1,568.9
Utah	$40.4	$0.0	$41.3	$0.0	$81.7
Vermont	$7.5	$0.0	$5.6	$0.0	$13.1
Virginia	$65.4	$0.0	$90.3	$0.0	$155.7
Washington	$144.6	$0.0	$79.9	$0.0	$224.5
West Virginia	$23.3	$0.0	$25.7	$0.0	$49.0
Wisconsin	$11.7	$0.0	$69.6	$0.0	$81.3
Wyoming	$9.7	$0.0	$6.4	$0.0	$16.1
United States	**$4,026.40**	**$107**	**$4,987.50**	**$1,158.50**	**$10,279.40**

Source: "FY 2008 SCHIP Funding Chart" from the Centers for Medicare and Medicaid Services (January 9, 2008); and C. Peterson, "FY2008 Federal SCHIP Financing," Congressional Research Services (January 9, 2008).

Table 2: Projected Need for and Availability of Federal SCHIP Funds in Fiscal Year 2008, by State (in millions)

1	2	3	4	5	6
State	Actual FY07 Federal SCHIP Expenditures	Projected FY08 Federal SCHIP Expenditures	Percent Change in Federal SCHIP Expenditures	Available FY08 Funding	Available FY08 Funding as a Percent of Projected FY08 Expenditures
Alabama	$95.2	$112.5	18.2%	$118.1	105.0%
Alaska	$16.2	$22.8	40.5%	$22.8	100.0%
Arizona	$117.7	$137.8	17.1%	$176.0	127.8%
Arkansas	$68.8	$118.0	71.5%	$118.0	100.0%
California	$980.7	$1,290.4	31.6%	$1,290.4	100.0%
Colorado	$65.9	$77.7	17.8%	$171.2	220.5%
Connecticut	$30.1	$33.0	9.9%	$107.6	325.7%
Delaware	$8.6	$9.5	9.8%	$30.7	324.1%
District of Columbia	$7.2	$7.5	4.3%	$32.5	433.5%
Florida	$261.7	$290.5	11.0%	$754.8	259.9%
Georgia	$328.1	$325.5	-0.8%	$325.5	100.0%
Hawaii	$18.7	$18.3	-2.0%	$29.2	159.2%
Idaho	$27.4	$31.1	13.6%	$60.5	194.6%
Illinois	$448.5	$268.8	-40.1%	$268.8	100.0%
Indiana	$92.1	$92.6	0.5%	$212.6	229.5%
Iowa	$51.3	$62.4	21.5%	$62.4	100.0%
Kansas	$45.1	$51.2	13.5%	$56.1	109.4%
Kentucky	$81.2	$83.0	2.2%	$131.1	157.9%
Louisiana	$119.9	$137.3	14.5%	$137.3	100.0%
Maine	$31.2	$32.4	3.7%	$32.4	100.0%
Maryland	$138.4	$159.4	15.2%	$159.4	100.0%
Massachusetts	$211.5	$275.6	30.3%	$275.6	100.0%
Michigan	$171.6	$183.0	6.7%	$190.8	104.2%
Minnesota	$64.4	$84.1	30.5%	$84.1	100.0%
Mississippi	$107.5	$133.4	24.2%	$133.4	100.0%
Missouri	$79.4	$108.7	36.9%	$108.7	100.0%
Montana	$18.2	$21.7	18.8%	$29.9	138.1%
Nebraska	$33.2	$35.5	6.9%	$35.5	100.0%
Nevada	$30.3	$37.9	25.1%	$141.5	372.8%
New Hampshire	$11.1	$13.4	20.0%	$25.4	190.3%
New Jersey	$280.0	$323.1	15.4%	$323.1	100.0%
New Mexico	$49.9	$103.0	106.4%	$126.6	123.0%
New York	$324.4	$376.7	16.1%	$775.6	205.9%
North Carolina	$166.6	$194.7	16.8%	$194.7	100.0%
North Dakota	$10.5	$12.9	22.8%	$12.9	100.0%
Ohio	$186.9	$209.0	11.8%	$220.3	105.4%
Oklahoma	$96.4	$124.4	29.0%	$124.4	100.0%
Oregon	$66.6	$87.0	30.8%	$124.1	142.6%
Pennsylvania	$190.0	$226.8	19.4%	$318.0	140.2%
Rhode Island	$47.7	$59.7	25.1%	$59.7	100.0%
South Carolina	$31.4	$117.7	274.2%	$193.5	164.4%
South Dakota	$9.8	$13.6	38.4%	$16.3	120.2%
Tennessee	$4.1	$113.3	2,635.6%	$277.7	245.1%
Texas	$385.7	$792.7	105.5%	$1,568.9	197.9%
Utah	$38.9	$51.6	32.8%	$81.7	158.3%
Vermont	$5.9	$4.4	-26.1%	$13.1	298.8%
Virginia	$110.7	$124.8	12.7%	$155.7	124.8%
Washington	$36.8	$30.0	-18.4%	$224.5	747.2%
West Virginia	$35.4	$40.5	14.3%	$49.0	120.9%
Wisconsin	$84.5	$80.1	-5.3%	$81.3	101.5%
Wyoming	$7.8	$7.8	-0.3%	$16.1	206.4%
United States	**$5,931.6**	**$7,348.7**	**23.9%**	**$10,279.4**	**139.9%**

Note: Tennessee has such a large growth in expenditures because they implemented a seperate SCHIP program in March 2007, thus only operated the program for half of fiscal year 2007.

Source: Center for Children and Families analysis of data from "FY 2008 SCHIP Funding Chart" from the Centers for Medicare and Medicaid Services (January 9, 2008) and C. Peterson, "FY2008 Federal SCHIP Financing," Congressional Research Services (January 9, 2008).

Endnotes

[1] For a complete summary of S. 2499, see H. Chaikind, *et al.*, "P.L. 110-173: Provisions in the Medicare, Medicaid, and SCHIP Extension Act of 2007," Congressional Research Service (February 7, 2008).

[2] Without the extension, states would have been able to use up their unspent SCHIP funds from earlier years, but they would not have received any new SCHIP funds.

[3] Unlike earlier SCHIP allotments, the allotments for fiscal year 2008 and 2009 cannot be used after March 31, 2009 or, if it is earlier, after the date of enactment of full reauthorization of SCHIP.

[4] CMS already has redistributed $107 million in unexpended fiscal year 2005 allotments to Maine, Maryland, Massachusetts, Mississippi, New Jersey, and Rhode Island to avert funding shortfalls through the second quarter of fiscal year 2008.

[5] J. De Sa, E. Rollins, & R. Stewart, "Memorandum Re: Revised estimate of maintaining SCHIP programs in 2008," Congressional Budget Office (December 14, 2007).

[6] The supplemental funding levels currently appear to be more than adequate. According to the Congressional Research Service, the most recent data available suggest that states will need some $1.2 billion in supplemental funding in fiscal year 2008 and some $200 million for the first half of 2009.

[7] CMS has the authority to reconcile these amounts at the end of the year based on final spending reports from the states.

[8] The Congressional Research Service identifies the qualifying states as Connecticut, Hawaii, Maryland, Minnesota, New Hampshire, New Mexico, Rhode Island, Tennessee, Vermont, Washington, and Wisconsin.

[9] Not included in this range is Tennessee, which projected a growth rate of 2635.6 percent. Its astronomically high growth rate is driven by the fact that it had only a negligible SCHIP program in fiscal year 2007, but it is now in the process of setting up an SCHIP program more comparable to that offered by other states.

[10] Both of the SCHIP reauthorization bills vetoed by President Bush would have restructured the SCHIP financing system to prevent the situation in which a few states have more federal SCHIP funding than they need, while most states do not have enough in the long run. The Extension Act, however, did not attempt to engage in fundamental restructuring of the SCHIP financing system and, instead, provided supplemental allotments as needed to states facing shortfalls.

[11] The financing structure of SCHIP requires states to contribute some of their own funds in order to draw down federal SCHIP funds. For a detailed explanation of the matching rate system used to finance SCHIP, see Center for Children and Families, "SCHIP's Financing Structure," (October 2006).

[12] In 2003, on the heels of the economic downturn of the early 2000s, nearly half of all states made it more difficult for eligible children to acquire or retain public coverage. See D. Cohen Ross and L. Cox, *Beneath the Surface: Barriers Threaten to Slow Progress on Expanding Health Coverage of Children and Families,* (October 2004); and as chronicled in a series of annual reports by Ross and Cox, available online at http://www.kff.org, many of these retrenchments were later reversed.

[13] For a description of the President's proposal, see the CCF Memorandum to Interested Parties, "SCHIP Provisions in the Administration's Fiscal Year 2009 Budget," February 7, 2008.

[14] For each of the last three years, some states have found themselves running out of SCHIP money. In each instance, Congress has stepped in to address the shortfalls by passing legislation to provide the required funding to sustain coverage of children, sometimes by redirecting unspent funds from states not using their full SCHIP allotments. In 2006, the fix was included as part of the Deficit Reduction Act of 2005 (P.L. 109-171), in 2007, it was included as part of the National Institutes of Health Reform Act of 2006 – SCHIP Temporary Shortfall Relief, 2006 (P.L. 109-482, section 201), and, in 2008, as part of the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (P.L. 110-28, Title VII). In 2007, when the SCHIP program was slated to expire on September 30, 2007, Congress twice took action to temporarily extend it in the hopes of creating the time needed to complete a comprehensive reauthorization before ultimately adopting the Extension Act.

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