Georgetown University Health Policy Institute
Center for Children and Families

Summary of the House SCHIP Bill: Children's Health and Medicare Protection Act of 2007 (CHAMP Act)

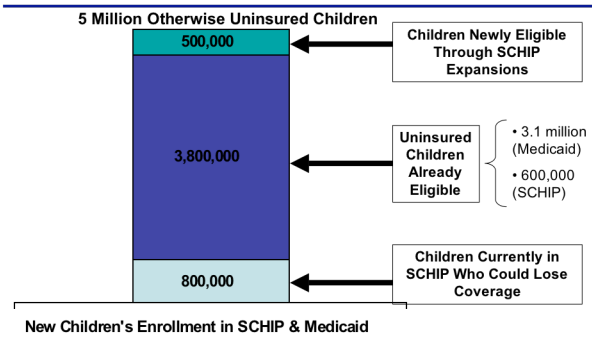
The following summary is based on the child health provisions of the Children's Health and Medicare Protection Act of 2007 (CHAMP) as approved by the House on August 1, 2007. As adopted, CHAMP would provide states with nearly $50 billion in additional federal funding to cover children in SCHIP and Medicaid over the next five years. According to the Congressional Budget Office, an additional five million children would gain coverage in 2012 as a result of the policies and funding in CHAMP. (Figure 1.)

This summary describes the major child health provisions in the legislation; CHAMP also includes a number of changes to Medicare and some Medicaid provisions not specifically focused on children, which are not addressed here. For a section-by-section summary of the bill, see http://www.majorityleader.gov. The bill is available at http://gppi.georgetown.edu/hpi/ccf/36945.html.

Financing

- **Offsets.** All of the spending provisions in CHAMP are funded through identified revenue sources, including: 1) a 45-cent increase in the federal tobacco tax; 2) a phase out of overpayments to private Medicare Advantage plans so that payments are equal to what it costs to serve comparable beneficiaries under the Medicare program; and 3) elimination of the Medicare "stabilization fund" that provides certain private plans under Medicare with additional funding beyond the regular payments they receive.

FIGURE 1: House Bill Would Cover 5 Million Otherwise Uninsured Children



Note: Average monthly enrollment for fiscal year 2012; SCHIP & Medicaid would cover 7.5 million children when reductions in private coverage enrollment are included; numbers may not sum due to rounding.

Source: Preliminary CBO estimate of H.R. 3162, the Children 's Health and Medicare Protection Act (August 1, 2007).

SCHIP Funding For States

- **Basic Elements.** CHAMP maintains the current SCHIP financing structure where states are provided with **state-specific allotments** and any unused allotment funds are **redistributed** to states that need those funds. It changes the way allotments are set (using actual use of funds or projected need rather than survey data), and it provides a

new **"performance-based shortfall adjustment**" that is designed to address shortfalls that emerge when a state increases SCHIP enrollment of uninsured children. These key elements of the financing structure are described below in more detail.

- **State-Specific Allotments**. In fiscal year 2008, a state's allotment is based on either its historical use of funds or its projected need for funding in fiscal year 2008.[1] Over time, the state-specific allotments are indexed to reflect health care inflation and population growth.[2] Every other year, beginning in fiscal year 2010, a state's allotment is "re-based" to reflect a state's actual spending on SCHIP, including the performance-based shortfall adjustment (described below).

- **Performance-based Shortfall Adjustment**. CHAMP provides states that are experiencing a funding shortfall due to higher-than-expected enrollment of eligible children with a "shortfall adjustment." The shortfall adjustment is determined by the number of additional children enrolled in coverage above a target level[3] and an estimate of the average per capita cost of serving a child in the state's SCHIP program.[4] At the discretion of the Secretary of Health and Human Services (HHS), the shortfall adjustment can be delivered to a state at the time it is experiencing a shortfall or in the following year.

- **Redistribution of Funds.** To help ensure that SCHIP funds are sent to the states that need them for children's coverage, CHAMP generally reduces the period during which a state can use its SCHIP allotment from three to two years. (This change applies only to new allotments, beginning with fiscal year 2008.) After the two-year period, any unspent funds are made available to states that are experiencing shortfalls, which are expected to be relatively small due to the new allotment structure and the performance-based shortfall adjustment. States that receive redistributed funds have a year to use them and, if they do not do so, the funds become available to other states with shortfalls.

Reaching Eligible But Unenrolled Children

- **Performance Bonus Payments for Enrolling Already-eligible Children**. CHAMP includes new incentive bonuses to encourage states to increase the enrollment of currently eligible children by helping to defray the resulting coverage costs.[5] States

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[1] Projections are based on a state's projections for fiscal year 2008 submitted to CMS in May of 2007 unless a state has adopted legislation to modify its SCHIP program in 2007. If so, it can opt to use projections that it submits in August of 2007.

[2] "Health care inflation" is measured by the increase in projected per capita National Health Expenditures and "population growth" is based on state-specific growth in the population of children under 19 plus one percentage point.

[3] The target enrollment level is based on a state's enrollment of children in SCHIP in fiscal year 2007, increased by state-specific growth in the population of children under age 19 plus one percentage point.

[4] The size of a state's per capita adjustment is based on the state's average per capita spending for children on SCHIP.

[5] The group would include children who are eligible for SCHIP and Medicaid under the rules that a state has in place as of July 1, 2007.

that streamline their enrollment and retention procedures (see below) and increase enrollment of these children above a target level[6] receive a federal payment for each additional child enrolled. The size of the payment is determined by 1) whether the child is Medicaid or SCHIP-eligible; 2) the average cost to the state of covering such a child; and, 3) the extent to which a state's enrollment exceeds target levels. The bonus payments can vary from 5 percent to 90 percent of the average state cost of enrolling a child, with the higher percentage provided to states that have been the most successful at enrolling the lowest income eligible children.

- **Simplifying Enrollment Procedures**. To qualify for the performance bonus payments described above, a state must have adopted at least four of the following "best practice" methods for enrollment and renewal procedures in SCHIP and Medicaid for children:

  1) Adopting 12-month continuous eligibility in SCHIP and Medicaid;
  2) Eliminating the asset test for children in need of coverage or, if an asset test is applied, allowing administrative verification (self-declaration) of assets unless otherwise warranted;
  3) Eliminating in-person interviews at application and renewal;
  4) Using joint applications and the same information verification procedures for SCHIP and Medicaid at application and renewal;
  5) Allowing for automatic or "administrative" renewal of coverage in SCHIP and Medicaid;
  6) Adopting presumptive eligibility in SCHIP and Medicaid; and
  7) Exercising the new option (described below) to use Express Lane eligibility in SCHIP and Medicaid.

- **Enhanced Administrative Matching Rate for Translation Services**. CHAMP provides states with an enhanced administrative matching rate (75 percent, rather than 50 percent) for translation and interpretation services needed to help enroll eligible children whose families do not use English as their primary language.

- **Express Lane Option.** In order to streamline enrollment procedures CHAMP gives states the option when determining children's eligibility for SCHIP and Medicaid, to "borrow" findings made by child nutrition programs, (i.e. school lunch programs, WIC agencies, and the Food Stamp Program), and selected agencies that are responsible for determining children's eligibility for child care assistance. For example, if a state has information about a child's income from a local school lunch program, it can use it without requiring the family to resubmit or re-verify the information it already provided to the school lunch program.

- **Continuous Eligibility**. CHAMP requires states providing child health assistance benefits through separate SCHIP programs to provide 12 months of continuous coverage for eligible children in families with incomes under 200 percent of the federal poverty level.

[6] The "target" level of enrollment for SCHIP and Medicaid is based on a state's enrollment of children in 2007, indexed over time by state-specific growth in the population of children.

- **Citizenship Documentation Requirement.** CHAMP makes the requirement that applicants for Medicaid provide documentation of citizenship optional for children but keeps the requirement for adults and pregnant women (subject to current exemptions for foster children and individuals receiving SSI, Medicare and Social Security). States that do not require children to document citizenship would have to audit a "statistically-based sample" of cases and repay the federal share of expenditures for medical assistance provided to undocumented immigrants. CHAMP also makes several changes to existing rules, including a provision granting applicants who have to document citizenship a "reasonable opportunity" to obtain documents during which time they could receive benefits.

Coverage Of Adults

- **Pregnant Women.** CHAMP gives states the option to cover pregnant women with SCHIP funds through a state plan amendment (no waiver would be required). To use the option, states must already cover pregnant women up to at least 185 percent of poverty in Medicaid. (The existing option to cover prenatal care through the "unborn child" SCHIP regulation would continue.)

- **Parents**. CHAMP allows states that already have secured approval for family-based coverage waivers to continue them. The Secretary of HHS is barred from approving a new request for a parent coverage waiver unless the state can demonstrate that it has an outreach program in place to reach all uninsured children in low-income families and that it does not impose waiting lists on children.

- **Childless Adults**. CHAMP retains current law, which bans the Secretary of HHS from allowing any new waivers to use SCHIP funds to cover childless adults. The states that already secured approval from the federal government for such waivers are allowed to continue them.

SCHIP Eligibility Rules

- **Children above 200% FPL.** CHAMP retains the current law flexibility for states to determine the appropriate income level at which to extend SCHIP eligibility for children.

- **Children up to Age 21.** CHAMP allows states to cover children up to age 21 through SCHIP, an option that already is available in Medicaid; currently SCHIP covers children under age 19.

- **Children and Pregnant Women who are Legal Immigrants**. The bill includes an option for states to cover children and pregnant women who are legal immigrants in SCHIP and Medicaid if they meet all other eligibility rules. Currently, these children and pregnant women are barred from coverage until they have been in the United

States for at least five years. It restates the existing ban on using federal funds to provide child health assistance to individuals who are not in the country legally.

- **Children of State Employees**. CHAMP does not include an option for states to cover the children of state employees. Currently, such children are barred from coverage unless the state makes little or no contribution to the cost of dependent coverage for state employees.

- **Employer Buy-In Demonstration Program.** CHAMP establishes a demonstration program for up to 10 states that would allow employers with a majority of workers earning wages below 200 percent of the federal poverty level to offer a SCHIP or Medicaid product to their employees. Employers would have to contribute at least 50 percent of the cost of the premium; families would pay up to 5 percent of their income for premiums at the state's discretion.

Child Health Access and Quality

- **Child Health Quality Measures**. CHAMP creates a new quality child health initiative within HHS to develop child health quality and program performance measures. HHS must work with states, pediatric providers, children's advocates and other child health experts to develop the measures.

- **Children's Commission**. The bill establishes the Children's Access, Payment and Equality Commission (CAPE) to monitor children's access to care and services and the adequacy of provider payments under SCHIP and Medicaid. The Commission will also examine issues of health disparities and underserved areas.

Benefits

- **Dental Coverage.** The bill requires states to include a dental health benefit in the "SCHIP benefit package."

- **Mental Health Parity.** CHAMP requires parity between mental and physical health benefits under SCHIP's benchmark benefit package.

Other Provisions

- **Treatment of States with Significant SCHIP Expansions Pre-SCHIP**. The states that expanded Medicaid coverage prior to the enactment of SCHIP are given more flexibility under CHAMP to use SCHIP funds for these Medicaid expansions. These states can use their SCHIP allotment (without limitation) to draw down an enhanced matching rate for children in Medicaid with family incomes above 150 percent of the federal poverty level. (Currently, these states can only use a small portion of their SCHIP allotment for Medicaid costs.)

- **Miscellaneous.** The bill also 1) requires a new federal evaluation of SCHIP in 2010; 2) applies Medicaid managed care protections to separate SCHIP programs; 3) directs GAO to work with stakeholders to develop model practices to facilitate enrollment of children in families that move frequently, and; 4) grants families a 30-day premium grace period under SCHIP before termination of a child's coverage.

As noted above, CHAMP also includes a number of changes to Medicare and some Medicaid provisions not specifically focused on children.

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