



Coverage of Uninsured Children in Moderate-Income Families Under SCHIP

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Background

Now up for renewal and the subject of intense debate in Washington, D.C., the State Children’s Health Insurance Program (SCHIP) provides states with federal funding to extend coverage to uninsured children in working families that are not poor enough to qualify for Medicaid, but that cannot afford to purchase coverage on their own. In the debate over the future of SCHIP, a point of much contention has been whether states should continue to have the flexibility to decide the upper income level of the children who can qualify for coverage. Currently, each state makes its own decisions in light of local costs and family incomes, subject to the availability of state and federal funds. Families with more moderate incomes pay a premium to enroll their uninsured children in coverage, according to their income.

This fact sheet provides new data on the extent to which moderate-income children currently enroll in SCHIP and reviews how the legislation now before Congress to renew SCHIP would affect such enrollment. As shown in Figure 1, 99.95 percent of all SCHIP enrollees have incomes below 300% of the federal poverty level (FPL) and no enrollees currently have incomes as high as 400% of the FPL (\$83,000 for a family of four). Moreover, as explained below, under the provisions of the compromise bill adopted by the House and the Senate the share of moderate income children covered is likely to remain extremely low and perhaps even decline.

Enrollment of Moderate-Income Children Under Current Law

Since 1997, states have had the flexibility to decide which uninsured children should be eligible for SCHIP. Most have opted to cover children up to 200 percent of the FPL, although just one year after SCHIP was enacted 10 states already covered children at higher income levels. In recent years, as health insurance costs have risen more quickly than family income, a growing number of states have decided that moderate-income families also may need help purchasing coverage for their children.

As of October 1, 2007, 18 states and the District of Columbia had expanded eligibility beyond 200 percent of the FPL. In doing so, all but one—New Jersey—has limited coverage to children at or

Figure 1
Nearly All Children Enrolled in SCHIP Have Family Incomes Below 300% FPL

Income Range	Percent of SCHIP Enrollees
Above 350% FPL	None
301-350% FPL	0.05%
201-300% FPL	8.65%
100-200% FPL	91.30%
Total SCHIP Children = 6.7 Million	

99.95%
 Below
 300% FPL

Note: Medicaid, not SCHIP, covers children below 100% FPL.

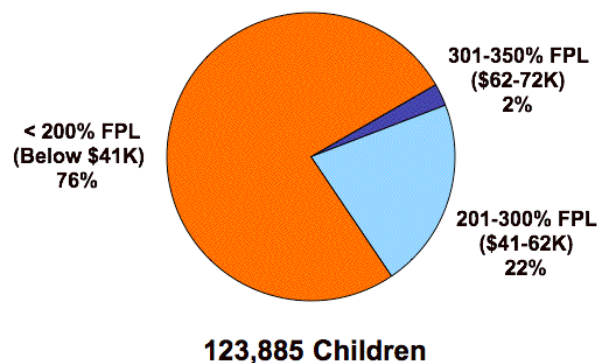
Source: CCF analysis based on FY06 SCHIP enrollment data from C. Peterson & E. Herz, “Estimates of SCHIP Child Enrollees Up to 200% of Poverty, Above 200% of Poverty, and of SCHIP Adult Enrollees,” Congressional Research Service (March 13, 2007) and data provided by the New Jersey Department of Human Services on SCHIP enrollment in August of 2007.

below 300 percent of the FPL. In the face of one of the highest costs-of-living in the country, New Jersey covers children up to 350 percent of the FPL. More recently, New York, which also has a particularly high cost-of-living, has enacted legislation to cover children up to 400 percent of the FPL (\$83,000 for a family of four). The New York plan, which was rejected by the Department of Health and Human Services, has been the source of the misleading contention that SCHIP is being turned into a program to cover children with family income of up to \$83,000 a year.

Even in New Jersey, the one state with actual experience extending SCHIP to uninsured children above 300 percent of the FPL, enrollment is heavily dominated by the lowest-income children. As shown in Figure 2, 97.6 percent of the children enrolled in New Jersey's SCHIP program have income below 300 percent of the FPL and fully 76 percent are below 200 percent of the FPL. (SCHIP eligibility in New Jersey begins at 100% and 133% of the FPL, depending on a child's age.) The simple explanation is that while some moderate-income families need help purchasing affordable

coverage, the need is much greater among lower income families who are significantly less likely to have access to coverage for their children through their jobs. As a result, low-income children are far more likely to require help in securing coverage—and therefore to enroll in SCHIP—than their more moderate-income counterparts, even in states with higher SCHIP eligibility levels.¹

Figure 2
Income Distribution of Children in New Jersey's SCHIP Program



Note: Annual dollar values are for a family of four in 2007, rounded to the nearest one thousand.

Source: CCF analysis based on data from the New Jersey Department of Human Services on SCHIP enrollment in August, 2007.

The debate over these moderate-income children can sometimes leave the impression that SCHIP no longer focuses on covering lower-income children. As shown in Figure 1, however, more than nine in 10 children enrolled in SCHIP (91.3 percent) are from families with income below 200 percent of the FPL. There are zero children enrolled in SCHIP with family income of 400 percent or more of the FPL (\$83,000 or more a year for a family of four). And, 99.95 percent of the children enrolled in SCHIP have income at or below 300 percent of the FPL.

and state behavior. However, as the New Jersey experience demonstrates, even if Congress were to leave the flexibility that states currently have to establish the income limits for their SCHIP programs completely intact and many states were to expand beyond 300 percent of the FPL—a highly unlikely scenario—low-income children would continue to heavily dominate SCHIP enrollment.

The legislation to renew SCHIP now before Congress, the Children's Health Insurance Program Reauthorization Act (CHIPRA) does not leave this flexibility intact. The bill, which has been

SCHIP Enrollment in the Future

This portrait of current SCHIP enrollment could, of course, be affected by changes in the SCHIP law

vetoed by President Bush and is now the subject of an override attempt, would constrain state flexibility and sharply reduce incentives to cover children above 300 percent of the FPL. At the same time, it increases incentives for states to cover children already eligible for coverage but not enrolled. As a result, CHIPRA is expected to cover an additional four million uninsured children, the vast majority of whom are from the lowest income families and already eligible for SCHIP and Medicaid.

Specifically, CHIPRA calls for:

- **Elimination of the enhanced SCHIP matching rate.** The bill eliminates enhanced SCHIP funding for states that in the future adopt expansions to children with family income above 300 percent of the FPL.² Instead, such states, at most (see below) would be eligible for the regular Medicaid matching rate.
- **New anti-crowd out and participation rate requirements.** By 2010, any state that sought to cover children above 300 percent of the FPL would need to meet new criteria for preventing the substitution of public coverage for private coverage and for covering a significant share of the lowest-income children. Only a handful of states are likely to be able to meet these new criteria, which include that a state must have an insured rate among low-income children that is equal to or greater than that of the average insured rate among the top ten performing states in the country as of January 1, 2010.

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- **Incentives to cover low-income children.** At the same time, CHIPRA is designed to focus states on enrolling the lowest-income children. It does this in a number of ways, most notably by providing states with “performance bonus” payments to defray some of the additional cost of coverage that would result if they successfully boosted enrollment among the lowest income children.

In light of these changes and new financing rules, the Congressional Budget Office estimated that 84 percent of the uninsured children who would gain coverage if CHIPRA were enacted into law would have incomes below current state eligibility levels. These estimates suggest that under provisions like those in CHIPRA, the number of children from moderate-income families who would be covered through SCHIP would remain miniscule.

Conclusion

Despite the extensive debate over SCHIP coverage of children in more moderate-income families, the children served by the program continue to overwhelmingly be low-income. In the future, there is little likelihood that this will change significantly, particularly if congressional efforts to reduce federal support for such expansions and focus states on reaching the lowest income children are adopted.

Endnotes

¹ Data obtained by CCF from two of the other states that have expanded to children above 200 percent of the FPL show that their SCHIP caseloads also remain heavily dominated by the lowest income children. In New York, which covers children between 100 percent of the FPL and 250 percent of the FPL, more than eight in ten enrollees (84 percent) have family income below 200 percent of the FPL and the average family income of children served in the program is equivalent to 160 percent of the FPL. In California, which covers children in the same income range as New York, 75 percent of enrollees have income below 200 percent of the FPL and the average family income of children

served in the program is equivalent to 163 percent of the FPL.

² States that already have implemented coverage of children above 300 percent of the FPL or that have passed state legislation to do so would continue to be potentially eligible for the enhanced SCHIP matching rate. However, the two states affected by this exemption—New York and New Jersey—still must meet new requirements to adopt anti-crowd out provisions and to excel at enrolling the lowest income children in coverage if they are to receive any federal funding for children above 300 percent of the FPL after 2010.

Acknowledgements

This analysis was written by Jocelyn Guyer and produced by the Center for Children and Families (CCF). CCF is an independent, nonpartisan research and policy center based at Georgetown University's Health Policy Institute whose mission is to expand and improve health coverage for America's children and families.



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