

TO: Interested Parties
RE: SCHIP funding for parents
DATE: February 28, 2007 (revised April 2, 2007)

The following points explaining the history, scope, and value of SCHIP financing for family coverage may be helpful in the context of the current debate over SCHIP reauthorization. While some have suggested that SCHIP has strayed from its goals in covering parents and that SCHIP funding issues can be addressed by eliminating coverage for parents, these claims are not supported by the facts. With 46 million uninsured Americans, SCHIP reauthorization ought not be an occasion to add more low-income parents to the ranks of the uninsured. Congress can move forward to cover children without weakening successful family-based coverage initiatives.

Background

Parent coverage in SCHIP is permitted through “section 1115” waiver authority. The original SCHIP law explicitly granted the Secretary of the Department of Health and Human Services authority to grant SCHIP waivers.¹

- Pursuant to that authority the Clinton Administration issued guidelines in 2000 allowing states to use SCHIP funds to cover parents and pregnant women under certain conditions.²
- In 2002, the Bush Administration actively encouraged SCHIP and Medicaid waivers through its “Health Insurance Flexibility and Accountability” (HIFA) initiative and broadened SCHIP waiver policy to permit states to use SCHIP funds to cover childless adults.³ Congress stopped further childless adults waivers in the Deficit Reduction Act of 2005, but through the years Congress has not altered the now longstanding policy allowing SCHIP waivers for family coverage.
- Currently, 11 states have active parent coverage waivers; a few have limited enrollment through small premium assistance programs. In all cases, coverage for children must remain the priority. Under the terms of the waivers, if a state is facing a shortfall in federal funds, available funds must be spent on children’s coverage.

Considerations relative to the use of SCHIP funds for family coverage

- **SCHIP parent waivers have been part of federal SCHIP policy for many years and have been actively encouraged in recent years.** States with SCHIP-funded family coverage have relied on longstanding waiver policy. More recently, the Bush Administration actively promoted these waivers through its HIFA initiative and cited them as a key component of its effort to reduce the number of uninsured Americans.⁴ The Administration’s current position rejecting these initiatives represents an abrupt turnaround in policy.

- **The use of SCHIP funds for family coverage furthers the objectives of SCHIP.** A large body of research shows that covering parents increases the rate at which children enroll in coverage and gain access to health care services that promote their healthy development. Conversely, efforts to reduce the parent coverage provided through SCHIP waivers can be expected to cause children to lose coverage and to reduce their likelihood of accessing services. In no state is parent coverage permitted at the expense of children in that state.
- **Nationwide, parent coverage represents a small fraction of SCHIP funding; cutting back on coverage for parents will not solve SCHIP's funding needs.** SCHIP needs more funds because there is a fundamental mismatch between the amount of funds available in SCHIP and the amount needed for *children's* coverage. SCHIP allotment levels were set ten years ago before there was any experience with the program. Parent coverage is not responsible for the mismatch. In 2006, less than 500,000 parents were covered nationwide compared to 6.7 million children.⁵ Most (9 out of 14) of the states facing a SCHIP shortfall in 2007 do not use any SCHIP funds to cover parents, and 27 out of the 36 states projected to have shortfalls in 2012 do not use SCHIP funds to cover parents.
- **States that led the nation in expanding coverage for children would have been left out of SCHIP if barred from covering parents.** States such as Rhode Island and Minnesota expanded coverage for children through Medicaid before SCHIP was adopted and therefore were barred from using much of their SCHIP allotments for children.⁶ The waivers allowed them to use some SCHIP funds for family coverage. These states continue to be leaders on children's coverage.

SCHIP reauthorization should not add to the problem of the uninsured by weakening health coverage for low-income parents. Instead, reauthorization should focus on the fundamental issue – the need to invest additional resources to cover more of the nation's uninsured children.

¹ Title XXI, Section 2107(e)

² CMS guidance issued July 31, 2000; <http://www.cms.hhs.gov/smdl/downloads/sho073100.pdf>.

³ HIFA guidelines issued August 2002; see overview at <http://www.cms.hhs.gov/HIFA/> and guidelines at http://www.cms.hhs.gov/HIFA/02_Guidelines.asp#TopOfPage.

⁴ HHS press release noting HIFA as a key component of the Administrations effort to reduce the number of uninsured Americans. <http://www.hhs.gov/news/press/2002pres/20020930.htmlHIFA>.

⁵ C. L. Peterson & E. J. Herz (March 13, 2007), *Estimates of SCHIP Enrollees Up to 200% of Poverty, Above 200% of Poverty, and SCHIP Adult Enrollees*, Congressional Research Service.

⁶ Title XXI, section 2105(d).