

# Too Close to Turn Back: Covering America's Children



**Building on the Success of Children's Coverage  
Through SCHIP and Medicaid**

**DECEMBER 12, 2006**

## Introduction

**A**dopted in 1997 with strong bipartisan support, the State Children's Health Insurance Program (SCHIP) represented a major step forward in the effort to ensure that America's children have health coverage. Over the past decade, amidst rising health care costs, declining employer-based coverage, and growth in the number of uninsured Americans, SCHIP and its larger companion program, Medicaid, covered millions of children who otherwise would have been without coverage. Together, these programs drove down the uninsured rate of low-income children by a third.

In 2007, Congress is slated to reauthorize SCHIP.<sup>1</sup> In light of the role that SCHIP and Medicaid play in covering children, the action Congress takes carries high stakes. Success will be measured based on whether reauthorization builds on SCHIP and Medicaid's achievements and moves the country even closer to the broadly-held goal of ensuring that all of America's children have the coverage they need.

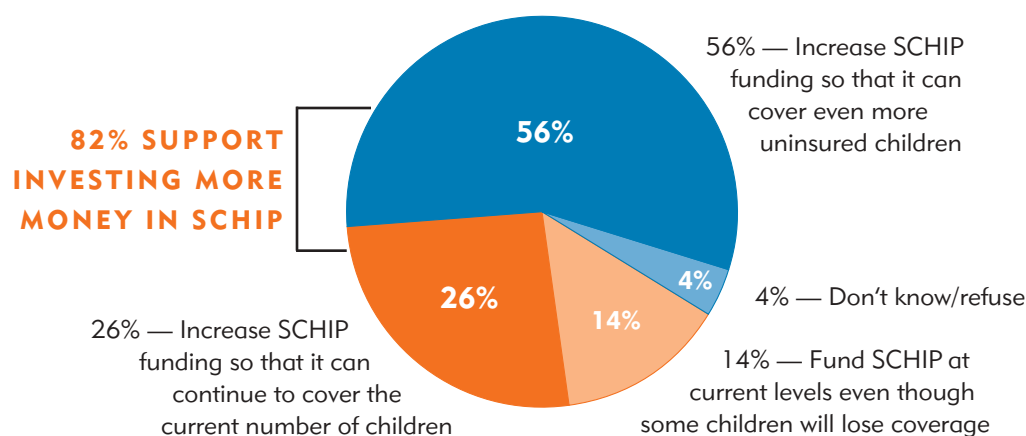
Drawing on the research and the experience gained since SCHIP's enactment, this report describes the important issues at stake for children in the reauthorization debate; the progress the country has made in covering children; and the key issues that will need to be addressed in reauthorization to move forward. If policymakers address these critical issues, the country will be in a far stronger position in the future as it seeks to cover all of America's children.

### AMERICANS STRONGLY SUPPORT INVESTING MORE FUNDS IN SCHIP

In an election eve poll conducted by Lake Research Partners for the Center for Children and Families, 82 percent of American voters said that they would like to see Congress add new funds to the SCHIP program. Of these, two-thirds want to see Congress provide a funding level that allows for states to cover even **more** children in SCHIP, while one-third want Congress to add enough money so that states can continue to cover the same number of children as they do now.<sup>2</sup>

**FIGURE 1: Voters Strongly Support Investing More Money in SCHIP**

*Which statement best describes your thoughts on what Congress should do about SCHIP:*



Source: Poll conducted by Lake Research Partners for CCF (November 2006).

## A Framework for SCHIP Reauthorization

### All of America's children should have health care coverage.

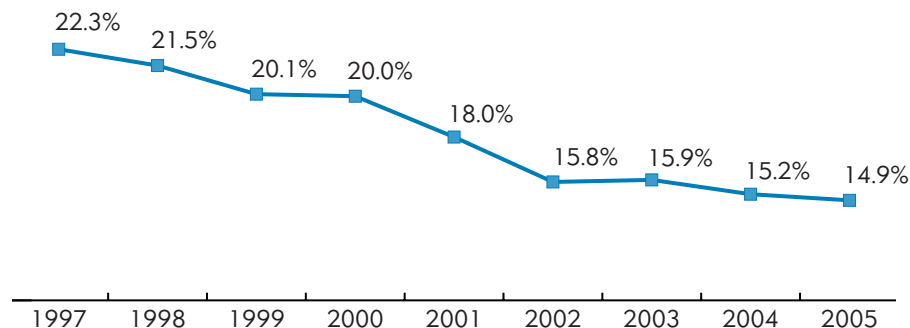
Americans strongly believe that all children should have health care coverage.<sup>3</sup> This belief is supported by a large body of research, which shows that coverage promotes access to care and that children are at risk for not reaching their full potential if they do not have proper physical and mental health care as they grow and develop.

- **Strong bi-partisan support exists for children's coverage.** When SCHIP was first enacted, governors across the nation responded positively, and every state adopted SCHIP. More recently, federal and state political leaders on a bi-partisan basis are again responding to the strong public support for children's coverage by pursuing new initiatives to cover children. States such as Illinois, Massachusetts, and Pennsylvania already have adopted major coverage improvements for children, while numerous others are debating such initiatives.<sup>4</sup>
- **Health coverage is vital to children's healthy development.** A major National Institute of Medicine report and other research indicate that uninsured children are more likely to go without immunizations,<sup>5</sup> have less access to primary care<sup>6</sup> and subsequently end up in emergency rooms,<sup>7</sup> and miss school because of untreated illnesses.<sup>8</sup>

### Since 1997, SCHIP and Medicaid have been resoundingly successful in covering more children.

Despite rapidly rising health care costs and declines in the number of families able to secure coverage through their jobs, children are actually more likely to have health coverage now than in 1997. Over the past decade, the uninsured rate of low-income children has dropped by a third (Figure 2).<sup>9</sup>

**FIGURE 2: Trends in the Uninsured Rate of Low-Income Children, 1997-2005**



Source: CCF analysis of National Health Interview Survey for low-income children under age 19.

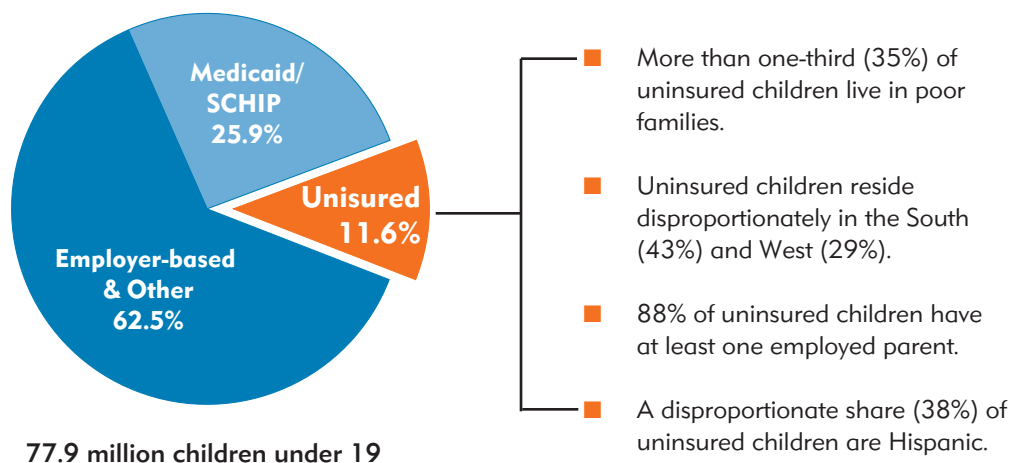
- **Public programs have played a critical role in the progress for children.** Between 1997 and 2005, the number of uninsured adults increased by more than six million, largely due to declines in their access to employer-sponsored coverage. Children also saw major losses in employer-based coverage, but, nevertheless, they were more likely to be covered in 2005 than in 1997.<sup>10</sup> The key to these different outcomes is that public programs extended coverage to millions of children.
- **Medicaid and SCHIP have worked in partnership.** Medicaid and SCHIP have worked in partnership to narrow the coverage gap for children. A popular supplement to Medicaid, SCHIP now covers more than six million children a year.<sup>11</sup> Through its example, it also has touched off widespread efforts to simplify the process for enrolling children in Medicaid. Over the past ten years, as many children gained coverage through Medicaid as through SCHIP.<sup>12</sup> Medicaid covers close to nine in ten of the children with public coverage<sup>13</sup> and plays a unique role for children with special health care needs.<sup>14</sup>

### Despite the progress, more needs to be done.

Although the uninsured rate among children is down from the 1997 level, significant numbers of children still lack health insurance coverage, and the progress that has been made to date is at risk.

- **Nine million children are uninsured.** In 2005, over nine million children under 19 were uninsured,<sup>15</sup> with the vast majority in families in which one or more parents were employed (Figure 3).<sup>16</sup> Many are eligible for Medicaid or SCHIP,<sup>17</sup> but remain uninsured because they do not know about the programs or they face red-tape barriers to enrolling in and retaining coverage.<sup>18</sup>

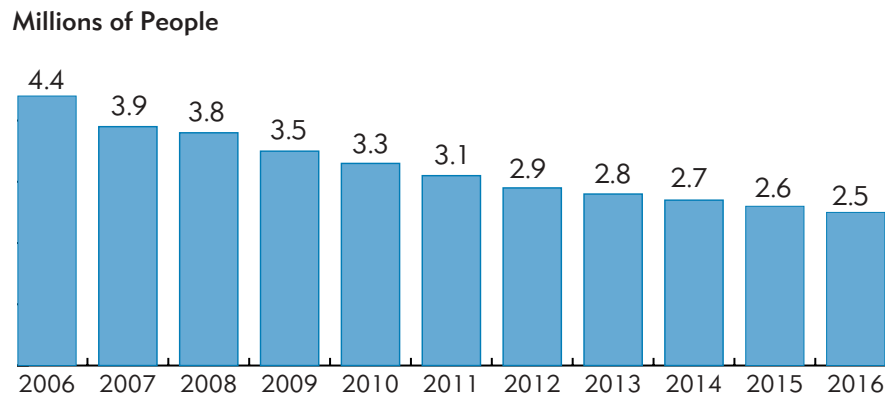
**FIGURE 3: Children's Health Care Coverage, 2005**



- Growing federal funding problem in SCHIP.** It is widely acknowledged that SCHIP is facing a growing federal funding problem.<sup>19</sup> Driven by a mismatch between the amount needed by states to cover children and the federal allotment levels set back in 1997, the funding problem not only will make it difficult for states to make further progress, but, if left unaddressed, could imperil the coverage of 1.9 million children (Figure 4).<sup>20</sup>

**FIGURE 4: SCHIP Enrollment Projections, 2006-2016**

*If the federal SCHIP funding shortfall is not addressed\**



\* Assumes federal SCHIP allotments remain at \$5 billion after FY 2007.

Source: The Kaiser Commission on Medicaid and the Uninsured based on the 2007 Budget from Office of the Actuary at CMS.

- Quality and access to appropriate care is an issue for children across the socioeconomic spectrum.** A growing body of research suggests that the health care system could be doing far more to improve the quality of care and access to services for all children. Up to three-quarters of all children and adolescents are not receiving care scientifically proven or recommended.<sup>21</sup> Children in SCHIP and Medicaid may experience additional access barriers because public program payment rates for physicians, hospitals, and others can lag well behind the private sector and even Medicare.<sup>22</sup> The important link between access and payment was recognized when the “equal access” provision of the Medicaid statute was enacted.<sup>23</sup> Although Medicaid and SCHIP have been shown to significantly increase children’s use of appropriate health care services,<sup>24</sup> further advances in quality and access depend on health care providers being willing to continue their participation in these programs.

## Policy Implications for SCHIP Reauthorization

**A**s federal policymakers move to reauthorize SCHIP, a key measure of success will be whether their efforts set the stage for more of America's children to secure health care coverage that promotes their healthy development. After a decade of efforts to improve children's health coverage the country has strong, effective programs in place on which to build, but policymakers will need to solidify these gains and adopt improvements that move the nation forward. The experience to date points the way to the issues that need to be addressed. The specific steps fall into four key areas:

- **Provide the SCHIP funding needed to cover more children.** States need sufficient federal funding to 1) ensure that all those currently covered by SCHIP can continue to be served by the program, and 2) move forward in covering more children, as a growing number of states are poised to do.<sup>25</sup>
- **Protect and strengthen Medicaid.** Since SCHIP stands on the shoulders of Medicaid, Medicaid will need to continue to play a vital role in the health coverage system for children. Cuts in Medicaid to finance SCHIP would weaken rather than strengthen coverage. Policymakers should take steps to improve both Medicaid and SCHIP.
- **Eliminate red-tape and other barriers that prevent eligible children from getting or staying covered.** Children should not miss out on health coverage because it is too hard to find out about the programs or to enroll and stay enrolled in SCHIP and Medicaid. States have made much progress in simplifying the system and a great deal has been learned through these efforts. Informed by the last decade of experience, further steps could be taken to eliminate red-tape barriers to coverage and to establish a system for providing performance-based assistance to share more of the added coverage costs when states are successful in reaching and retaining eligible, uninsured children.
- **Promote coverage that facilitates the healthy development of children.** It will be important to pursue initiatives aimed at improving the quality and accountability of health coverage for all children, including those served by Medicaid and SCHIP. To simply provide children with an enrollment card is not sufficient; it is vital that the card can be used to secure access to physician care and other needed health care services. To this end, reauthorization should include initiatives that promote the development and use of measures aimed at evaluating whether children have access to care and are able to secure the services needed for healthy development.

## Conclusion

**W**hile there is no clear consensus on how to address the larger problems in the health care system, the nation has embraced policies for covering children that have a clear track record of success. The country is too close to turn back now in its effort to ensure that America's children have health coverage. Despite growing pressures on our health care system, SCHIP and Medicaid have been successful in extending coverage to millions of America's children.

But more needs to be done; too many children lack coverage of any sort, while others are not getting all of the services needed to promote their healthy development. SCHIP, alone, cannot solve all of these issues, but SCHIP reauthorization represents an important opportunity to move forward. A timely and strong reauthorization of SCHIP would serve as a critical step toward ensuring that all of America's children have health coverage that provides them with access to needed care.

## Endnotes

- 1 Specifically, in the absence of reauthorization, no new federal SCHIP funds will be made available to states after September 30, 2007. States, however, will be allowed to use any unspent funds remaining from earlier years.
- 2 Based on a national survey of 1,000 voters conducted by Lake Research Partners for the Center for Children and Families (November 2006).
- 3 For example, 85 percent of voters report that all children having access to basic care is what is most important to them personally. Based on a national survey of likely voters conducted by Public Opinion Strategies and Hart Research Associates, September 29 – October 2, 2005.
- 4 In addition to Illinois, Massachusetts, and Pennsylvania, a number of other states, including California, Colorado, Minnesota, New Mexico, Oregon, Washington, and Wisconsin are debating significant coverage expansions for children.
- 5 Z. Zhao, A. Mokdad, & L. Barker, *Impact of Health Insurance Status on Vaccination Coverage in Children 19-35 Months Old, United States, 1993-1996*, Public Health Reports, 119: 156-162 (March-April 2004).
- 6 P. Newacheck, J. Stoddard, D. Hughes, & M. Pearl, *Health Insurance and Access to Primary Care for Children*, New England Journal of Medicine, 338: 513-519 (1998); L. Olson, S. Tang, & P. Newacheck, *Children in the United States with Discontinuous Health Insurance*, New England Journal of Medicine, 353: 382-391 (2005); and G. Stevens, M. Seid, & N. Halfon, *Enrolling Vulnerable, Uninsured, but Eligible Children in Public Health Insurance: Association with Health Status and Primary Care Access*, Pediatrics, 117: 751-759 (2006).
- 7 W. Johnson & M. Rimsza, *The Effects of Access to Pediatric Care and Insurance Coverage on Emergency Department Utilization*, Pediatrics 113: 483-487 (March 2004).
- 8 Institute of Medicine (2002), *Health Insurance is a Family Matter*; Washington DC: The National Academies Press; B. Wolfe, *The Influence of Health on School Outcomes: A Multivariate Approach*, Medical Care 23: 1127-1138 (1985); California Managed Risk Medical Insurance Board, *Health Families Program Health Status Assessment Project – First Year Results, Data Insights Report No. 10* (November 2002); Missouri Department of Social Services, Missouri Health Insurance Program for Children, *MC+ for Kids: Missouri's State Children's Health Insurance Program* (February 2003); and Florida Health Kids Corporation, *Healthy Kids Annual Report* (February 1997).
- 9 Analysis conducted by the Center for Children and Families based on National Health Interview Survey data. Beginning in 2004, the NHIS changed its methodology for counting the uninsured. This results in the data for 2004 and later years not being directly comparable to the data for 1997 – 2003.
- 10 Analysis conducted by the Center for Children and Families based on National Health Interview Survey data.
- 11 In FY2005 there were 6,114,018 children and 638,789 adults enrolled in SCHIP according to the Centers for Medicare and Medicaid Services, *FY2005 SCHIP Enrollment Report* (July 12, 2006).
- 12 The number of people enrolled in SCHIP over the course of a year increased from 0 in 1997 to 6.2 million in 2004, while the number of children enrolled in Medicaid over the same period increased by 6.8 million from 21 million to 27.8 million. SCHIP data are from CMS and Medicaid data are from CMS in 1997 and the Congressional Budget Office in 2004.
- 13 Analysis conducted by the Center for Children and Families based on FY2003 Medicaid Statistical Information System (MSIS) and SCHIP enrollment data. Of the 34 million children enrolled in public insurance programs, 87% were enrolled in Medicaid; 28 million in regular Medicaid, and another 1.6 million in SCHIP-financed Medicaid expansions.

- 14 S. Rosenbaum, A. Markus, & C. Sonosky, *Public Health Insurance Design for Children: The Evolution from Medicaid to SCHIP*, *Journal of Health & Biomedical Law*, 1: 1-47 (2004).
- 15 Analysis conducted by the Center for Children and Families based on the Current Population Survey, March 2006 Supplement.
- 16 Families USA, *No Shelter from the Storm: America's Uninsured Children*, Washington, DC: Campaign for Children's Health Care (September 2006). According to this report, 88.3% of uninsured children come from families where at least one parent works.
- 17 L. Dubay, J. Holahan, & A. Cook, *The Uninsured and the Affordability of Health Insurance Coverage*, *Health Affairs*, web exclusive: w22-w29 (November 2006).
- 18 G. Kenney & J. Haley, *Why Aren't More Uninsured Children Enrolled in Medicaid or SCHIP?*, Urban Institute (May 2001); and J. Wooldidge, G. Kenney, C. Trenholm, et al., *Congressionally Mandated Evaluation of the State Children's Health Insurance Program: Final Report to Congress* (October 2005).
- 19 M. Broaddus & E. Park, *Freezing SCHIP Funding in Coming Years Would Reverse Gains in Children's Health Coverage*, Center on Budget and Policy Priorities (November 28, 2006); and C. Peterson, *SCHIP Original Allotments: Description and Analysis*, Congressional Research Service (October 31, 2006). SCHIP is funded with federal and state dollars. The federal share varies by state and ranges from 65 to 83 percent. See Center for Children and Families, *SCHIP's Financing Structure* (October 2006), <http://ccf.georgetown.edu/pdfs/financingprimer.pdf>.
- 20 The Kaiser Commission on Medicaid and the Uninsured based on the 2007 budget documents from the Office of the Actuary at CMS. The estimates of the number of SCHIP enrollees who may lose coverage if the short-fall is not addressed does not differentiate between children and adults who are covered by SCHIP through waivers. However, according to a Congressional Research Service analysis of SCHIP enrollment data, in FY2005 92 percent of SCHIP enrollees were children, so it may be assumed that the vast majority of the 1.9 million SCHIP enrollees at risk of losing coverage will be children.
- 21 S. Leatherman & D. McCarthy, *Quality of Care for Children and Adolescents: A Chartbook*, The Commonwealth Fund (April 2004).
- 22 On average, Medicaid and SCHIP payment rates are 65% of private pay and 70% of Medicare rates. For details, see American Academy of Pediatrics pediatric cost model available at <http://www.aap.org/research/pedmedcostmodel.cfm>.
- 23 The Medicaid Act, at 42 USC sec.1396a(a)(30)(A) requires payments to be "consistent with efficiency, economy, and quality of care" and "sufficient" to ensure that Medicaid patients' access to services is equivalent to privately insured patients' access.
- 24 P. Newacheck, M. Pearl, D. Hughes, & N. Halfon, *The Role of Medicaid in Ensuring Children's Access to Care*, *Journal of the American Medical Association*, 280: 1789-1793 (1998); L. Dubay & G. Kenney, *Health Care Access and Use Among Low-Income Children: Who Fares Best?*, *Health Affairs*, 20: 112-121 (2001); and P. Damiano, J. Willard, T. Momany, & J. Chowdhury, *The Impact of the Iowa S-SCHIP Program on Access, Health Status, and Family Environment*, *Ambulatory Pediatrics*, 3: 263-269 (2003).
- 25 As noted above (footnote 3), a number of states are actively considering improvements in children's coverage, but in the absence of an adequate level of funding for SCHIP, it may prove difficult or impossible for these states to implement or sustain their child health coverage expansions over the long run.



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