



SCHIP Frequently Asked Questions

How does SCHIP relate to private insurance coverage for children?

Though millions of American children have coverage through a parent's work, private health insurance is becoming less available and more expensive. With health costs going up fewer and fewer employers are offering affordable family coverage. SCHIP has been successful because it has stepped in to protect children who would otherwise be uninsured. A recent report by the Congressional Budget Office found that "crowd out" was less than had been expected when SCHIP was created and that when parents did drop their private coverage to take up SCHIP coverage the main reason was that the employer coverage costs were not affordable. To address this issue, the bi-partisan Rockefeller-Snowe-Kennedy legislation includes a provision that supports state efforts to create premium assistance programs to encourage employers to offer coverage to children.

Where will Congress find the money to fund the \$50 billion in new funding in the budget for children's health?

When Congress has wanted to do something important for the American people, such as add a prescription drug benefit in Medicare, it has found the funding. Two possible funding sources are an increase in the Federal Tobacco Tax and reducing overpayments to Medicare Advantage providers.

Tobacco: A bipartisan proposal to increase the Tobacco Tax to fund SCHIP won broad bipartisan support in the Senate because it would not only help cover uninsured children but also reduce teen smoking and save thousands of lives. Raising the price of tobacco is one of the best ways to prevent young people taking up smoking in the first place.

Medicare Advantage: The Medicare Prescription Drug legislation set up a new system for private insurers to compete with the Medicare program to offer Medicare coverage. These Medicare Advantage Plans are paid 12 percent more than the cost of covering the elderly in Medicare. Make the playing field even for these plans and the Medicare program would save the federal government billions of dollars each year.

How would the \$50 billion in new funding be spent?

Both the Senate and House included \$50 billion in new funding over five years for children's health. This funding is above and beyond the existing \$25.2 billion in funding that is already in the federal budget. The new funding would be used primarily to maintain existing case loads by keeping up with rising costs and population increases and to reach out and enroll the more than two-thirds of children who are already eligible for coverage through SCHIP and Medicaid. Funding would also be available to support state efforts underway to expand eligibility.

The bi-partisan Rockefeller-Snowe-Kennedy legislation provides substantial new funding available beginning next year to every state in the nation. It is designed to give every state the opportunity to expand coverage. The bill S. 1224 creates financial incentives for states to reach and retain eligible children. States have two years to spend their SCHIP allotment. Future allotments are based on how much progress they make in covering more children. Since the majority of eligible but uninsured children are eligible for Medicaid, S. 1224 provides states with an enhanced match rate when they do a better job at enrolling children in Medicaid. Without this provision states would be discouraged from reaching out and enrolling children, because these enrollment efforts typically bring in large numbers of children into Medicaid. But states now get less federal funding to support these children than they do for covering children in SCHIP.

What about children in families earning more than 200 percent of poverty?

It is becoming increasingly difficult for parents to obtain affordable family coverage at work. As a result more than a dozen states have decided to increase eligibility for SCHIP coverage to children in families earning above 200 percent of poverty. Many other states are moving to expand coverage. In most cases these programs and proposals require substantial contributions from parents. PICO's experience is that programs that coverage all children help enroll eligible children because they create one entry point for coverage and respond to the reality that family income fluctuates. Since cost of living is not the same in different regions, states should be able to decide what income eligibility makes the most sense for their state. With 9 million uninsured children, SCHIP Reauthorization should not result in any children losing coverage.

What about legally documented immigrant children?

Under current federal law states are not allowed to use their federal SCHIP or Medicaid funds to provide health coverage to legal immigrant children who have been in the country for less than five years. This rule causes many as half-a-million documented immigrant children to be uninsured. Under the bi-partisan Rockefeller-Snowe-Kennedy SCHIP legislation states would have the option to cover documented immigrant children and pregnant women in their SCHIP and Medicaid programs. States would have the option to do this, but would not be required to. This legislative change is also known as the Immigrant Children's Health Improvement Act, a law that passed the Senate by a wide margin in the past but did not ultimately become law. States and local communities would be left with the decision of whether to use local and state funds to cover undocumented immigrant children.