SCHIP: What's Real and What's Rhetoric

With thanks to Colleen Kraft, M.D., FAAP
President, Virginia Chapter, American Academy of Pediatrics

1. What are the actual components of the State Children's Health Insurance Plan (SCHIP) bill passed in the House by a vote of 265-156 on September 25, 2007?

<u>Compromise CHIP Legislation - House amendment to Senate-passed amendment to HR 976</u>

- Additional Funding in addition to $25 billion baseline: $35 billion
- Payment: GAO will study Medicaid and CHIP payment rates and their links to access to care
- Medical Home: $20 million in grants to evaluate provider-based models that improve the delivery of services to children, including care management for children with chronic conditions and the use of evidence-based approaches to improve the effectiveness, safety and efficiency of health care for children.
- Pediatric Quality Initiative Funded at $245 million over five years. Requires establishing and collecting data on core pediatric measures, developing electronic medical record for children. Also, grants to address childhood obesity
- Citizenship documentation: Now applies to CHIP as well. Allows state option to accept Social Security Number and match with SSA to verify ID and citizenship. If no match confirmed, person has 90 days to produce documentation before denied coverage.
- How is it paid for?: 61-cent increase in federal tobacco tax
- Children Covered: ~3.8 million who would otherwise be uninsured
  - Children: Up to 300% FPL get enhanced match, states that already go > 300% FPL retain enhanced match, new states going >300% FPL get Medicaid match for kids >300% FPL
  - Pregnant women: Allowed with state plan amendment, no waiver needed
  - Parents: No new waivers. States with CHIP-funded parent coverage must pay for from "set-aside" CHIP pool starting in 2010. No enhanced match after 2010, but get higher than Medicaid match for parents if meet outreach and enrollment targets for kids.
  - Childless adults: No new waivers. Currently enrolled childless adults transitioned from CHIP to Medicaid by FY2009.
- "ICHIA" (the Legal Immigrant Child Health Improvement Act): Not included
- Financial incentives to enroll children: Has Incentive Pool that gives states a per-child bonus for all children over enrollment baseline (baseline is defined in legislation).
- Other outreach & enrollment policies: Grants to national, Indian health and other state and local groups to improve outreach and enrollment

- Express Lane Eligibility: Included; states may rely on findings of "express lane agencies"
- Premium Assistance: Allows PA for coverage, requires benefits and cost-sharing wrap-around, allows for coverage of parents in some cases, allows states to obtain data on employers sponsored coverage from employers, requires employers to notify employees about availability of PA
- Benefits: Mandated dental coverage, adds mental health parity to CHIP.

2. Why am I hearing that SCHIP covers families who earn more than $80,000 per year?

Some early SCHIP proposals included coverage of families up to 400% of the "FPL" (federal poverty level). This level of income is not under consideration in the current Compromise bill. Funding streams are structured so that states focus on covering children with families <200% FPL, or $43,300 per year.

3. Why is health insurance such an important issue for these families?

When SCHIP started in 1997, the majority of working families were covered through employer-based health insurance. This is not the case now. Many employers, especially those in small business, simply cannot afford to provide family coverage for their employees, which now costs, on average, more than $12,000 per year. When SCHIP was enacted, insurance cost around $7000 per year for a family. Additionally, nowadays, even if an employee has health insurance, he or she may not be able to afford the premiums for family coverage.

4. Why shouldn't families use tax credits to buy health insurance?

There are three problems with this idea for children specifically:

- **Affordability.** If you are not a big company or state agency, the cost of health insurance is huge. Your rate is determined by your medical history and family medical history, and you can't buy health insurance at the same rate that a large employer can buy it.

- **Eligibility.** SCHIP eligibility is based solely on income. Many private insurers will turn down coverage on an individual child because of a pre-existing health condition, such as asthma. Even if you could afford insurance, you may not be able to access it.

- **Basic Package.** There are many "bare bones" insurance plans that do not cover preventive services such as well visits and immunizations. Studies show that children who are under-insured in this manner fare almost as poorly as those who are uninsured.

5. **Our President maintains that SCHIP will cause many families to drop private insurance to go on to public health coverage. Is this true?**
Studies mandated by Congress to evaluate SCHIP have shown that this is **NOT** true. When these children were studied:

- 72% had families with incomes <200% of FPL at the initiation of the program
- 21% had parents who lost their jobs or employers who no longer offered health insurance
- 7% had parents who left private health coverage for SCHIP.

6. **Why would a family take their children off private health insurance for SCHIP?**
Families who do this find it very difficult in many states. For instance, in Virginia, children have to go without health coverage for six months before they are eligible for SCHIP (FAMIS). A common scenario follows: a family is covered by a parent's employer, but then the employer has to drop family coverage because of costs. A family has to pay a $300/month premium to cover their children. Families can do this for a while, but then increasing fuel costs, heat, food, etc. makes health coverage for their children a luxury that they can no longer afford. Families do not want to have their children go without health coverage, but they have no choice. $3600 per year for children's health insurance is too high a cost for most families of four earning $40,000 per year.

7. **As a doctor, do you find many families in this situation?**
Unfortunately, yes. More than eighty percent of the children in SCHIP have at least one parent who works fulltime. Many have both parents who work full time, but health insurance is either not offered or too expensive. These are families whom we consider to be middle class, hard working citizens. These parents work in offices, may be a nurse in your doctor's office, a teacher or a social worker. These parents have told me, "I can either afford health insurance or child care for my children. I can't afford both."

8. **There are some who fear that SCHIP is the start of "socialized medicine." Is this true?**
It is **NOT** true. SCHIP provides the funding for health insurance for children. This funding can be used by states to cover their children in the most efficient way possible. In Virginia, FAMIS is run through private health insurance companies such as Anthem, Coventry, and Optima. This is not a "big government program" like Medicare.

9. **There are some who fear that SCHIP is another entitlement program. Is this true?**
   It is **NOT** true. An entitlement is a federal program that guarantees a certain level of benefits to persons or other entities who meet requirements set by law, such as Social Security or Medicare. It leaves no discretion with Congress on how much money to appropriate, and some entitlements carry permanent appropriations. SCHIP has a set amount of funding, and can only cover as many children as funds will allow. SCHIP also has to be reauthorized in order to continue, which differentiates it from other entitlement programs.

10. **Our president maintains that we cannot afford the funding for SCHIP. Is this true?**
    As a nation, we pay for children's health care whether we budget for it or not. SCHIP is the smart, proactive, cost-efficient way to pay for children who are otherwise uninsured. If we cover the basics…well care, immunizations, care for minor illnesses, preventive dental care, mental health…we avoid expensive hospitalizations and emergency room care. As a nation, we **will** pay for the health care of uninsured children. The question is how? Will it be through expensive and inefficient hospital care for illnesses that could have been easily treated if diagnosed earlier? Or will we choose the smart, efficient, comprehensive care that our children deserve through SCHIP?