

# **CHILDREN'S COVERAGE: FINANCING ISSUES**

**Jeanne Lambrew, PhD**

**Associate Professor,**

**George Washington University**

**Senior Fellow, Center for American Progress**

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# OUTLINE

- **State Allocation**
- **Federal Cap**
- **State Share**

# STATE ALLOCATION

## Current Formula

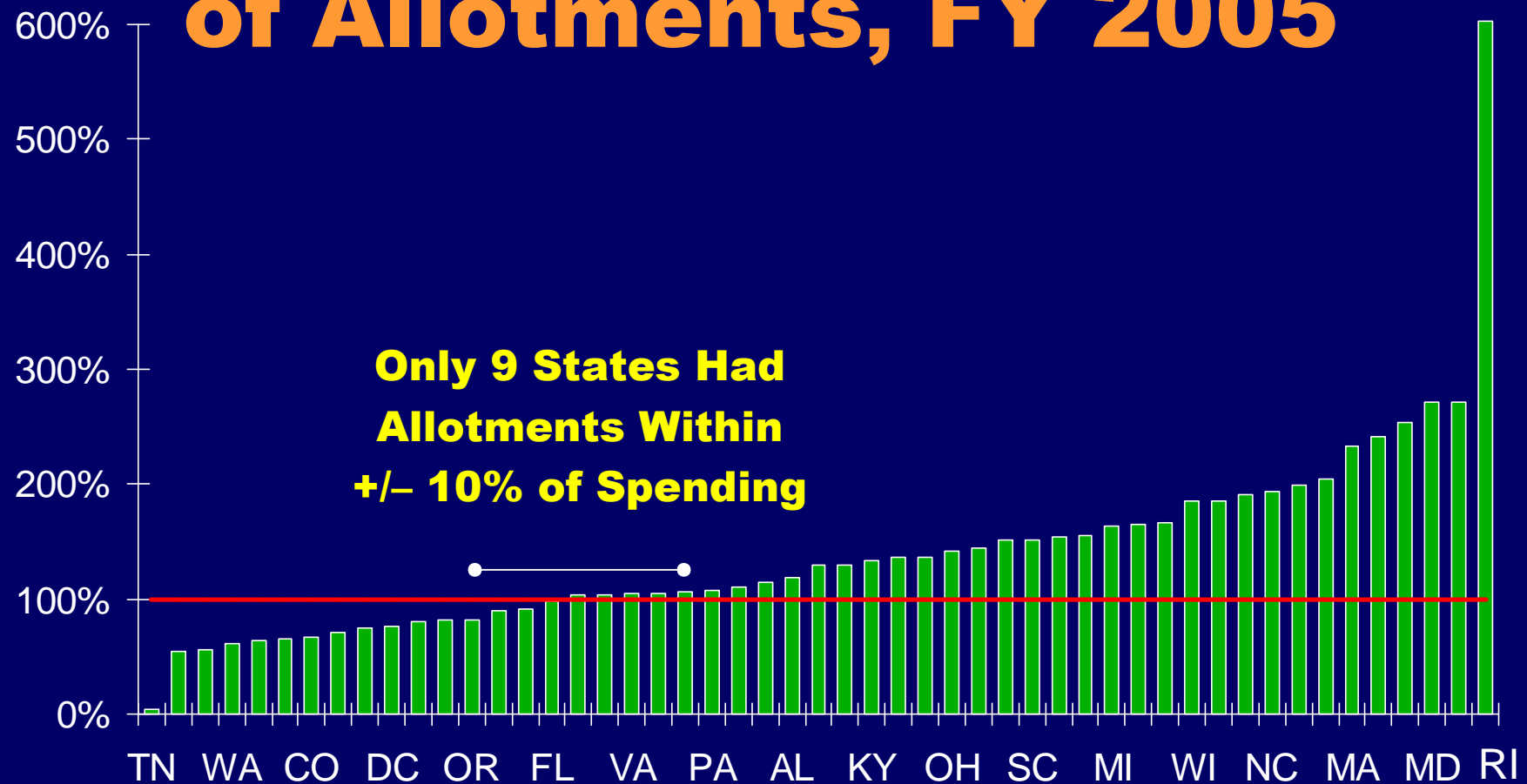
- Initial allocation:
  - State cost factor
  - Number of children:
    - Low-income
    - Uninsured low-income
- Redistribution:
  - Keep for three years
  - Redistribute to shortfall states

## Concerns

- Concept
  - Need versus performance
  - Whose money is it
- Measurement
  - Data source
  - Time lags
  - Defining “shortfall”

# Distributional Challenge

## SCHIP Spending as Percent of Allotments, FY 2005



Source: C. Peterson, *SCHIP Original Allotments: Funding Formula Issues and Options* (Washington, D.C.: Congressional Research Service, 2006).

# Some Options

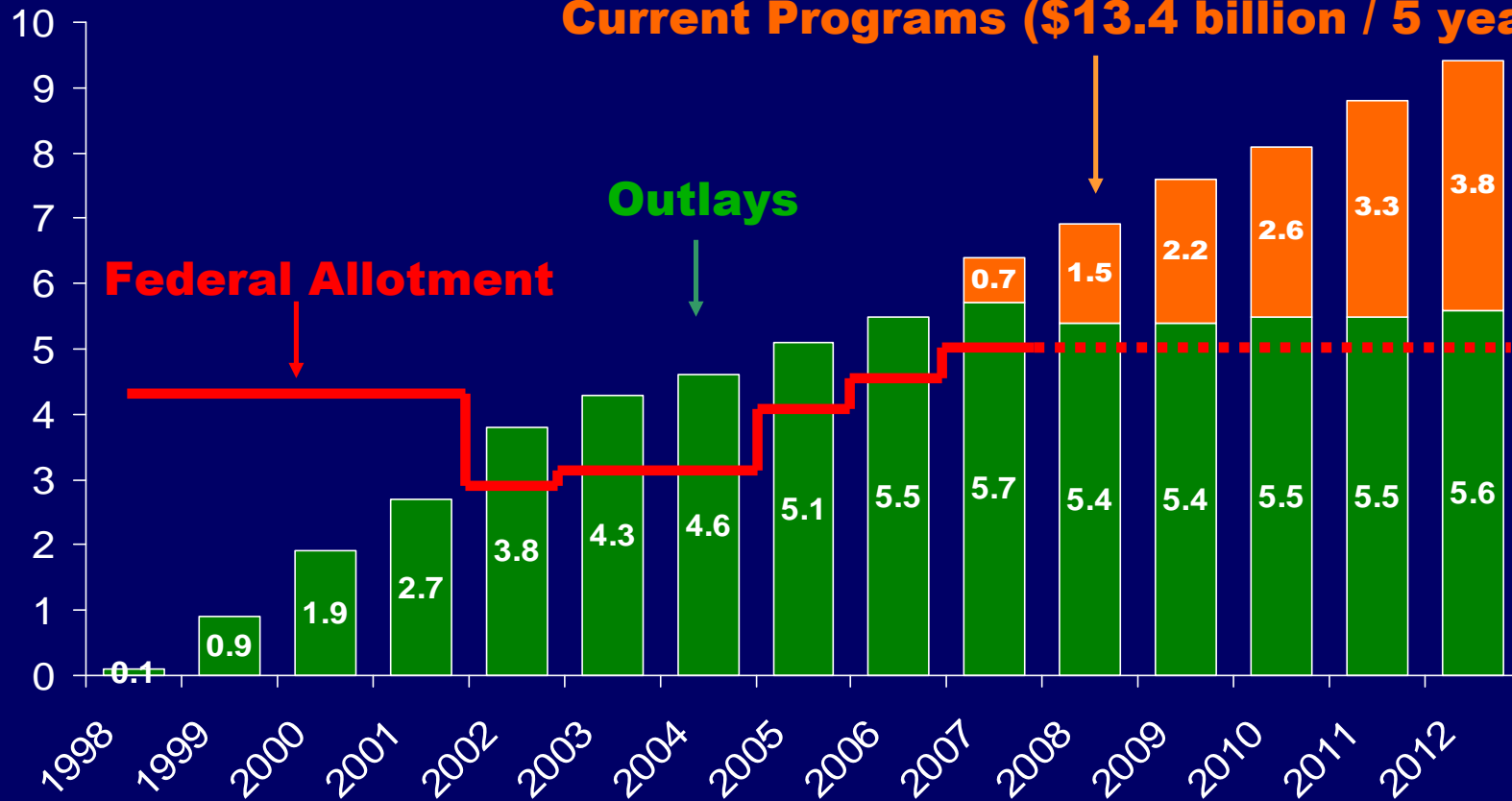
- **On Initial Allocation**
  - Blend actual enrollment into formula
  - Base partly on historical spending
  - Consider new data source
- **On Redistribution**
  - Shorten period for redistribution
  - Set conditions for receiving redistribution funds

# FEDERAL CAP

## SCHIP Federal Spending

Dollars in  
Billions

Amount Needed to Maintain  
Current Programs (\$13.4 billion / 5 years)

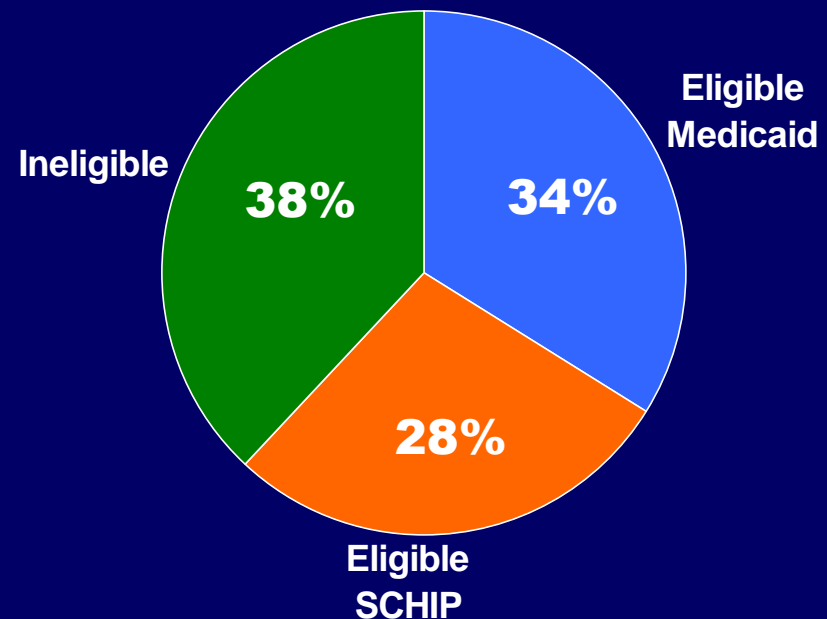


Projections from CBO, March 2007 Fact Sheet for SCHIP. Note: 5-year total excludes 2007 and shift to Medicaid.

# Beyond Current Children, Eligible But Uninsured

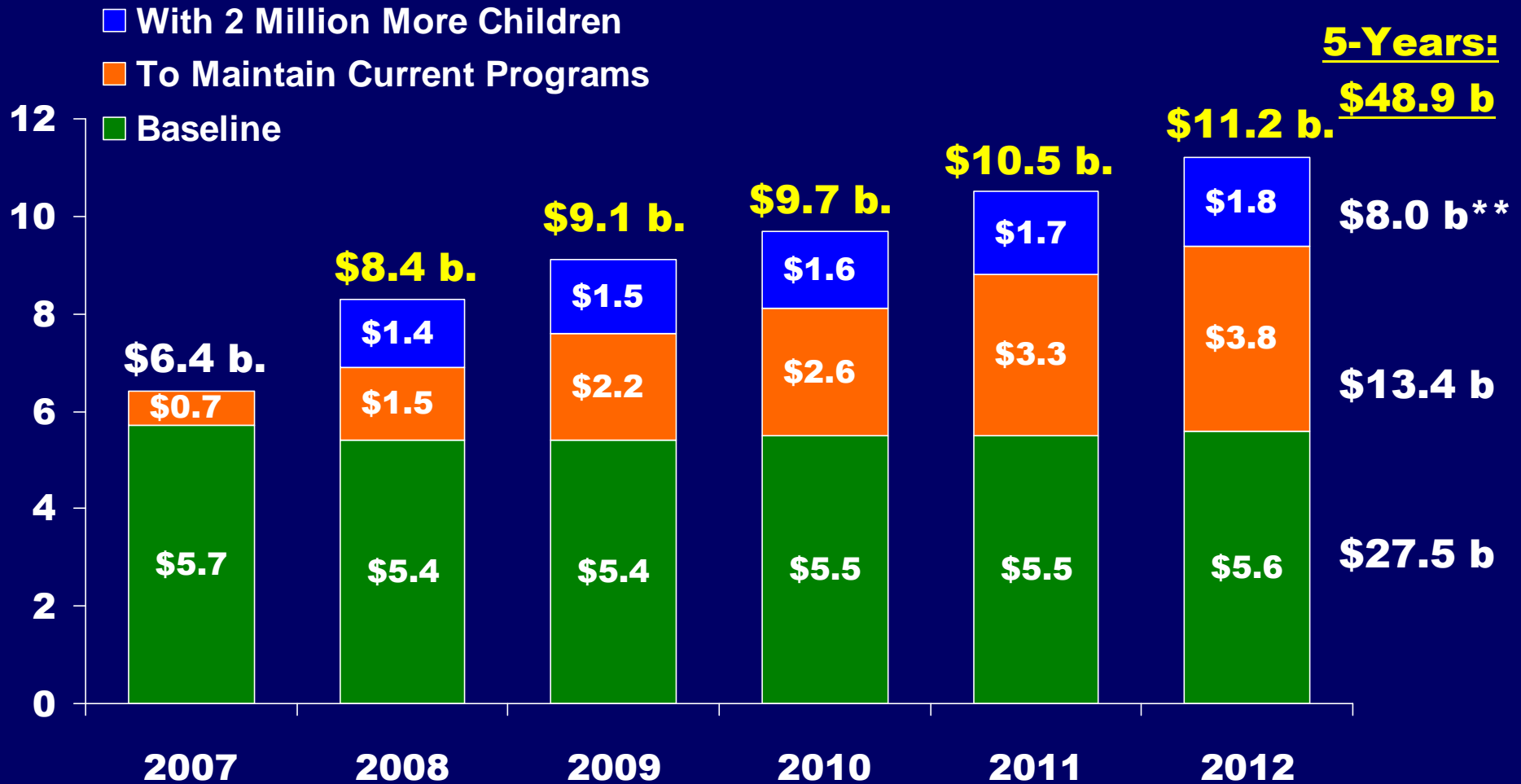
- **SCHIP covers:**
  - 4 million at a point in time
  - 6-7 million at some point during the year
- **Eligible but uninsured:**
  - Roughly 2-3 million eligible for SCHIP
  - Another 3-4 million eligible for Medicaid
- **CBO rules of thumb:**
  - \$8 billion / 5 years to cover 2 million more in SCHIP
  - \$12 billion / 5 to cover 2 million more in Medicaid

**Distribution of Uninsured Children by Eligibility, 2002**



Source: CBO March 2007 Fact Sheet, and February 20, 2007 Memorandum: "Approximate costs of covering more children in Medicaid and SCHIP." Outreach assumes 2 million more children covered in 2008. Selden et al. (Sept/Oct 2004). "Tracking Changes in Eligibility and Coverage Among Children, 1996-2002," *Health Affairs* 24(5): 39-50.

# Federal SCHIP \$: No Cap

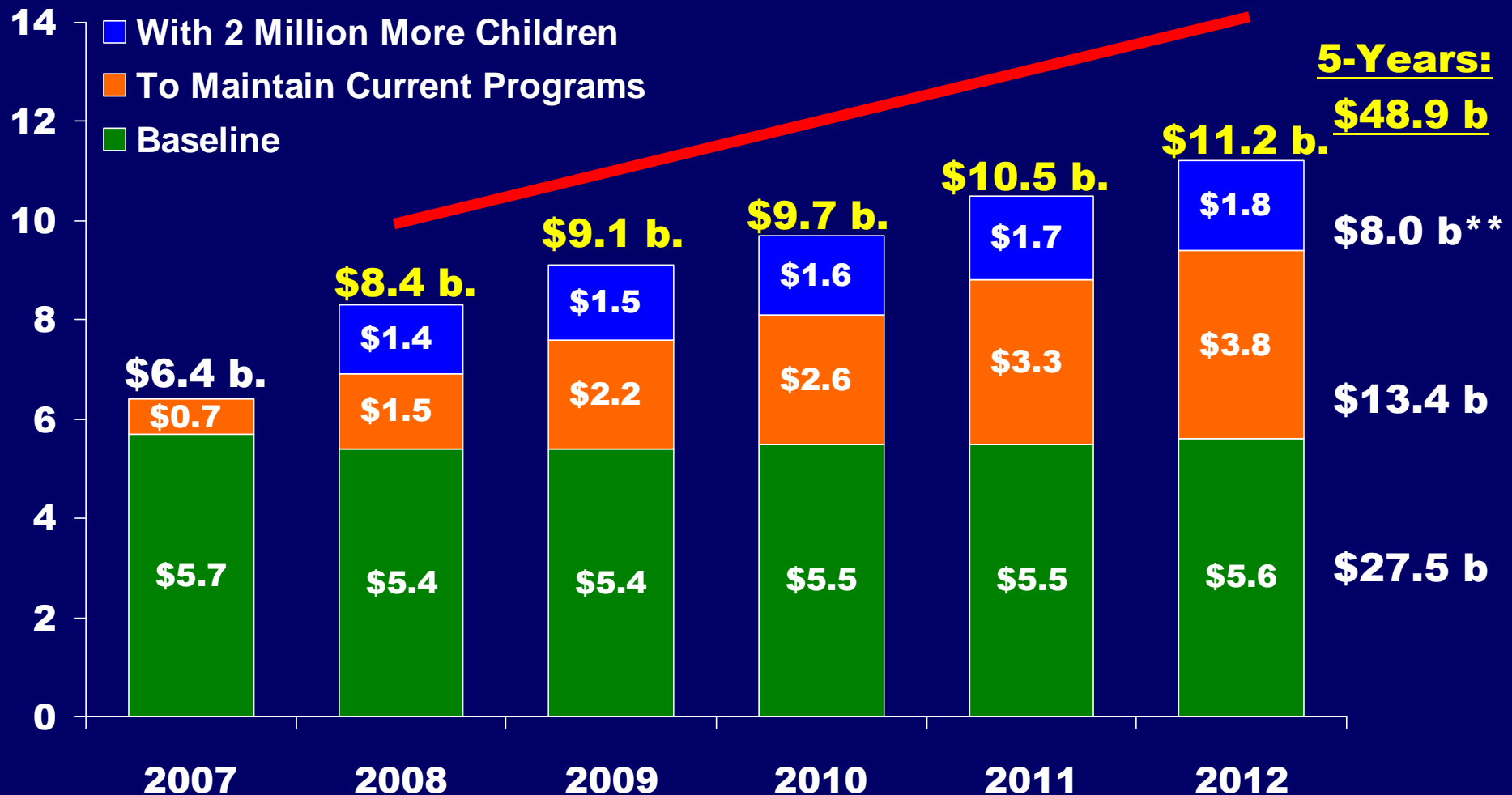


Source: CBO March 2007 Fact Sheet, and February 20, 2007 Memorandum: "Approximate costs of covering more children in Medicaid and SCHIP." Outreach assumes 2 million more children covered in 2008.

\*\* Does not include Medicaid outreach costs. Fiscal Years.



# Federal SCHIP \$: High Cap Less Pressure on Allocation or Redistribution



Source: CBO March 2007 Fact Sheet, and February 20, 2007 Memorandum: "Approximate costs of covering more children in Medicaid and SCHIP." Outreach assumes 2 million more children covered in 2008.

\*\* Does not include Medicaid outreach costs. Fiscal Years.

# Federal SCHIP \$: Tight Cap

## Major Pressure on Allocation, Quick Redistribution

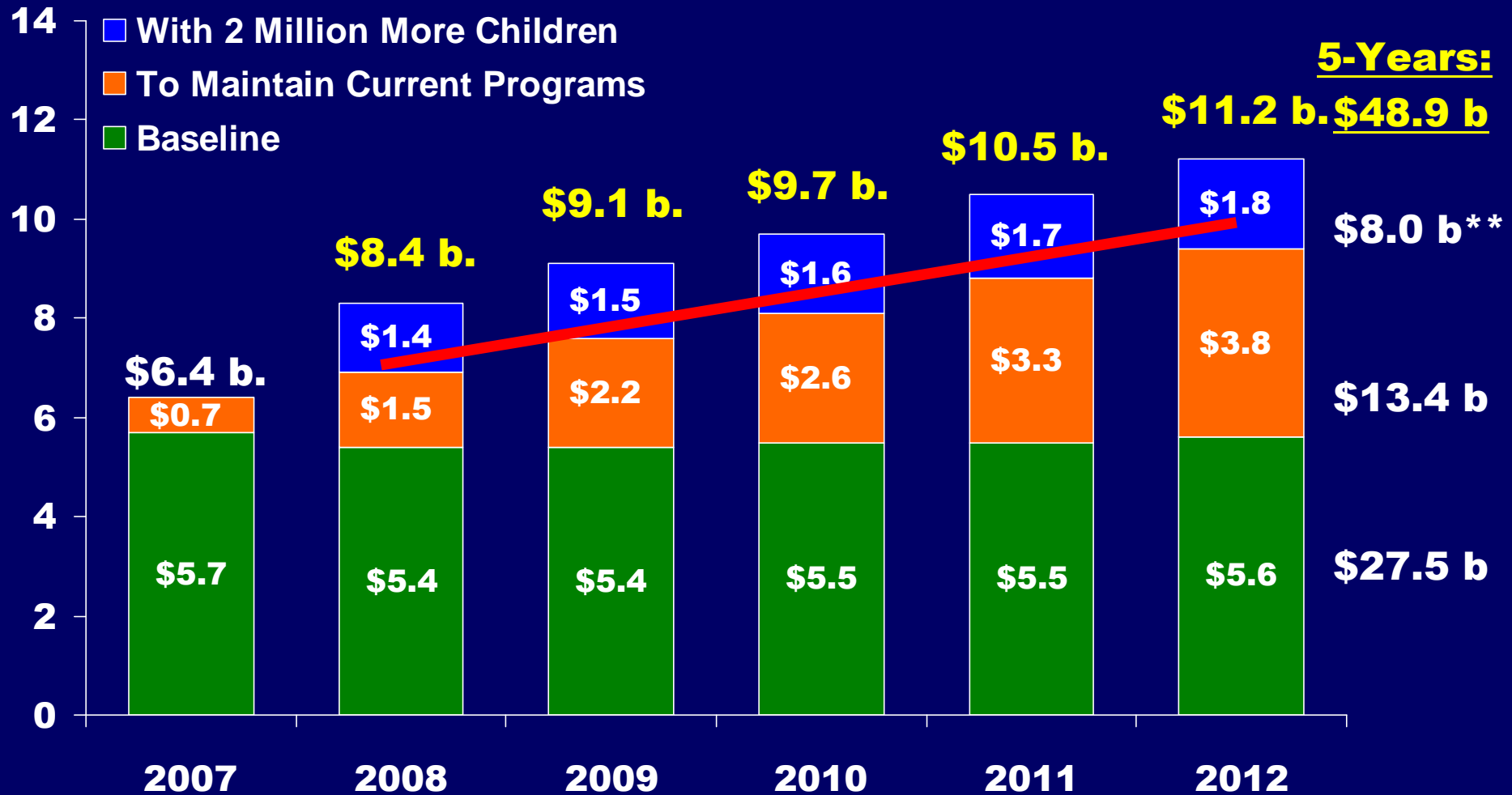


Source: CBO March 2007 Fact Sheet, and February 20, 2007 Memorandum: "Approximate costs of covering more children in Medicaid and SCHIP." Outreach assumes 2 million more children covered in 2008.

\*\* Does not include Medicaid outreach costs. Fiscal Years.

# Federal SCHIP \$: Low Cap

Either Adjust for Enrollment or Leave Eligible Kids Uninsured



Source: CBO March 2007 Fact Sheet, and February 20, 2007 Memorandum: "Approximate costs of covering more children in Medicaid and SCHIP." Outreach assumes 2 million more children covered in 2008.

\*\* Does not include Medicaid outreach costs. Fiscal Years.

# STATE SHARE

- **Even with higher federal allotments**
  - Some states could / would not increase their own spending
- **Changes in state contribution**
  - Increase federal matching rate if states conduct outreach
    - Process standards
    - Performance targets
  - Blend Medicaid and SCHIP matching rates over time

# Savings as Well as Costs

- **Families**

- Waiting lists and lack of coverage cause economic hardship

- **Business**

- Sick children grow into less productive workers

- **Society**

- Uninsured children add unnecessary health costs in the system
- Lack of coverage hurts child development