SCHIP: Funding and Impact

Outline
- What is SCHIP?
- How is SCHIP funded?
- SCHIP in Kansas and Missouri
- Why does SCHIP matter?
- Looking ahead
What is SCHIP?

- The State Children’s Health Insurance Program (SCHIP) was established by the Balanced Budget Act of 1997 to expand health insurance coverage to uninsured children (from birth to age 19) living in families with income that is modest but too high to be eligible for Medicaid.
- It is administered by the states within broad federal guidelines.
  - SCHIP was designed to cover children in households that earn between 100 and 185 percent of the poverty guidelines.
  - States have allowed for coverage up to within 300 percent of the poverty guidelines.
- SCHIP expires this year, and there has been much debate around it's reauthorization.

How is SCHIP funded?

- SCHIP is financed jointly by the federal government and the states. It’s a matching-grant program with a fixed nationwide spending cap.
- $40 billion spent on SCHIP to-date.
- Funding is up for renewal.
- The President’s proposed budget would reduce federal payments to states for SCHIP. Bush has called for an additional $5M over the next five years. But, the Congressional Budget Office estimates an additional $13 billion to $15 billion is needed over the next five years to maintain SCHIP at current enrollment levels.
- Senator Gordon Smith has proposed $46.5 billion for SCHIP over the next five years. The funding mechanism would be a federal cigarette tax hike, from 39 cents to $1 per pack.
  - Can be seen as a “regressive” tax, hitting the poor the hardest.
  - States make their own SCHIP policies. Because of this, it is possible that the poor in some states will face the higher cigarette tax but receive little extra in SCHIP spending.
Table 1

<table>
<thead>
<tr>
<th>Household Income Quintile</th>
<th>Cigarette Tax Increase</th>
<th>Alcohol Tax Increase</th>
<th>Gas Tax Increase</th>
<th>Air Transport Tax Increase</th>
<th>Corporate Income Tax Increase</th>
<th>Payroll Tax Increase</th>
<th>Individual Income Tax Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Households</td>
<td>$309</td>
<td>$309</td>
<td>$309</td>
<td>$309</td>
<td>$309</td>
<td>$309</td>
<td>$309</td>
</tr>
<tr>
<td>Bottom 20 Percent</td>
<td>$249</td>
<td>$142</td>
<td>$100</td>
<td>$62</td>
<td>$39</td>
<td>$41</td>
<td>$7</td>
</tr>
<tr>
<td>Second 20 Percent</td>
<td>$330</td>
<td>$214</td>
<td>$199</td>
<td>$148</td>
<td>$143</td>
<td>$160</td>
<td>$62</td>
</tr>
<tr>
<td>Middle 20 Percent</td>
<td>$339</td>
<td>$312</td>
<td>$294</td>
<td>$236</td>
<td>$246</td>
<td>$297</td>
<td>$183</td>
</tr>
<tr>
<td>Fourth 20 Percent</td>
<td>$336</td>
<td>$423</td>
<td>$414</td>
<td>$423</td>
<td>$414</td>
<td>$469</td>
<td>$348</td>
</tr>
<tr>
<td>Top 20 Percent</td>
<td>$291</td>
<td>$598</td>
<td>$713</td>
<td>$891</td>
<td>$944</td>
<td>$806</td>
<td>$1,277</td>
</tr>
</tbody>
</table>


Not only are the payers

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**SCHIP in Missouri**

- SCHIP was established in Missouri in 1998. It covers up to 300% of the federal poverty level.
- Called MC+ for Kids, SCHIP in Missouri covers 73,000 children.
- SCHIP costs Missouri little in general revenue.
  - SCHIP federal matching ratio of 73.22 percent federal/26.78 percent state. (Plus, many enrollees pay premiums for their coverage.)
  - The state portion comes primarily from State general revenue, as well as several non-governmental sources, including provider taxes (i.e. hospitals, nursing homes, and pharmacies), an uncompensated care fund, and tobacco funds.
  - See complete breakdown.
- According to the Missouri Hospital Association, “SCHIP is a prudent investment for the state.”
  - Under SCHIP, annual expenditures per child average $1,336 compared to $16,908 for the elderly and $15,129 for the disabled.
- Program has been instrumental in the state’s success in reducing its uninsured population.
- Approximately 125,000 children in Missouri remain uninsured.
SCHIP in Kansas

- SCHIP was established in Kansas in 1999. It covers up to 200 percent of the federal poverty level ($34,340 for a family of three in 2007). Integrated with Medicaid and called Health Wave in Kansas.
- The federal government match rate for SCHIP is 72%. Thus, Kansas receives $2.60 for each dollar the state spends on SCHIP.
- In Kansas, SCHIP currently costs about $63.2 million a year and covers 35,000 children. Average cost per child per month is $140.56. To date, SCHIP funds paid by Missouri have come from primarily from the Children’s Initiative Fund (money from tobacco settlement). For SFY 2008, Gov. Sebelius has included $4M in State General Funds and $6M in All Funds for SCHIP.
- Gov. Sebelius has made expanding SCHIP coverage to families earning 300 percent of poverty level a priority.
- Between 2000 and 2007, the percent of uninsured children in Kansas has dropped by about 25 percent.
- Without SCHIP funding, it is estimated the number of uninsured children would increase by 73 percent.
- Approximately 48,000 Kansas children still lack health coverage; 70 percent of them are eligible for public health insurance programs.
- If funding is not reauthorized at federal level, KS will face a shortfall.
- Other estimated beneficial impacts of increased SCHIP funding to KS:
  - $144.8M in increased business activity
  - $50.7 million in increased wages
  - 1,759 additional jobs for state residents.

Why does SCHIP matter?

- Decrease in percent of children covered under employer-based insurance, leaving a growing number of children without medical insurance coverage.
- Economic and social consequences of this trend:
  - The uninsured are less likely to receive medical care.
  - Higher illness and mortality rates among children.
  - Increase in avoidable hospitalizations, leading to greater cost to the system and taxpayer. The average cost of an avoidable hospital stay in 2006 was approximately $3,885.
  - Cost of uninsured children’s peers that are exposed to illness.
  - Uninsured children do not do as well in school due to health issues.
  - Community has to pay for higher special education investments and loss of future earnings and productivity when uninsured children don’t receive treatment.
  - Higher personal bankruptcy rates.
  - Lower work productivity due to increased absenteeism and turnover.
  - Higher premiums for the insured.
Looking ahead

- **Challenges**
  - Funding decisions.
  - Administration:
    - Getting people to enroll and stay enrolled.
    - People moving between KS and MO where requirements are different.
  - Making sure it's not used to replace private or employer-based insurance where those are possible.

- **Implications**
  - Uninsured children will remain an important and relevant topics at the national and state level. Missouri and Kansas taxpayers will be well served to participate in the SCHIP dialogue.

**Figure 1**

**SCHIP Coverage: Little Evidence of Crowding Out**

Sources