

SCHIP Reauthorization: How Will Low-Income Kids Benefit under House and Senate Bills?

Timely Analysis of Immediate Health Policy Issues
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By: Genevieve Kenney, Allison Cook and Jennifer Pelletier

Summary

Approximately 70 percent of children who are projected to benefit from both the Senate and House bills to reauthorize the State Children's Health Insurance Program (SCHIP) have incomes below 200 percent of the Federal Poverty Level (FPL). An even higher share (between 78 and 85 percent) of the 4 to 5 million *uninsured* children who stand to gain coverage under the bills have incomes below 200 percent of the FPL. And because both bills include coverage for millions of additional Medicaid-eligible children, a substantial number of the children who are targeted by these bills have incomes below 100 percent of the FPL. Overall, very few of the children targeted under both bills have incomes above 300 percent of the FPL because so few states currently have or are projected to have eligibility thresholds above 300 percent of the FPL.^{1,2} Moreover, not only is the distribution of new coverage skewed toward lower-income children, the distribution of public funds is even more skewed in that direction because premium payments are required for most families with incomes above 200 percent of the FPL in order to enroll in coverage.³

Background

The State Children's Health Insurance Program (SCHIP), which was created a decade ago, is up for reauthorization this year. SCHIP was designed to provide health insurance coverage to children in low-income families who could not qualify for coverage under Medicaid, but who lacked access to affordable health insurance coverage. Though an optional program, all states have expanded coverage under SCHIP. In 2006, SCHIP provided coverage to over 6 million children at some point over the course of the year.⁴ SCHIP reauthorization is taking place at a time when a growing number of states are also planning policy changes aimed at reaching full coverage for children.⁵

In July 2007, SCHIP reauthorization bills were passed in both the Senate and the House. Under the Senate SCHIP bill (S. 1893), a total of \$35 billion would be dedicated to Medicaid and SCHIP over and above baseline funding levels, while \$50 billion would be provided under the House Bill (H.R. 3162). Both bills include funding to maintain existing

public coverage for children, cover more children who qualify for Medicaid or SCHIP but who are not yet enrolled, and cover children under SCHIP expansions to higher income levels. Both bills also include measures designed to increase enrollment among the children who qualify for Medicaid and SCHIP but are not enrolled, though they vary with respect to the specifics.⁶

One of the important questions that has been raised is how well the proposed bills target low-income children.⁷ Some have criticized the bills, arguing that they serve to benefit families with incomes that are four times the FPL.^{8,9,10} This brief examines the income distribution of the children who are projected to benefit from the passage of the proposed Senate and House bills. The findings indicate that approximately 70 percent or more of the children who would benefit under both bills have incomes below 200 percent of the FPL, that many are below the FPL, and that very few would have incomes above 300 percent of the FPL.

Analysis

In order to assess the likely income distribution of the children who would be affected by the House and Senate bills, we rely on Congressional Budget Office (CBO) estimates of the number of children who would gain or maintain Medicaid and SCHIP coverage.¹¹ The CBO projects that the bills will have impacts on three groups of children. First, it assumes that 1.3 million children who would otherwise lose public coverage are able to retain SCHIP coverage because both bills provide sufficient funding over baseline levels for states to maintain their current programs. The CBO estimates that 800,000 of these children would become uninsured if funding remains at baseline levels. We assume that the SCHIP-enrolled children who are able to retain coverage have the same income distribution as the children who are currently covered under SCHIP. We use an estimate derived from a Congressional Research Service (CRS) study, which found that 92 percent of SCHIP enrollees live in low-income families.¹²

Second, under both the House and Senate bills, the CBO also projects that a substantial number of uninsured children who are eligible for Medicaid and SCHIP coverage under current law will gain coverage due to the policy changes (e.g., express lane eligibility provisions and incentive payments to states for Medicaid enrollment gains) included in the bills that are aimed at increasing participation among already eligible children. Under the Senate bill, an additional 1.7 million

Medicaid-eligible and 900,000 SCHIP-eligible but uninsured children would gain coverage; under the House bill, 3.1 million Medicaid-eligible and 600,000 SCHIP-eligible uninsured children would gain coverage. The total number of eligible children, which includes currently uninsured and privately-insured children who would gain public coverage under the Senate bill, is 2.2 million under Medicaid and 1.5 million under SCHIP; under the House bill, a total of 3.9 million eligible children under Medicaid and 1.1 million under SCHIP would gain public coverage.

We use an eligibility simulation derived by researchers in the Health Policy Center of the Urban Institute¹³ to estimate the income of Medicaid and SCHIP-eligible children who would be newly covered under Medicaid and SCHIP.¹⁴ We assume that the uninsured children who would gain coverage under the bills have the same income distribution as the total population of uninsured children who are eligible for Medicaid and SCHIP. Our model has been updated to incorporate eligibility thresholds in place as of May 2007.¹⁵ Our estimates indicate that 87 percent of the already eligible uninsured children who would gain coverage under the Senate bill and 92 percent of those under the House bill have incomes below 200 percent of the FPL.¹⁶ And 82 percent of all eligible children (both uninsured and privately-insured) targeted under this component in the Senate bill and 89 percent in the House bill have incomes below 200 percent of the FPL.

Third, under both bills, higher-income children are also projected to gain SCHIP coverage as a result of new eligibility expansions that states are assumed to undertake in the coming years. In the Senate bill, an additional 1.1 million children, 600,000 of whom are currently uninsured, will gain public coverage due to SCHIP eligibility expansions, and in the House bill, 1.2 million children, 500,000 of whom are currently uninsured, are projected to gain coverage due to eligibility expansions.¹⁷ We assess the income of the children who would likely gain public coverage under this component by examining the

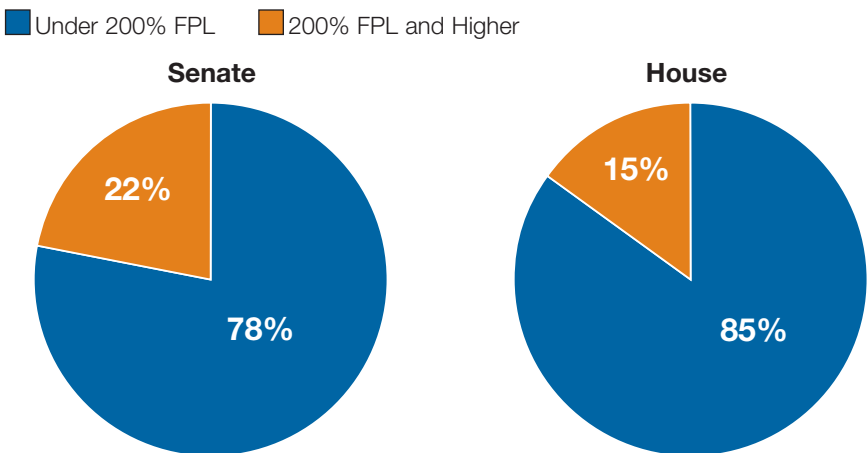
income distribution of uninsured and privately-insured children who have incomes between the current SCHIP eligibility thresholds and 300 percent of the FPL since this represents the upper income threshold under almost all proposed expansions.¹⁸ Our estimates indicate that five percent of the uninsured children targeted under this component in both the Senate and House bills have incomes below 200 percent of the FPL, and four percent of all children targeted by both bills have incomes below 200 percent of the FPL.

Combined Findings

When all three components are combined together, this analysis indicates that:

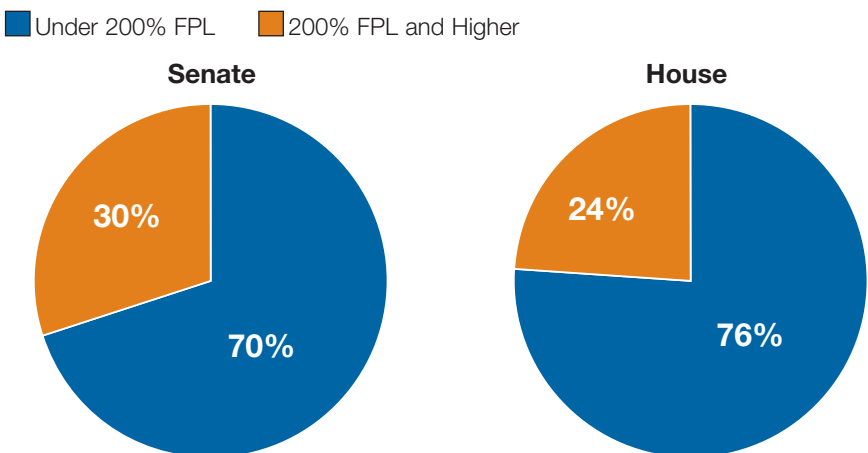
- An estimated 78 percent of the children who would have been uninsured in the absence of the Senate bill have incomes below 200 percent of the FPL and 85 percent of the children who would have been uninsured in the absence of the House bill have incomes below 200 percent of the FPL (Figure 1).

FIGURE 1: Income Distribution of Children Who Would Be Uninsured in the Absence of the Senate and House SCHIP Bills (S.1893 and H.R.3162)



Note: Urban Institute tabulations from numerous sources. Refers to coverage provided over and above baseline levels.

FIGURE 2: Income Distribution of All Children Who Would Gain or Retain Coverage Under Senate and House SCHIP Bills (S.1893 and H.R.3162)



Note: Urban Institute tabulations from numerous sources. Refers to coverage provided over and above baseline levels.

➤ An estimated 70 percent of all children who would gain or retain public coverage under the Senate bill (including those who switch from private to public coverage) have incomes below 200 percent of the FPL, and 76 percent of all children who would gain or retain public coverage under the House bill have

incomes below 200 percent of the FPL (Figure 2).

➤ A substantial number of children targeted under both bills have incomes below 100 percent of the FPL because of coverage increases among Medicaid-eligible children.

➤ Very few of the children targeted under both bills have incomes above 300 percent of the FPL because so few states currently have or are projected to have eligibility thresholds above 300 percent of the FPL.

TABLE 1: Income Distribution of Children Who Would Gain or Retain Coverage Under Senate and House SCHIP Bills¹ (Figures are CBO estimates of changes in enrollment, in millions of individuals)

	Senate		House	
	Millions of Children	Proportion below 200% FPL	Millions of Children	Proportion below 200% FPL
Uninsured Children				
Children Who Would Have Been Uninsured Under Baseline Funding ^{2,3}	0.8	92%	0.8	92%
SCHIP	0.8	92%	0.8	92%
Medicaid	n.a.	n.a.	n.a.	n.a.
Eligible, Uninsured Children ^{3,4}	2.7	87%	3.8	92%
SCHIP	0.9	75%	0.6	75%
Medicaid	1.7	98%	3.1	98%
Uninsured Children Under Eligibility Expansions ⁴	0.6	5%	0.5	5%
Total Uninsured Children	4.0	78%	5.0	85%
All Children				
All Children Who Would Have Lost Public Coverage Under Baseline Funding ^{2,3}	1.3	92%	1.3	92%
SCHIP	1.3	92%	1.3	92%
Medicaid	n.a.	n.a.	n.a.	n.a.
All Eligible, Unenrolled Children ^{3,4}	3.7	82%	5.0	89%
SCHIP	1.5	67%	1.1	61%
Medicaid	2.2	93%	3.9	97%
All Children Under Eligibility Expansions ⁴	1.1	4%	1.2	4%
Total Children	6.1	70%	7.5	76%
¹ Reflects coverage provided over and above baseline levels. ² C. Peterson and E. Herz. "Estimates of SCHIP Child Enrollees up to 200% of Poverty, Above 200% of Poverty, and of SCHIP Adult Enrollees." (Washington, DC: Congressional Research Service, 13 Mar 2007). ³ The CBO totals in this line include a small number of adults. ⁴ Estimates based on Urban Institute tabulations of Medicaid and SCHIP eligibility using the 2004 Annual Social and Economic Supplement to the Current Population Survey. <i>Components may not sum to totals due to rounding.</i>				

- ¹ Mann, C. and Odeh, M. "Moving Backward: New Federally Imposed Limits on States' Ability to Cover Children." Georgetown Center for Children and Families. 30 Aug 2007.
- ² In addition, very few states have indicated that they plan to expand beyond 300 percent of the FPL. In August 2007, The Center for Medicare and Medicaid Services released a new directive regarding coverage of children above 250 percent of the FPL and subsequently rejected New York's State Plan Amendment to expand its SCHIP program to 400 percent of the FPL. (Weems, K. Letter from CMS to Judith Arnold, Director, Division of Coverage and Enrollment, Office of Health Insurance Programs, State of New York Department of Health. 7 Sept 2007).
- ³ Kenney, G. "The Children's Health Insurance Program in Action: A State's Perspective on SCHIP." Testimony to the Senate Committee on Finance. 4 Apr 2007.
- ⁴ Smith, V. and J. Cook. "SCHIP Turns 10: An Update on Enrollment and the Outlook on Reauthorization From the Program's Directors." Kaiser Family Foundation. May 2007.
- ⁵ Georgetown Center for Children and Families. "Children's Health Coverage: States Moving Forward." Updated 20 July 2007.
- ⁶ Baumrucker, E. B. Fernandez, A. Grady, J. Hearne, E. Herz, and C. Peterson. "Medicaid and SCHIP Provisions in H.R. 3162 and S.1893/H.R. 976." (Washington DC: Congressional Research Service, Report for Congress, 15 Aug 2007).
- ⁷ Hederman, R. "Expanding SCHIP into AMT Territory: SCHIP Plan Would Extend Welfare to Wealthy Families." The Heritage Foundation. Web Memo No. 1546, 10 July 2007.
- ⁸ Goodman, J. "Insurance Folly." *The Wall Street Journal*. 27 July 2007.
- ⁹ Herrick, D. and M. Baumann. "SCHIP Expansion: Robin Hood in Reverse." National Center for Policy Analysis. Brief Analysis No. 589. 31 July 2007.
- ¹⁰ Moore, N. and J.D. Foster. "SCHIP Reauthorization: Congress Should Beware of Creating a New Entitlement." The Heritage Foundation. Web Memo No. 1540. 9 July 2007.
- ¹¹ "Preliminary CBO Estimate of Changes in SCHIP and Medicaid Enrollment of Children Under H.R. 3162, the Children's Health and Medicare Protection Act." CBO. 1 Aug 2007.; "CBO's Estimate of Changes in SCHIP and Medicaid Enrollment of Children under H.R. 976, the Children's Health Insurance Program Reauthorization Act of 2007." CBO. 24 Aug 2007. These estimates include a small number of adult enrollees.
- ¹² Peterson, C. and E. Herz. "Estimates of SCHIP Child Enrollees Up to 200% of Poverty, Above 200% of Poverty, and of SCHIP Adult Enrollees." (Washington, DC: Congressional Research Service, 13 Mar 2007).
- ¹³ Dubay, L., J. Holahan and A. Cook. "The Uninsured and the Affordability of Health Insurance Coverage." *Health Affairs*. Volume 26, Number 1 (2007): w22-w30.
- ¹⁴ The income measure included here reflects a family definition related to the child's health insurance unit. The family's total income, not net of disregards, is used as the basis for calculating the income distribution of these children. Eligibility simulations inherently involve measurement error. More information on the eligibility simulation available on request from the author.
- ¹⁵ Estimates based on the number of currently eligible children do not include children who would become eligible under expansions proposed pending SCHIP reauthorization.
- ¹⁶ These estimates are consistent with those derived from the KIDSIM model that is based on the Medical Expenditure Panel Survey (personal communication Julie Hudson and Thomas Selden, 2007).
- ¹⁷ The CBO projections are based on assumptions that some children will drop their private coverage under both bills. For more information on crowd out, see Congressional Budget Office. "The State Children's Health Insurance Program." Washington, DC: CBO. May 2007.
- ¹⁸ We also assessed the implications of projecting thresholds up to 400 percent of the FPL, but found that that had almost no impact on our estimates because almost all states already have current SCHIP eligibility thresholds that are at or above 200 percent of the FPL.

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About the Authors: Genevieve Kenney is a Principal Research Associate, Allison Cook is a Research Associate, and Jennifer Pelletier is a Research Assistant at the Health Policy Center of the Urban Institute.

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