

Overview

On August 17, 2007, the Centers for Medicare and Medicaid Services issued a “Dear State Health Official” letter to state CHIP directors effectively capping eligibility for the State Children’s Health Insurance Program (SCHIP) below current Pennsylvania CHIP eligibility levels. The implementation of the CMS Directive could place the health care coverage of thousands of Pennsylvania children in jeopardy. The CMS Directive requires states to meet the following conditions within one year in order to use federal funds to help provide coverage to children in families with income above 250% FPIG:

- *Participation Rate Requirements* – At least 95% of all eligible children for CHIP or Medicaid in families with incomes below 200% FPIG are enrolled in CHIP or Medicaid.
- *Employer Coverage Requirements* – Private employer-provided coverage for low-income children has not declined by more than 2% over the past 5 years.

Even if states met the requirements above, the CMS Directive restricts state CHIP programs with the following requirements:

- *12-Month Go-Bare Period* – A child must be uninsured for 12 months before being considered eligible for CHIP.
- *Mandatory Cost Sharing* – States must charge families costs that are no less than 1% of family income below those charged by employer plans or at 5% of family income.

Nationwide Impact

Fourteen states, including Pennsylvania, utilize federal funds to help provide coverage to children in families with incomes above 250% FPIG.¹ Ten other states have enacted expansions but have not moved forward with the expansions or have curtailed or otherwise modified expansions due to the CMS Directive. According to an analysis conducted by the Georgetown University Health Policy Institute Center for Children and Families, few if any states will be able to meet the requirements of the CMS Directive.

Impact on Pennsylvania

Since its inception in 1992, CHIP has been a great success. CHIP enrollment currently stands over 168,000 children (Feb. 2008 enrollment). The Commonwealth covers children up to and including 300% FPIG (children in families with incomes above 300% FPIG can purchase coverage at the state’s cost). Amazingly, the Commonwealth received federal approval from CMS to utilize federal funds (the federal contribution rate is 68%) to cover children between 200% and 300% FPIG a mere six months *before* the CMS Directive was released. CMS also approved CHIP’s premium and co-pay structure as well as its unique 6-month go-bare period for children above the age of two.

While Pennsylvania has an efficient and effective CHIP program, it does not meet all of the requirements contained in the CMS Directive. If the CMS Directive remains in effect, the Commonwealth would not be eligible to use federal funds to cover the 4,000 currently enrolled children (Feb. 2008 enrollment) above 250% FPIG. Using June 2008 CHIP enrollment projections, the Commonwealth expects to utilize \$4 million in federal funds to provide 12 months of coverage to this group in state FY 2008-2009.

- *Participation Rate Requirement* – Based upon a 2004 state-funded study of the uninsured, the Commonwealth currently calculates that about 93% of all eligible children for CHIP or Medicaid in families with incomes below 200% FPIG are enrolled in CHIP or Medicaid.
- *Employer Coverage Requirement* – The Commonwealth currently estimates that private employer-provided coverage for low-income children has declined by more than 2% over the past 5 years. The percentage is believed to be roughly 10%.
- *Mandatory Cost Sharing* – CHIP premiums (applied on a sliding scale to children from families above 200% FPIG) account for about 3% of family income. By incorporating co-pays in the calculation, the Commonwealth could meet the 5% cost sharing mandate.

The Bottom Line

Congress created SCHIP with strong bipartisan support to provide children access to affordable health coverage. The Commonwealth and the federal government have worked in tandem to provide much-needed health coverage to children in the state since 1997. The CMS Directive represents a major step backward in this partnership and will have a significant negative impact on CHIP in Pennsylvania and similar programs nationwide.

It is up to Congress to save SCHIP by addressing the CMS Directive and not allowing it to take effect. Time is of the essence - the health care of Pennsylvania's children and the nation's children is at stake. In an economic slowdown, such as we are currently experiencing, Pennsylvania's families will no doubt need CHIP more than ever before. States facing the slowdown and the increased call for children's health coverage need a reliable partner in the federal government, not a partner that changes the rules in the middle of the game.

¹ California, Connecticut, District of Columbia, Hawaii, Maryland, Massachusetts, Minnesota, Missouri, New Hampshire, New Jersey, Pennsylvania Rhode Island, Vermont, Washington. California, Rhode Island and Washington have eligibility set at 250% FPIG, but cover some children with higher incomes because they apply income disregards