

# State Children's Health Insurance Program and Pediatrics

## Background, Policy Challenges, and Role in Child Health Care Delivery

ONE IN 4 US CHILDREN has health insurance through public, government-sponsored programs—Medicaid or the State Children's Health Insurance Program (SCHIP). These public programs are important not only because of the vast number of children they cover but also because children who lack health insurance have worse access to care than those with either public or private health insurance. Public programs also disproportionately serve children with special health care needs. Furthermore, children's health care facilities depend heavily on Medicaid and SCHIP patients and the accompanying reimbursements to maintain programs and services, including programs that also benefit privately insured children. Therefore, Medicaid and SCHIP policies have a tremendous impact on health care delivery to US children, shaping the scope and quality of health care as well as the nature of pediatric practice. This article reviews key aspects of SCHIP, a program whose future is at a crossroads, focusing on issues that are important to pediatricians and others who deliver care to children.

### WHAT IS THE GOAL OF SCHIP?

The goal of SCHIP is to provide health insurance coverage for uninsured, lower-income children whose family incomes are too high to qualify for Medicaid.<sup>1,2</sup> To limit federal outlays and allow state flexibility in SCHIP, the federal government provides states with capped grants that offset the bulk of costs, while states design their SCHIP programs within broad federal rules. Created in 1997, SCHIP was authorized for 10 years and allotted \$40 billion in federal funds for 1998 to 2007. If it is to con-

tinue, SCHIP must be reauthorized by Congress in 2007.

### HOW MANY CHILDREN RECEIVE HEALTH INSURANCE FROM SCHIP?

During 2005, SCHIP provided health insurance to 6 million children over the course of a year, many of whom would otherwise be uninsured.<sup>3,4</sup> Around that same period, Medicaid covered 28 million children. Together, these public programs provide insurance coverage to one-quarter of US children.

### HOW IS SCHIP STRUCTURED AMONG STATES?

Each state has the option of using SCHIP funds to allow eligible children into the state Medicaid program (ie, a Medicaid expansion), to create a separate SCHIP insurance program, or to create a combined approach (**Table**). States choosing the Medicaid expansion model must provide full Medicaid benefits to all enrolled children and cannot cap enrollment if allocated SCHIP funds are expended. By contrast, states choosing separate SCHIP programs can create a different set of benefits and may limit enrollment based on availability of funds. Regardless of the type of SCHIP program selected, Medicaid-eligible children must be enrolled in the state Medicaid program.

There is great variability among states in eligibility criteria, benefits, premiums, and co-pays under SCHIP. The SCHIP income eligibility thresholds range from 140% of the federal poverty level (FPL) in North Dakota to 350% of the FPL in New Jersey. Overall, 41 states established SCHIP eligibility at or above the congressional target of 200% of the FPL (ie, \$33 200 for a family of 3).<sup>5</sup>

Some states have used waivers to expand SCHIP beyond low-income children to include pregnant women, parents of SCHIP-insured children, and/or childless adults. These expansions are controversial; opponents believe that SCHIP funds should be used to provide insurance coverage for more children, whereas proponents argue that expanding family coverage benefits children as well.

### WHAT DOES SCHIP COVER?

There is variability among states' SCHIP benefits. The SCHIP programs that are Medicaid expansions cover the same services as Medicaid. Separate SCHIP programs have some mandatory guidelines (including provision of preventive well-child care without family cost sharing) but generally have fewer benefits and more family cost sharing than those using Medicaid expansions.<sup>3</sup>

### HOW IS SCHIP FINANCED?

The State Children's Health Insurance Program is jointly financed by the federal and state governments through a matching funds program, a system analogous to Medicaid. The proportion paid by the federal government differs among states, with federal contributions provided as finite block grants.

Each state's annual allotment is based on a formula that considers the state's share of low-income and uninsured children.<sup>6</sup> States have 3 years to spend the allotment, after which unexpended funds can be redistributed by the federal government. Both the formula and the redistribution process are controversial. To encourage state participation, there is greater federal matching for SCHIP spending than for Medicaid spending.