



Government and External Affairs

Final SCHIP Bill Summary

February 4, 2009

On February 4, 2009, the House passed and President Obama signed into law legislation which reauthorizes the Children's Health Insurance Program, extending funding for the program until the end of FY 2013. The Senate passed the legislation on Jan. 29, 2009.

Brief Summary

According to the Congressional Budget Office (CBO), the bill includes funding and enrollment policies that will result in the enrollment of 4.1 million additional children who are not currently covered by Medicaid or CHIP. The bill provides \$32 billion in new funding for CHIP and Medicaid over the next 4.5 fiscal years. The funding will be paid for by an increase in the federal tax on tobacco products. The bill largely includes the provisions of Children's Health Care Quality Act of 2007. N.A.C.H. has championed the inclusion of these provisions in CHIP reauthorization. Unlike a previous version passed by the House in January, the bill does NOT include provisions limiting self-referral for physician-owned hospitals.

Enrollment Projections

The CBO estimates that the funding and enrollment policies contained in the bill will enroll 4.1 million additional children in Medicaid and CHIP who would otherwise be uninsured.

Funding

Funding for the reauthorization of CHIP is \$32.8 billion above the current baseline of \$25 billion. The bill provides funding for the next 4.5 fiscal years, FY 2009 – FY 2013. This would be a guaranteed appropriation, not an authorization of annual discretionary appropriations.

Financing

The \$32.8 billion in additional funding will be offset by raising the federal tax on tobacco products. Specifically, each pack of cigarettes would be subject to an additional \$0.62 tax, with proportional tax increases on all other tobacco products. The \$25 billion baseline does not need to be offset.

State Allotments

The bill has been written to ensure that all states will receive higher allotments than in FY 2007. Specifically, the state allotments for FY 2008 – the new baseline for each state – will be calculated as 110% of the greatest of the four following amounts:

1. Total federal CHIP funding for the state in FY 2008, multiplied by the annual adjustment
2. The state's FY 2008 CHIP allotment, multiplied by the annual adjustment
3. Projected FY 2009 federal CHIP spending for the state as of March 2009

The bill changes current policy in allowing states to use their allotments for two years rather than the current three years. Unused funds will be automatically redistributed to states facing shortfalls.

In an effort to encourage states to enroll as many eligible children as possible, the bill provides incentive bonuses to states that are successful at reducing their eligible, but unenrolled population. To receive bonuses, states would have to implement five of eight specific enrollment and retention policies. Additionally, the bill creates a “rainy day” contingency fund to be drawn upon by states experiencing shortfalls in federal funding for CHIP.

The Georgetown Center for Children and Families has developed a [state-by-state table of estimated CHIP allotments](#) based on data from the Congressional Research Service.

Changes in CHIP Eligibility

Currently, CHIP statute provides the U.S. Department of Health and Human Services (HHS) broad authority to allow states to enroll adult populations in CHIP, and a number of states have done so through waivers approved by HHS.

Children: The bill limits the enhanced CHIP Federal Medical Assistance Percentage (FMAP or federal matching rate) to coverage of children under 300 percent of the federal poverty level. States wishing to cover children with incomes higher than 300 percent of poverty would receive only their regular Medicaid FMAP. Two states with currently higher income eligibility levels – New Jersey and New York - are grandfathered in.

Legal Immigrants: The bill allows states to cover eligible legal immigrant children and pregnant women in CHIP and Medicaid without a five-year waiting period.

Low-Income Pregnant Women: The bill changes current policy by allowing states to cover pregnant women through state option, rather than waivers approved by the Centers for Medicare and Medicaid Services (CMS). States electing to cover pregnant women may also employ presumptive eligibility to enroll them. After birth, women continue to be covered by CHIP, including postpartum services, for at least 60 days. The provision also deems children born to women covered by CHIP to be eligible for the program from birth to age one.

Parents of Targeted Low-Income Children: The bill prohibits CMS from approving waivers that allow states to use CHIP funds to provide coverage to parents. States with existing waivers may continue to cover this population through FY 2012, at the CHIP “Enhanced” FMAP. After FY 2012, states wishing to continue to cover this population would be able to do so but at one of two reduced federal matching rates:

1. If the state were to reach a number of benchmarks for enrolling eligible children, the state would receive a “Reduced Enhanced Medical Assistance Percentage (REMAP), equal to half-way between the state’s enhanced CHIP FMAP and its regular Medicaid FMAP.
2. If the state were to fail to reach the benchmarks, coverage of parents would be subject to the state’s regular Medicaid FMAP.

Childless Adults: The bill prohibits the approval or renewal of waivers that allow federal CHIP funds to be used to provide coverage to childless adults. States with existing waivers may continue to use federal funds to cover this population only through FY 2009.

Outreach and Enrollment

The bill establishes a new grant program to finance outreach and enrollment efforts that increase participation of eligible children in both Medicaid and CHIP, funded at \$100 million over five years. In each year, 10 percent of the funds (\$2 million annually) are to fund a national enrollment campaign. An additional 10 percent of the funds are to be used to award grants to Indian Health Service providers and Urban Indian Organizations to enroll Native American children.

The remaining \$80 million (\$16 million annually) are dedicated to provide grants to states, local governments, schools and certain other non-profit organizations, including providers that seek to implement plans to enroll eligible children.

Removal of Barriers to Enrollment

The Deficit Reduction Act of 2005 included strict new citizenship-documentation requirements for people seeking to enroll or remain enrolled in Medicaid. These new requirements have had a negative impact on children's enrollment in many states. The bill includes provisions that provide an alternative method of proving citizenship status. In the alternative method, enrollees are required to submit to the Commissioner of Social Security their name and Social Security Number (SSN). If the commissioner determines a name and / or SSN to be invalid, the individual will have 90 days to provide citizenship documentation as prescribed under the Deficit Reduction Act. The bill extends citizenship documentation requirements, previously only applicable to Medicaid, to CHIP.

Additionally, the bill requires states to describe the procedures they use to reduce the administrative barriers to the enrollment of children in Medicaid and CHIP. States are required to develop application and renewal forms for Medicaid and CHIP, which are identical, and an enrollment process that does not require a face-to-face interview.

Premium Assistance Option

The bill allows states to offer a premium assistance subsidy for qualified employer-sponsored health plans. To qualify:

- The plan must qualify as “credible health coverage” as defined by the Public Health Service Act
- The employer must contribute at least 40 percent of the cost of the premium
- The plan must be non-discriminatory in a manner similar to section 105(h) of the Internal Revenue Code
- The plan must **not** include a flexible spending account or be a high deductible health plan purchased in conjunction with a health savings account
- The plan must meet a number of cost-effectiveness tests
- The state must provide “wrap-around” coverage if the employer-sponsored plan fails to meet an actuarially equivalent CHIP benchmark.

The bill requires group health plans to permit eligible but unenrolled employees or dependents to enroll in the plan if the employee or dependent loses eligibility for Medicaid/CHIP, or if the employee becomes eligible for premium-assistance through Medicaid/CHIP. Employers with group health plans in a state that provides premium assistance are required to provide employees with written notice of the potential opportunities for premium assistance. The bill includes additional provisions designed to coordinate premium assistance with private coverage.

Strengthening the Quality of Care for Children

The bill includes a significant quality improvement section, based on legislation championed by N.A.C.H. It includes the following provisions.

Development of Child Health Quality Measures for Children in Medicaid and CHIP

- The Secretary of HHS is required to develop and provide for public comment an initial “core set” of child health care quality measures for use by states.
 - o These measures are designed to be systemic and state-level.
- Before 2010, the Secretary is required to report to Congress on the status of efforts to improve child health quality.

Appropriation

- The bill appropriates \$45 million over five years, FY 2009 – 2013, for the purpose of carrying out provisions of the quality improvement section

Advancing and Improving Pediatric Quality Measures

- The Secretary is required to establish a pediatric quality measures program before 2010. The program's purpose is to:
 - o Improve and strengthen the core set developed by the Secretary
 - o Expand on existing pediatric quality measures used by public and private purchasers
 - o Increase the portfolio of pediatric quality measures available to purchasers, providers, and consumers
- The Secretary is required “to award grants and contracts for the development, testing, and validation of new, emerging, and innovative evidence-based measures for children’s health care services...”

Annual State Reports Regarding State-Specific Quality of Care Measures Applied Under Medicaid or CHIP

- Each state is required to report annually to the Secretary a set of state-specific child health quality measures.
- The Secretary is required to report on the collected information

Demonstration Projects for Improving the Quality of Children’s Health Care and Use of Health Information Technology

- The Secretary is required to award grants to state and child health providers to “conduct demonstration projects to evaluate promising ideas for improving the quality of children’s health care furnished under Medicaid and CHIP.”

Development of Model Electronic Health Record Format for Children Enrolled in Medicaid or CHIP

- The Secretary is required to “establish a program to encourage the development and dissemination of a model electronic health record format for children enrolled...in Medicaid or CHIP.”

Study of Pediatric Health and Health Care Quality Measures

- The Institute of Medicine is required to “study and report to Congress on the extent and quality of efforts to measure child health statutes and the quality of health care for children...”