TESTIMONY ON FEDERAL SCHIP ACTIONS AND IMPLICATIONS TO IOWA

Federal SCHIP History and Implications for 2008 Legislative Action

- **Federal reauthorization of SCHIP, proposed for a five-year period, did not occur; in December, 2007 Congress and the President agreed to an extension only through March, 2009, when additional action is needed to continue federal involvement**
    - SCHIP reauthorization could be part of the next President's first hundred days of activity next year

- **Extension of federal funding through March, 2009 is at an annual base of $62.4 million for Iowa, sufficient to provide matching federal funds under SCHIP for some additional coverage of children above current levels**
    - If Iowa enrollment and spending under SCHIP expands to fully draw down all available federal SCHIP funds, Iowa retains the option to convert some children from SCHIP to Medicaid and draw down federal funds at a somewhat lower matching rate

- **Congress did enact a bipartisan measure that is likely to be the base for reauthorization in 2009. Both Iowa Senators and four of five Iowa House members voted for the bill that includes the following provisions**:

    - $35 billion over five years in additional funding, effectively increasing the amount available to Iowa for expansion to $70+ million in FFY2010 and increasing from there
    - emphasis to develop premium assistance programs to create "wrap-around" SCHIP coverage to private health insurance, particularly when states expand SCHIP eligibility above 250% of poverty
    - opportunities to provide coverage (with increased financial obligations from the family), without the need for a federal waiver, for children above 250% of poverty
    - phasing out of the coverage of adults and parents as part of the SCHIP program

STATE ACTIONS TO EXPAND CHILD HEALTH COVERAGE THROUGH SCHIP AND MEDICAID IN STATE FY2009

While SCHIP has not been reauthorized for a full, five-year period, there are actions that the Governor and the General Assembly can take to expand child health coverage within SCHIP and Medicaid this session.

- Implement the Family Opportunity Act (beginning immediately with rules development – part of last year's legislation, contingent upon available state SCHIP funds)
- Establish continuous one-year eligibility for children in Medicaid
- Develop and seek a waiver for implementing a premium assistance program under SCHIP/***hawk-i***
- Streamline eligibility re-determination processes under Medicaid and ***hawk-i***, building upon the exemplary actions in Louisiana
- Continue to expand coverage under Medicaid to additional parents, to move toward at least a level of 100% of poverty
- Implement the ABCDII committee recommendations regarding child health coverage under Medicaid (part of last year's legislative intent language to the Department)

<u>State Actions to Expand Health Coverage through SCHIP and Medicaid</u>

- Direct the ***hawk-i*** Board to design a sliding/premium/co-payment/deductible schedule to allow individuals to buy into the ***hawk-i*** program with incomes above 200% of poverty, based upon their ability to pay
- Direct the Department to design a streamlined eligibility determination process for both ***hawk-i*** and Medicaid, for implementation if Congress and the President act to provide states that option

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Summary of Senate, House, and Compromise CHIP Reauthorization Bills

	Senate: CHIP Reauthorization Act of 2007	House: Children's Health and Medicare Program Act	Compromise Bill: CHIP Reauthorization Act of 2007
Total new spending:	$35 billion	$86 billion	$35 billion
Pay-for:	61-cent increase in federal tobacco tax ($35 billion)	45-cent increase in federal tobacco tax ($26 billion); phases out Medicare Advantage overpayments ($50 billion)	61-cent increase in federal tobacco tax ($35 billion)
New Funding for CHIP:	$35 billion	$47 billion	$35 billion
Children Covered:	4 million who would otherwise be uninsured	5 million who would otherwise be uninsured	3.8 million who would otherwise be uninsured
State allocations:	2008 allotment follows special rules to hold states harmless until 2009. Bases allotments from 2009 onward are combo of previous and projected expenditures and number of low-income kids.	2008 allocation based on either projected spending for 2008 or 2007 allocation increased according to health care cost increases and state population growth. Future years follow same patterns, with allocations "recalibrated" every two years.	2008 allotment follows special rules to hold states harmless until 2009. Bases allotments from 2009 onward on combo of previous and projected expenditures and number of low-income kids. Allotments "recalibrated" in 2010 and 2012.
Length of time allocations available:	2 years. Any unspent funds go into the Incentive Pool.	2 years. Unspent funds redistributed to states that need them, as in current law.	2 years. After redistribution, any unspent funds go toward Performance Bonus payments.
Dealing with shortfalls:	Sets up Contingency Fund, capped at 12.5% national annual CHIP allotment, to shore up states with anticipated shortfalls. Pays out on a monthly basis.	States with shortfalls will get additional funding according to the state's average cost per child. Additional funding to come from unspent allotments, as in current law.	Sets up Contingency Fund, capped at 20% national annual CHIP allotment, to shore up states with anticipated shortfalls.
Eligibility			
• **CMS crowd out directive**	*Not applicable*	*Not applicable*	Replaces Aug. 17 CMS letter with a call for IOM and GAO studies on best practices to measure and prevent crowd out. Beginning in 2010, states covering children over 300% of poverty will be required to follow these best practices and cover a target percentage of children below 200% of poverty.

• **Children:**	Up to 300% FPL get enhanced match, states that already go > 300% FPL retain enhanced match, new states going >300% FPL get Medicaid match for kids >300% FPL	Does not limit income eligibility limits for CHIP. Includes a new option for states to extend CHIP coverage through age 21.	Up to 300% FPL get enhanced match, states that already go > 300% FPL retain enhanced match, new states going >300% FPL get Medicaid match for kids >300% FPL
• **Pregnant women:**	Allowed with state plan amendment, no waiver needed	Allowed with state plan amendment, no waiver needed	Allowed with state plan amendment, no waiver needed
• **Parents:**	No new waivers. States with CHIP-funded parent coverage must pay for from "set-aside" CHIP pool starting in 2010. No enhanced match after 2010, but get higher than Medicaid match for parents if meet outreach and enrollment targets for kids.	No new waivers unless state can prove that it is attempting to reach all children under 200% FPL and that no children would be denied coverage in order to cover adults. Makes no changes to existing waivers.	No new waivers. SCHIP match in 2008 and 2009, and can get SCHIP match in 2010 if outreach and coverage benchmarks for kids are met. 2011 and 2012: states get matching rate between Medicaid and SCHIP match for parents if meet outreach and enrollment targets for kids; otherwise get Medicaid match.
• **Childless adults:**	No new waivers. Currently enrolled childless adults transitioned from CHIP to Medicaid by FY2009.	Maintains current law prohibiting HHS from approving new waivers for childless adults. Allows states that currently have waivers to continue them.	No new waivers. Currently enrolled childless adults transitioned from CHIP to Medicaid by FY2009.
• **ICHIA:**	No provision	Included (Allows states to provide coverage to legal immigrant children and pregnant women who have been in the US less than five years.)	No provision
Financial incentives to enroll kids:	Has Incentive Pool that gives states a per-child bonus for all kids over enrollment baseline (baseline is defined in legislation).	States that adopt 4 of 7 enrollment best practices and meet enrollment goals receive a performance bonus. The bonus is for newly enrolled children in CHIP and Medicaid who are eligible, but not enrolled as of July 1, 2007.	Awards performance bonuses (per-child bonus for all kids over enrollment baselines for Medicaid and CHIP; baselines defined in legislation) to states that exceed enrollment baseline and implement 4 of 7 enrollment policies.
Other outreach & enrollment policies:	$100 million in grants to national ($10m), Indian health ($10m) and other state and local groups ($80m) to improve outreach and enrollment	No comparable outreach funding, but encourages states to adopt culturally appropriate enrollment practices. Mandates 12-month continuous eligibility for children in separate CHIP programs with family incomes below 200% of poverty.	$100 million in grants to national ($10m), Indian health ($10m) and other state and local groups ($80m) to improve outreach and enrollment, plus extra funding for Medicaid and CHIP translation and interpretation services.

Citizenship documentation:	Now applies to CHIP as well. Allows state option to accept SSN and match with SSA to verify ID and citizenship. If no match confirmed, person has 90 days to produce documentation before denied coverage.	States may opt to return to pre-DRA rules for proving citizenship for children. Allows additional types of documents to serve as proof of citizenship for adults and for states that choose to continue DRA requirement for children.	Now applies to CHIP as well. Allows state option to accept SSN and match with SSA to verify ID and citizenship. If no match confirmed, person has 90 days to produce documentation before being denied coverage. Also clarifies children born to mother on Medicaid are exempt from cit. doc. requirement.
Express Lane Eligibility:	Included as a 3 year, ten state demonstration project	Included as permanent state option	Included as permanent state option
Premium Assistance:	Allows PA for cost-effective coverage, requires benefits and cost-sharing wrap-around, allows for coverage of parents in some cases, allows states to obtain data on employers sponsored coverage from employers, requires employers to notify employees about availability of PA	Ten state demonstration project to use CHIP funds for PA to children already enrolled in employer-based coverage. Bill also prohibits future Health Savings Account demonstration projects.	Makes losing Medicaid/CHIP coverage a qualifying event for enrolling in employer based coverage, allows states to obtain data on employer based coverage from employers, and sets new requirements for employers to notify employees about availability of PA.
Quality:	$45 million; requires establishing and collecting data on core pediatric measures, developing electronic medical record for kids. Includes grants to address childhood obesity and lifts the 10% cap on expenditures for programs to relieve Type 2 Diabetes and childhood obesity. Also requires new reporting on access to dental care.	Requires establishing quality and performance measures; creates children's payment advisory committee for CHIP and children's Medicaid. Includes funding for diabetes grants.	New children's quality initiative to improve quality measurement and data reporting. Calls for developing electronic medical record for kids. Includes $15 million for 3-year, 10-state demo project to reduce type 2 diabetes.
Benefits:	Grants to improve dental care, adds mental health parity to CHIP, extends some managed care protections in Medicaid to CHIP.	Dental as a guaranteed benefit, mental health parity, states can cover family planning services without a waiver. Strengthens benchmark benefit package standards.	Dental as a guaranteed benefit, mental health parity. Clarifies that EPSDT is required in all Medicaid benchmark plans for children.

Note: The House bill also included extensive provisions related to Medicare. This summary does not include those provisions.