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State Child Healthcare Insurance Program (SCHIP)

What is SCHIP?

The State Children's Health Insurance Program (SCHIP), provides funding for states to expand health coverage to children whose families cannot access private insurance or whose incomes are insufficient to afford private insurance coverage, but exceed the income requirements for Medicaid. SCHIP began in 1997 and has since enabled states to expand health care coverage to over 5 million uninsured children.

Nationally, SCHIP is administered by the state governments, but is jointly funded by the federal and state governments with the federal government paying a higher proportion of SCHIP costs up to a capped total amount for each state. Within broad federal guidelines, each state determines the design of its program, eligibility groups, benefit packages, payment levels for coverage, and administrative and operating procedures. [1] Indiana's Children's Insurance Program (CHIP) is a part of Hoosier Healthwise, Indiana's health insurance program, which is administered by Indiana Family and Social Services Administration (FSSA).

SCHIP was reauthorized in 2009 under the Children's Health Insurance Program Reauthorization Act (CHIPRA). This law preserves the health coverage of millions of children through FY 2013 while increasing federal funding for the program to ensure that states are provided with the federal resources necessary to sustain and strengthen their CHIP programs. During Federal Fiscal Year (FFY) 2008, Indiana received an allotment of $97.4 million for its SCHIP program.

Who is Eligible for SCHIP?

Due to the rising costs of private coverage, many states have increased eligibility levels for public coverage. In 2007, Indiana along with 11 other states, authorized increasing eligibility requirements for CHIP to 300 percent of the FPG. As of October 2008, Indiana provides CHIP benefits to children in families earning incomes up to 250 percent of the FPG. Currently, forty-three states, including Indiana, provide coverage to children in families with incomes at 200 percent of the federal poverty guidelines or greater.

Indiana's CHIP program is a combination program consisting of two components, Package A and Package C. Package A is an expansion of Medicaid, which covers children in families earning incomes up to 150 percent of the Federal Poverty Guidelines (FPG) who are uninsured but not eligible for Medicaid. The state-designed portion of CHIP, or Package C in Indiana, extends health insurance coverage to uninsured families earning between 150- 250 percent of the FPG.

Participants in CHIP Package C, those families earning incomes at or above 150 of the FPG, are required to pay premiums for the health insurance coverage they receive. The state uses a sliding scale based on income level and number of children to determine premium amounts. Additionally, there are some co-pay requirements for CHIP Package C participants, including prescriptions ($3 co-pay for generic drugs and $10 for brand name drugs). There are no co-pay requirements for children in CHIP Package A.

Monthly Family Premiums for Indiana's CHIP Package C		
Federal Poverty Guidelines	**1 Child**	**2 or More Children**
150% - 175%	$22	$33
175% - 200 %	$33	$50
200% - 225%	$42	$53
225% - 250%	$53	$70

Who are SCHIP Participants?

SCHIP targets lower income children who are more likely to be uninsured. due to the lack of availability and affordability of private health insurance. The majority of uninsured children (68 percent) live in a family where at least one parent works full-time. However, many of these families are not offered health insurance through their employer or cannot afford to pay the premiums. According to the Kaiser Commission on Medicaid and the Uninsured, the full cost of family coverage purchased through an employer cost nearly $13,375 in 2009.[2] Meanwhile, three-quarters of the 8.1 million uninsured children in America live in families with household incomes below 200 percent of the FPG –approximately $44,000 for a family of four.[3] Using these figures, the costs of private health insurance would require nearly one-third of families' income, which is unaffordable.

During calendar year 2009, half of the children enrolled in Indiana's CHIP were between the ages of six and 12. Just over 35 percent of CHIP enrollees were teenagers, while the smallest portion of children participating in the program (13 percent) were under age five, due to fact that children who are under age six are eligible for Medicaid at higher family income levels.

How Many People Participate in SCHIP?

Nationally, Medicaid and SCHIP insure almost one-third of the nation's children.[4] During FFY 2008, SCHIP enrolled 7.4 million children and provided health coverage to 334,616 adults.[5]

In Indiana, CHIP provided benefits to 87,379 children during State Fiscal Year 2009. As of the end of CY 2009, enrollment in Indiana's CHIP was at an all-time high of 79,307 –an increase of

6.8 percent since 2007. Indiana's CHIP Package A (Medicare Expansion) enrolled 56,524 while CHIP Package C (State-designed program) provided health insurance to 22,783. Due to increased eligibility guidelines allowing for families with incomes between 150 and 250 percent of the FPG to enroll in CHIP, enrollment in Package C increased by 26 percent since December 2008. Over the last five years, enrollment in Indiana's CHIP has grown by16.6 percent.[6]

How Does SCHIP Benefit Indiana?

Since its inception, SCHIP has effectively reduced the number of insured children in America. Even during the recession, when families experienced a decline in employer-sponsored health coverage, the uninsured rate for children dropped by nearly 800,000 as 1.7 million children gained coverage through Medicaid and CHIP in 2008.[7] SCHIP is also reducing the uninsured rates for black and Hispanic children nationwide. These rates decreased significantly in 2008 as Medicaid and CHIP enrollments increased.

Indiana's CHIP program is also reducing the rate of uninsured children. It has lowered the uninsured rate among children in low-income families (below 200 percent of the FGP) to a rate that is lower than any point in the last decade (8.6 percent) and that is half of the national average for this population (17.3%).[8]

In addition to reducing the number of children without health insurance, expanded health care coverage also improves access to health care, which promotes overall health and well-being. Studies show that children who are insured have better access to health care than those who are uninsured. Lastly, for families participating in SCHIP, they are provided stronger protection against high out-of-pockets costs than private insurance, which may require high deductibles and co-pays.

How Many SCHIP Dollars Go Unclaimed in Indiana?

According to the most recent Current Population Survey data for 2009, 7.5 million American children under the age of 18 remain uninsured.[9] In Indiana, despite increased enrollment, 141,000 children lack health insurance while approximately 95,000 children (aged 19 and under) live in families earning less than 200 percent of the FPG and lack health insurance.[10]

During FFY 2009, Indiana was allotted $137,584,700 from the federal government to sustain and strengthen its CHIP program. However, Indiana only spent 59 percent of its federal allotment ($81,011,353) in 2009. Combined with $29,194,396 left unspent from FFY 2008, at the end of FFY 2009 Indiana had $166,779,096 of federal CHIP dollars left unused.

The new financing structure outlined in CHIPRA allows for the redirection of federal CHIP funds from states that do not use them to states that need them. After two years, any unspent funds remaining in the state's allotment are redistributed to states that need additional dollars. According to this ruling, Indiana will forfeit its 2008 reserves of $29 million.

Additionally, the CHIP financing formula is adjusted every two years to reflect state's total CHIP spending.[11] States that increase their spending of federal CHIP dollars are effectively awarded by securing increases in their CHIP allotments, while states that do not spend their full federal allotments forfeit a portion of their allotments. Without a change in spending patterns that enhance enrollment in Indiana's CHIP, Indiana is set to lose $166 million in federal dollars from 2008 and 2009 while forfeiting future dollars to other states that are effectively using federal dollars to expand and/or maintain their state CHIP.

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[1] U.S. Department for Health and Human Services, Centers for Medicare and Medicaid Services, http://www.cms.gov/NationalCHIPPolicy/

[2] The Henry J. Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured Key Facts, October 2009. www.kff.org.

[3] The Henry J. Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured Key Facts, October 2009. www.kff.org.

[4] The Henry J. Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured Key Facts, October 2009. www.kff.org.

[5] U.S. Department of Health and Human Services, press release, January 26, 2009. http://www.hhs.gov/news/press/2009pres/01/20090126a.html

[6] Burn & Associates, Inc. Independent Evaluation of Indiana's Children's Health insurance Program, April 2010.

[7] The Henry J. Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured Key Facts, August 20010. www.kff.org.

[8] Burn & Associates, Inc. Independent Evaluation of Indiana's Children's Health insurance Program, April 2010.

[9] U.S. Census Bureau, Current Population Survey, 2010 Annual Social and Economic Supplement

[10] U.S. Census Bureau, Current Population Survey, 2010 Annual Social and Economic Supplement http://www.census.gov/hhes/www/cpstables/032010/health/h10_000.htm

[11] Georgetown University Health Policy Institute, Center for Children and Families, *Chip Allotments: Federal Funding Remains Secure for States,*