

The Basics of the Children's Health Insurance Program (CHIP) in Pennsylvania

Introduction

The Balanced Budget Act of 1997 established the State Children's Health Insurance Program (SCHIP) as Title XXI of the Social Security Act.¹ In Pennsylvania, SCHIP is called the Children's Health Insurance Program (CHIP). Together with Medicaid, CHIP provides a health insurance safety-net for low income children. This Fact Sheet provides information on the CHIP program in Pennsylvania. It highlights CHIP's structure, eligibility requirements, benefits, funding and enrollment. Since the SCHIP program is up for Congressional reauthorization this year, we then discuss several important issues for Pennsylvania related to the reauthorization.

Structure

States can operate their SCHIP programs as an expansion of their Medicaid program, a separate program, or a combination of the two. States that operate their programs as a Medicaid expansion must follow all Medicaid requirements², while states that operate their SCHIP program as a separate program have more flexibility as to how they design their program. Pennsylvania operates CHIP as a separate program

that is managed by the state's Department of Insurance.

Eligibility Requirements

SCHIP entitles states with plans approved by the Centers for Medicare and Medicaid Services (CMS) to federal funds to be used towards the coverage of "targeted low income children." A "targeted low income child" is an individual who satisfies two conditions: (1) the child's family income must be above the Medicaid eligibility level and below 200 percent of the Federal Poverty Level (FPL) or 50 percentage points above the state's Medicaid eligibility level (whichever is greater); and (2) the child must not be eligible for Medicaid or covered under any form of health insurance. Thus, a "targeted low income child" is an uninsured child who is expressly found ineligible for Medicaid.

Starting in 1998, CHIP set the upper eligibility level at 200 percent of the FPL for all children through the age of 18. CHIP, therefore, covered all children in families with incomes above the Medicaid eligibility levels (which were set at levels mandated by federal law) and with incomes less than 200 percent of the FPL. CHIP did not impose premiums or co-payments. At that time, Pennsylvania also had a subsidized program that covered children in families with incomes no greater than 235 percent of the FPL. This subsidized program, which did not receive any federal matching funds, charged a premium.

In March 2007, following the passage of the Commonwealth's Cover All Kids legislation and CMS approval of an amended state plan

¹ Prior to the implementation of the SCHIP program, Pennsylvania had an established CHIP program which was signed into law by former Pennsylvania Governor Robert P. Casey in December of 1992. Pennsylvania's CHIP program served as a prototype for the federal government's SCHIP program.

² In this case, any individual who meets the eligibility criteria for Medicaid is entitled to benefits and the states cannot impose waiting lists or times before enrollment. However, states are only entitled to receive the higher matching funds up to the allotment.

reflecting the new legislation, Pennsylvania implemented an expanded CHIP program. Under the expanded program, CHIP covers all eligible children from families with incomes between 200 percent and up to and including 300 percent of the FPL. The CHIP program did not change for children from families with incomes up to 200 percent of the FPL. However, children who are covered under the expanded program have cost-sharing in the form of copayments and premiums.³ (There is no cost-sharing for preventive and diagnostic dental services, vision services, well-baby and well-child care and for emergency care that results in a hospital admission.) Families with incomes greater than 300 percent of the FPL can enroll their children into CHIP by paying a premium that is equal to the average per child cost of the program.

In Table 1 below, the 1998 CHIP program is described under the "Free" column. The lower income level under each age represents the income level at which coverage under CHIP starts. The columns labeled "Low Cost" show the characteristics of the expansion. The "At Cost" column indicates the premiums and cost-sharing that families with incomes greater than 300 percent of the FPL would have to pay to enroll their children into CHIP.

Table 1: Eligibility Level and Cost-sharing: CHIP

ELIGIBILITY LEVEL	Free			Low Cost			At Cost
	(Ages 0-1)	(Ages 1-5)	(Ages 6-18)	(Ages 0-18)	(Ages 0-18)	(Ages 0-18)	(Ages 0-18)
% of Poverty Household Size	Annual Income			Annual Income			Annual Income
% of Poverty	185%–200%	133%–200%	100%–200%	200%–225%	225%–275%	275%–300%	Over 300%
Household Size ⁴	\$38,203 to 41,300	\$27,465 to 41,300	\$20,650 to 41,300	\$41,301 to 51,625	\$51,626 to 56,788	\$56,789 to 61,950	\$61,951 to No Limit
	↓	↓	↓	↓	↓	↓	↓
COST	Average Premium			Average Premium			Average Premium
Average monthly premium, per child	\$0	\$0	\$0	\$38	\$53	\$60	\$150
Co-payments per child, per visit:							
Doctor Visit	\$0	\$0	\$0	\$5 (except for well-child visits)			\$15
Brand Name Prescriptions	\$0	\$0	\$0	\$9	\$9	\$9	\$18
Generic Prescriptions	\$0	\$0	\$0	\$6	\$6	\$6	\$10
Specialist Visits	\$0	\$0	\$0	\$10	\$10	\$10	\$25
ER Visits**	\$0	\$0	\$0	\$25	\$25	\$25	\$50

** Emergency-room visit fee is waived if the child is admitted for a hospital stay.

Source:

www.chipcoverspakids.com/upload/admin/File/2007_PREMIUMS.pdf. Accessed March 24, 2007.

Benefits/Services

Pennsylvania's CHIP benefit package is comprehensive. It covers routine health examinations, immunizations, prescription drugs, emergency care, maternity care, mental health benefits, up to 90 days of hospitalization per year, durable medical equipment, substance abuse treatment, partial hospitalization for mental health services, rehabilitation therapies, lab and x-rays, home healthcare, and dental, vision and hearing services. Children who are enrolled in CHIP receive these services through coverage furnished by one of 9 managed-care plans that contract with the Commonwealth.⁴

Funding

The SCHIP program is jointly funded by the federal government and the

3 Cost-sharing is limited to 5 percent of income for children in families with incomes between 200 percent of the FPL to 300 percent of the FPL. There is no limit on cost-sharing for children in families over 300 percent of the FPL.

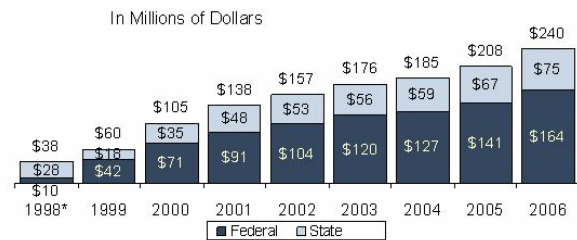
4 These plans are Aetna, Americhoice, Capital Blue Cross, First Priority Health (Blue Cross of North Eastern PA), Highmark Blue Shield (Central PA), Highmark BC/BS (Western PA), Keystone Health Plan East (Independence Blue Cross), Unison Kids, UPMC for Kids.

states. When SCHIP was enacted, Congress authorized \$40 billion in federal funding to be allocated over a 10-year period. The federal government uses a formula to allocate the funds across the states in the form of annual payments or allotments.⁵ States have three years to expend their allotments before the funds are partly redistributed to other states under a special federal formula. Regardless of the size of the state allotment, a state can draw down its allotment only when it actually spends money on covered services for enrolled children.

The federal match against state expenditures under SCHIP was set about 15 percentage points higher for SCHIP than for regular Medicaid. In Pennsylvania today, the federal Medicaid match is 54.39 percent while the enhanced SCHIP match is 68.07 percent.⁶ Thus, out of every \$100 spent on SCHIP services, Pennsylvania pays \$31.93 and the federal government pays \$68.07.

In FY 2006, expenditures on CHIP in Pennsylvania were \$240 million, of which \$75 million were state expenditures and \$164 million were federal funds.⁷ Figure 1 shows total annual expenditures on CHIP, as well as the state and federal share, from its inception as a federally subsidized program in 1998 through 2006.

Figure 1: CHIP Expenditures for Federal Fiscal Years 1998–2006



*Note: Federal approval of the Pennsylvania state plan was not received until May 1998. Therefore, federal matching did not begin until that time.

Source: Pennsylvania Insurance Department

Enrollment

As of April 2007, Pennsylvania reported that 156,081 children were enrolled in CHIP, while 964,040 children were enrolled in the Medicaid program.⁸ In 2005, about 38 percent of the children were covered under either Medicaid or CHIP (this is the last year for which census data on the population of children in Pennsylvania is available).⁹ Figure 2 shows that between 1998 and December 2006, enrollment in CHIP almost doubled. Over this same time period, the number of children enrolled in Medicaid increased by approximately one-third. The increase in the number of children enrolled in these programs is partly due to the economic downturn between 2001 and 2002 and extensive outreach activities conducted by the state to increase enrollment.

⁵ This complex formula is used to ensure that aggressive SCHIP expansion in one state does not consume funds needed by other states. The formula also ensures that states that actively pursue program expansions can reclaim and use federal allotments that are unexpended in the states that received them.

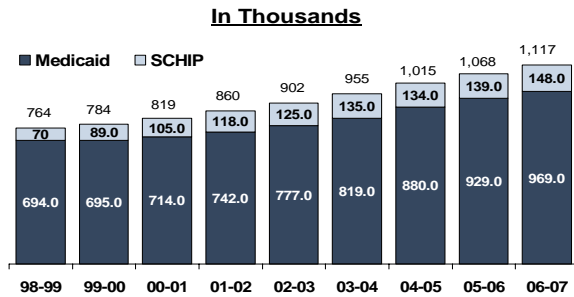
⁶ Federal Financial Participation in State Assistance Expenditures, 70 Fed. Reg. 71856 (November 30, 2005).

⁷ Figures provided by Pennsylvania Insurance Department.

⁸ Commonwealth of Pennsylvania, Department of Public Welfare. (2006). Medical Assistance Eligibility Statistics, (PA DPW). Provided to authors by Director, 2007. Data also provided by Pennsylvania Children's Health Insurance Program at http://www.chipcoverspakids.com/interior.php?subPage=Partners_Facts and U.S. Census Bureau, children population 2005.

⁹ Commonwealth of Pennsylvania, Department of Public Welfare. (2006). Medical Assistance Eligibility Statistics, (PA DPW). Provided to authors by Director, 2007.

Figure 2: Pennsylvania Medicaid Children & CHIP Enrollees by Fiscal Year, July 1998 - December 2006

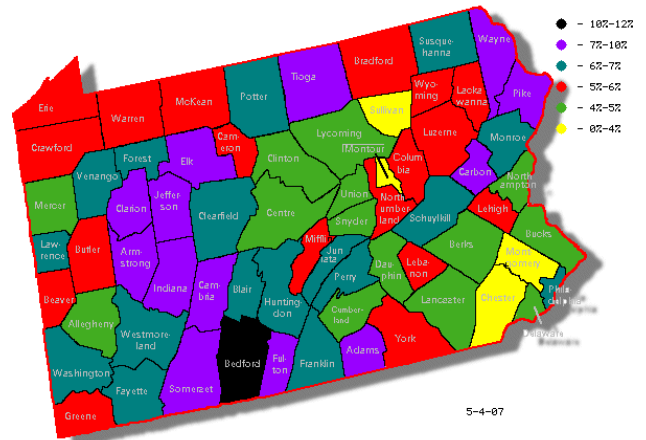


Note: 12 month average based on data from July through June of next year. 2006-2007 data range from July 2006 through December 2006.

Source: Commonwealth of Pennsylvania, Department of Public Welfare. (2006). Medical Assistance Eligibility Statistics, (PA DPW). Provided to authors by Director, August-December 2006.

In April 2007, the percentage of children covered by CHIP in each Pennsylvania county ranges from 3.02 percent in Montour county to 11.17 percent in Bedford county (Figure 3).¹⁰ The proportion of children covered by CHIP to the Pennsylvania county children population is influenced by the enrollment of children in that county in Medicaid and private insurance. CHIP covers low income children in the county who would otherwise be uninsured, but also do not qualify for Medicaid because their family income is too high to meet the Medicaid income requirements.

Figure 3: The Proportion of CHIP Children to Pennsylvania County Children Population in April 2007



Source: Data provided by Pennsylvania Children's Health Insurance Program at http://www.chipcoverspakids.com/interior.php?subPage=Partners_Facts. Other information from U.S. Census Bureau, 2006. Pennsylvania map provided via 'Do It Yourself' Color-Coded State Maps, <http://monarch.tamu.edu/~maps2/>, Texas A&M University System.

Despite Medicaid and CHIP, there are still many uninsured children in Pennsylvania. In 2006, Pennsylvania estimated that there were 133,589 uninsured children.¹¹ Of those, 68 percent were eligible for either Medicaid or CHIP, 8 percent were eligible for the then-subsidized CHIP program, and 19 percent were not eligible for any public program.¹²

¹¹ http://www.budget.state.pa.us/budget/lib/budget/2006-2007/presentation/2006_07_budget_slides_color.pdf. Accessed May 1, 2007

¹² The children who were eligible for the subsidized CHIP program and some of the children who were not eligible for any public program would be eligible for the expanded CHIP program.

¹⁰ Data provided by Pennsylvania Children's Health Insurance Program at http://www.chipcoverspakids.com/interior.php?subPage=Partners_Facts and U.S. Census Bureau, children population 2005.

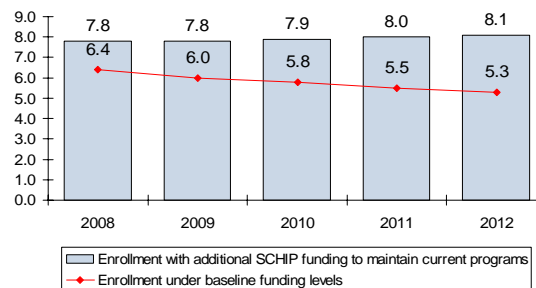
Issues Related to the SCHIP Reauthorization

Together with Medicaid, CHIP has covered thousands of children who would otherwise be uninsured. SCHIP has enjoyed considerable bipartisan support and, as previously noted, is up for reauthorization by Congress this year. Although there appears to be no question that it will be reauthorized, many issues remain undecided, especially questions regarding total funding levels and state flexibility with respect to coverage. It is important to note that SCHIP programs vary considerably across the states. Although in most states SCHIP covers only children from families with incomes up to 200 percent of the FPL, some states, including Pennsylvania, have expanded their income eligibility considerably above 200 percent of the FPL; other states have received waivers to cover adults.

The Congressional Budget Office (CBO) has estimated that, if the federal budget allocated to SCHIP remains at its current level, the states will not be able to maintain their programs at their current levels.¹³ Figure 4 shows the number of individuals that the CBO estimates would be covered each year if the budget is sufficient to maintain the current service levels and how many individuals would be covered if the budget is held at its current level of funding of \$5 billion a year.¹⁴ During the upcoming reauthorization debate, there will be significant deliberation over the appropriate level of federal funding. Many proposals for funding are already under consideration. For example, President Bush proposes to freeze SCHIP funding at the current baseline; that is, to fund SCHIP at

\$5 billion annually over the FY 2008-2013 time period. The President also proposes to limit eligibility levels to 200 percent of the FPL. The National Governors Association has released a policy statement arguing that, "the federal funding levels should be increased to account for increased medical costs and population growth, as well as to ensure that all eligible populations, determined by each state, are able to have access to affordable healthcare under SCHIP." ¹⁵

Figure 4: Estimated SCHIP Enrollment* Under "Baseline Funding" vs. Funding that Maintains Current Services



*Point of reference: Total number of individuals (in millions) who could be covered at any time during the year.

Source: Congressional Budget Office. Fact Sheet for March Baseline: State Children's Health Insurance Program, February 23, 2007.

The size of the budget and the formula that the government uses to allocate it among the states will have a significant impact on the number of uninsured children across the states, including Pennsylvania.

13 Congressional Budget Office. Fact Sheet for March Baseline: State Children's Health Insurance Program, February 23, 2007.

14 The CBO has probably underestimated the size of the federal budget needed to maintain current service levels since a number of states, including Pennsylvania, have recently increased their income eligibility levels.

15 "National Governors Association. Policy Position. HHS-09. The State Children's Health Insurance Program (SCHIP)" 04/09/2007 www.nga.org/portal/site/nga/menuitem Accessed April 15, 2007.

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