

## Vote for Kids!

Informing California Voters Where  
Congressional Candidates Stand on Children's Issues

### CALIFORNIA'S STATE CHILDREN'S HEALTH INSURANCE PROGRAM (SCHIP)

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#### What is SCHIP?

The State Children's Health Insurance Program (SCHIP) was created by Congress in 1997 to provide uninsured children health insurance their family could afford. Established as part of the Balanced Budget Act of 1997, SCHIP provided federal matching funds and broad flexibility to encourage states to create insurance programs that would meet the needs of uninsured children in working families earning too much to qualify for Medicaid but who could not afford private health insurance.<sup>1</sup> California created its SCHIP program, called the Healthy Families Program, in 1998.

#### Children Covered by California's SCHIP?

To qualify for Healthy Families, children must be without employer-provided health coverage, and their families must earn incomes below 250% of the Federal Poverty Level (FPL), or \$44,000 annually for a family of three. Currently, Healthy Families covers more than 875,000 California children, almost 13 percent of the nation's seven million children covered by SCHIP.<sup>2</sup> However, more uninsured children are eligible but not enrolled. About 450,000 uninsured children in California remain eligible for Healthy Families or Medi-Cal, which accounts for 60 percent of the state's uninsured children.<sup>3</sup>

#### What Have Been the Results of SCHIP?

Through Medi-Cal and Healthy Families, California reduced its number of uninsured children by one-third. In 2005, 763,000 children in California were uninsured, compared to 1.7 million in the late 1990s.<sup>4</sup> Evaluations have shown children covered by SCHIP receive timely health care and are better prepared to learn and succeed in school.<sup>5</sup> Furthermore, covering uninsured children has shown to save money by significantly reducing preventable hospitalizations.<sup>6</sup>

#### How is SCHIP Administered?

States have flexibility in how they design their SCHIP programs, including what benefits are provided, how programs are delivered, and family cost-sharing amounts. States can choose to expand their Medicaid programs to cover additional children at higher income levels, establish a separate insurance program, or implement a combination of the two. California chose a combination—with the majority of SCHIP-eligible children enrolled in its separate Healthy Families program, which provides comprehensive benefits including inpatient and outpatient care, prescription drugs, vision, dental, and mental health coverage. Services are delivered through private health insurance plans, and families are required to pay premiums and co-payments for non-preventive services.

Federal SCHIP funds are allocated annually to states as block grants, and states can use the federal SCHIP funds to match their SCHIP funding. California's federal match for SCHIP is 65 percent of the state's total SCHIP spending. The original SCHIP authorization of \$40 billion over 10 years expired last year.<sup>7</sup>

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## **What is the Current Status of SCHIP?**

Congress failed to reauthorize SCHIP in 2007. The program is currently being funded by a continuing resolution that expires in March 2009. Reauthorization is needed before then to secure both stable, long-term federal funding as well as a funding formula. California's SCHIP agency recently established a regulation to create disenrollments or waiting lists should funding fall short.

In addition, on August 17, 2007, the Centers for Medicaid and Medicare Services (CMS) issued a directive to effectively limit all SCHIP programs to 250% FPL. California is one of 24 states that would be impacted by such a directive.<sup>8</sup> If California is forced to reduce eligibility to a gross income of 250% FPL, 34,000 children currently covered by Healthy Families will be at risk as well as 14,000 children who would have applied this year and would no longer qualify. The CMS rules would also prevent California from receiving federal funds for its proposed expansion plan to provide coverage to children with family incomes up to 300% FPL. If court challenges or Congressional action to rescind the directive are not completed under the Bush administration, the incoming president has the ability to quickly nullify the directive.

## **For More Information on SCHIP**

Contact Ken Kelly, Director of The Children's Partnership's Washington, DC office at (202) 429-0033 or [kkelly@childrenspartnership.org](mailto:kkelly@childrenspartnership.org).

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<sup>1</sup> The Henry K. Kaiser Family Foundation. (2007). *State Children's Health Insurance Program (SCHIP) at a Glance*.

<sup>2</sup> Managed Risk Medical Insurance Board, *Healthy Families Program, June 2008 Summary*, (Sacramento, CA: Managed Risk Medical Insurance Board, June 2008) 18 Aug. 2008 ([http://www.mrmib.ca.gov/MRMIB/HFP/Jun\\_08/HFPRptSum.pdf](http://www.mrmib.ca.gov/MRMIB/HFP/Jun_08/HFPRptSum.pdf)).

<sup>3</sup> University of California, Los Angeles, 2005 California Health Interview Survey, Calculations by The Children's Partnership, 18 Aug. 2008.

<sup>4</sup> Ibid; U.S. Census Bureau, *Children with Health Insurance: 2001* (Washington, DC: U.S. Census Bureau): 9, 18 Aug. 2008 (<http://www.census.gov/prod/2003pubs/p60-224.pdf>). Sources of data are different due to the availability of data.

<sup>5</sup> Mathematica Policy Research, Inc. (2007). "*Stable Coverage Benefits Healthy Kids Children*."

<sup>6</sup> Ibid.

<sup>7</sup> Cover the Uninsured, a Project of the Robert Wood Johnson Foundation. *SCHIP: Overview*. 9 Sep. 2008 (<http://covertheuninsured.org/factsheets/display.php?FactSheetID=126>).

<sup>8</sup> Georgetown University Health Policy Institute, Center for Children and Families. *CMS August 17<sup>th</sup> Directive Fact Sheet*, (Washington, DC: Georgetown University Health Policy Institute, Center for Children and Families, May 28, 2008).