CHILDREN'S COVERAGE

Easy access to primary and preventive medical care is very important for a child's healthy development. Yet, millions of uninsured children and adolescents go without it each year.

Uninsured children were three times more likely than insured children to have delayed getting needed medical services in 2001. Children without insurance were also three times more likely than insured children to have untreated medical conditions during that same period.[1]

Due largely to targeted government assistance programs, the percentage of children without coverage has declined in recent years. Still, 11.4 percent of Americans under the age of 18 lacked health insurance for all of 2003. The percentage of children without coverage at some point during the year was higher.

KEYFACTS

- Some 8.4 million children under the age of 18 -- 11.4 percent of all children -- were uninsured for all of 2003, down slightly from 11.6 percent in 2002, according to the Census Bureau.[a]
- Hispanic children were almost three times as likely as non-Hispanic white children to be uninsured. About 21 percent of Hispanic children lacked health insurance in 2003, compared to 7.4 percent of white, 14.5 percent of black, and 12.4 percent of Asian and Pacific Islander children.[b]
- Among the poor, 19.2 percent of children were uninsured during 2003.[c]
- Half of uninsured children may be eligible for enrollment in Medicaid or the State Children's Health Insurance Program (SCHIP).[d]
- 61.2 percent of children were covered through a parent's employer in 2003, down from 63 percent in 2002. [e] For the same period, the share of insured children covered by Medicaid or SCHIP rose 2.5 percentage points, to 26.4 percent.[f]
- About 5.8 million children were enrolled in SCHIP at some point during fiscal year 2003, up from 5.4 million in 2002.[g]
- Medicaid covered 25 million children -- more than one in four -- at some point during 2002.[h]
- 17.7 percent of children without insurance lived in a family with two or more adult full-time workers during the first half of 2002.[i]

For key fact sources, see endnotes.

HOW CHILDREN ARE COVERED

It is hard to overestimate the importance of employer-sponsored insurance for children. The majority of children — more than 45 million or 61 percent in 2003 — got insurance coverage as a dependent through their parent's employer-sponsored policy.[2]

Private insurance usually covers children until the age of 18. In some cases, it covers them until their early twenties, though the parent may be required to pay more out of pocket.

Public coverage through Medicaid, a state and federal program for low-income populations, is also a key provider of coverage. At some point in 2002, 25 million children — more than one in four in the U.S. — were covered by Medicaid.[3] All children in families with incomes below the federal poverty level — $15,670 for a family of three in 2004 — are eligible for Medicaid. (For more information on children's eligibility for Medicaid, see Chapter 7.) (See table, "Federal Poverty Level, 2004.")

Congress expanded children's health coverage in 1997 by creating the State Children's Health Insurance Program (SCHIP). Funded by both the federal and state governments, SCHIP extends health coverage to near-poor children who live in families with income or assets above Medicaid eligibility levels, yet whose parents cannot afford to purchase private insurance. When SCHIP was established, the federal government committed $48 billion over 10 years to support the state-administered program.

FEDERAL POVERTY LEVEL, 2004*

Family Size	Poverty Line
1	$ 9,310
2	$ 12,490
3	$ 15,670
4	$ 18,850

*Annual household income. Amounts are higher in Alaska and Hawaii.

States and the federal government jointly fund both SCHIP and Medicaid, with the Federal government picking up a greater portion of costs for SCHIP than for Medicaid. The federal government, through the Department of Health and Human Services contributes 65 to 84 percent of SCHIP costs compared with 50 to 77 percent of Medicaid costs, with the exact portion dependent on a state's per capita income.

States, and the District of Columbia, had wide discretion in how to structure their SCHIP programs. Thus 16 states established stand-alone SCHIP programs, 16 implemented SCHIP by expanding their Medicaid programs, and 19 chose a hybrid of those two approaches.

Before enrolling in independent SCHIP or combination programs, children must be ruled not eligible for Medicaid coverage. Because the federal government provides richer funding to SCHIP, it requires states to insure that SCHIP applicants are ineligible for Medicaid benefits. If children seeking to be signed up for SCHIP are Medicaid-eligible, then they are enrolled in Medicaid and states receive the lower Medicaid matching fund levels. As a result of this required screening, some states report more newly enrolled children in Medicaid than in SCHIP.

ELIGIBILITY AND ENROLLMENT

Medicaid and SCHIP eligibility requirements vary considerably from state to state, and from each other. For Medicaid, children ages 0 to 6 whose families earn 133 percent of the federal poverty level (FPL) or less are eligible (See table, "Federal Poverty Level, 2004."), as are those aged 6 to 18 whose families earn up to 100 percent of the FPL. In 45 states, there is no asset test for Medicaid and in 34 states, there is no asset test for SCHIP.[4]

Not only may states set SCHIP eligibility at up to 200 percent of the FPL, they may choose not to count some amounts of income when calculating a family's eligibility. For example, California provides SCHIP coverage to children from families earning up to 250 percent of the poverty line, while Connecticut set its eligibility requirement at 300 percent and New Jersey at 350 percent. But not everyone who meets these requirements is enrolled. Estimates indicated that more than half of uninsured children were eligible for SCHIP or Medicaid, but were not enrolled. [5]

Some states have sought and received rule waivers from Washington in an attempt to bolster eligibility. For example, California received a waiver in 2002 to expand coverage to 300,000 uninsured Californians, primarily parents whose children are covered under Medicaid or SCHIP.[6] SCHIP has helped reduce the number of uninsured children. Many SCHIP programs simplified eligibility and enrollment procedures by eliminating barriers to enrollment, such as face-to-face interviews and stringent asset tests. Often, these changes have been applied to Medicaid as well.

To try to help those eligible but unenrolled, there have been extensive outreach programs in many states. Medicaid and SCHIP programs around the country have collaborated with businesses, schools, religious organizations, and community groups. Help in state-organized enrollment drives has also come from national and local foundation projects, such as Covering Kids and Families, sponsored by The Robert Wood Johnson Foundation. (See chart, "SCHIP Enrollment, FY 1998-2003.")

Parents are one key to getting more kids enrolled. Studies have found that parents enroll their children in Medicaid and SCHIP at higher rates when the parents are also offered some health coverage.[7] Drawing on this insight, some states recently expanded their programs to include parents of children eligible for either Medicaid or SCHIP. By 2003, more than 400,000 adults had been enrolled in SCHIP in Arizona, Minnesota, New Jersey, Rhode Island, and Wisconsin.[8]

This is a somewhat controversial tactic. Advocates concerned about using funds intended for children on adult health coverage have warned about the possible shortage of federal funds for children in the future. Moreover, state budget deficits have caused some

states, such as New Jersey, to pull back on adult coverage.

Another way states cover children is through partial or full subsidies of private group health insurance premiums. By mid-2003, 12 states — Illinois, Iowa, Massachusetts, Missouri, New Jersey, Oregon, Pennsylvania, Rhode Island, Texas, Virginia, Washington, and Wisconsin — had established premium assistance programs to cover eligible children.[9]

Compared to the elderly and disabled, children are a very inexpensive population to cover. For example, in 2003, Medicaid spent an average of $12,828 per person over age 65, and $12,279 per person with a disability, but only $1,746 per child.[10] Couple this low price tag with the relatively generous federal matching funds for SCHIP, and many states significantly increased their coverage of low-income children.

Additionally, states can manage their enrollment processes and policies to manage enrollment and adjust to their fiscal situation. Since SCHIP is not an entitlement program like Medicaid, these adjustments can include temporarily closing program enrollment, or placing new applicants on a waiting list.

UNSPENT FUNDS AT RISK IN SCHIP

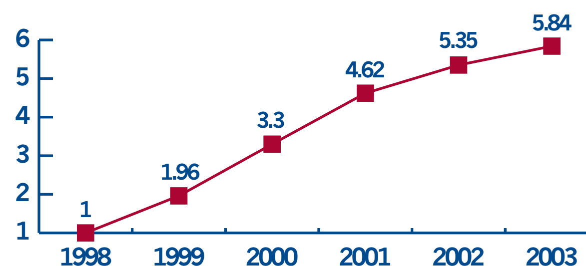
Originally, federal funds were allocated based upon a state's portion of the nation's uninsured children. However, the way that money is designated, used, returned, and reallocated makes SCHIP budgeting unusually complicated. State programs took longer to become established than legislators anticipated when SCHIP was implemented in 1997. As a result, Congress rewrote the law. Although some unused SCHIP funds have been returned to the Treasury, revised rules allowed states to retain much of their federal funding while parts of the unused funds continued to be channeled to needy states. This redistribution is expected to continue through 2006.

CURRENT POLICY DEBATES AND PROPOSALS

Though the economy is recovering, there is evidence that coverage for children faces new challenges. According to an August 2004 study by the Center for Studying Health System Change, the percentage of

SCHIP ENROLLMENT FY 1998–2003

(millions of persons enrolled for all or part of the year)



Source: Centers for Medicare and Medicaid Services (www.cms.hhs.gov/schip/enrollment)

children with employer-sponsored coverage shrank from 63.4 percent in 2001 to 59.5 percent in 2003.[11] The study found that the decline in job-related coverage for children coincided with a decline for other under-65 age groups as well.

The study also found that overall coverage levels for children did not worsen during this period. The losses in job-based coverage were offset by a large increase in public sector insurance, from 17.6 percent in 2001 to 24.1 percent in 2003.[12]

But states continue to experience tough fiscal times. As a result, they continue to look for ways of cutting costs, including limiting expenditures on health care. In November of 2003, for example, six states had SCHIP enrollment freezes in effect: Alabama, Colorado, Florida, Maryland, Montana and Utah.[13] Other states have taken a lower profile by reducing outreach campaigns, eliminating them altogether, or stiffening standards of proof of eligibility. In fact, a survey of states released in July 2004 showed that enrollment in SCHIP actually declined during the second half of 2003, the first such decline in the six years of the program's operation.[14]

A variety of lawmakers have taken up the issue. For example, Senate Majority Leader Bill Frist (R - Tenn.), in a July 2004 speech, offered a preview of possible Republican initiatives on children's coverage in the next Congress. His proposals included:

- Enrolling all 5.6 million eligible children in Medicaid and the State Children's Health Insurance Program (SCHIP) within 24 months through a

combination of streamlined enrollment procedures, increased financial outreach incentives, and a new national "Cover the Kids" enrollment campaign.

- Providing refundable tax credits to all Americans with incomes below 200 percent of poverty, beginning with low income uninsured parents and children, who do not qualify for Medicaid or SCHIP. These tax credits could be used to buy into either public or private programs. [15]

STORY IDEAS

- Are kids losing coverage due to employers' dropping family coverage or insurance altogether?
- Where are kids who don't have private health insurance and aren't eligible for SCHIP and Medicaid getting care, if at all? The emergency room, community clinics?
- What is the impact of SCHIP waiting lists and enrollment freezes on children and families? How long do eligible children have to wait for coverage?
- To what extent has your state lost SCHIP funds because it couldn't spend the money by the deadline? Who is accepting responsibility?
- What are community-based organizations doing to get eligible kids into public programs?
- Welfare reform delinked cash benefits and health care under Medicaid. Given that Temporary Assistance to Needy Families (TANF) benefits are ending for many families, what are they doing to get coverage? Do they know about Medicaid and SCHIP?
- How do kids who are undocumented residents get care? What impact are they having on your community's health care system in terms of cost?

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Analysts/Advocates

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CANDIDATES' VIEWS

President Bush seeks to improve children's coverage through tax credits that he believes would make coverage more affordable for families. He also wants to expand community health centers so that they can serve an additional 6.1 million people, including children.[16]

Senator Kerry seeks to increase the number of children with insurance by striking a new compact with states. Under his plan, the federal government would pick up the full cost of more than 20 million children currently enrolled in Medicaid if states agree to raise income eligibility standards and guarantee that childless adults below the poverty line have health care coverage.

Senator Kerry also calls for automatically enrolling eligible children when they come to school, and requiring states to provide 12 months of continuous eligibility for health coverage even if family income changes.

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Websites

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www.ahrq.gov

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www.allhealth.org

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