

SCHIP Administrative Change May Trim Coverage

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The true impact isn't known yet, but an administrative change by the Centers for Medicare and Medicaid Services to rules governing the State Children's Health Insurance Program—made on a Friday night during Congress' August recess—may have the effect of dropping children who currently have coverage.

Sen. Jay Rockefeller (D-W.Va.), one of the original coauthors of SCHIP, sent a letter to President George W. Bush chiding the administration for making the change without congressional input.

"Not only do I question the wisdom and legality of this new policy, I also question the process," wrote Sen. Rockefeller, noting that "a policy change of this magnitude should, at a minimum, be handled through the formal rule-making process, with proper public notice and comment,

and not through unilateral subregulatory guidance."

About 4 million children are eligible for Medicaid or SCHIP currently; some 6 million received benefits in 2006. An estimated 9 million children do not have health insurance.

SCHIP, now entering its 10th year, has been the subject of fierce battles this year, as lawmakers have struggled to come up with financing for the next 5 years that is palatable to both parties. Authorization

for SCHIP expires Sept. 30. Before leaving for summer recess, the House and the Senate passed vastly different funding packages.

President Bush said he would veto either bill, saying that he viewed both as a back-door way of expanding government-financed health care at the expense of the private insurance market.

So the Aug. 17 letter from CMS Director for Medicaid and State Operations Dennis G. Smith to state health officials should not have come as a surprise. In the letter, states were told that if they were raising eligibility for children whose family incomes were equal to or above 250% of the federal poverty level, they would have to meet stringent new requirements. The goal: to ensure that these families aren't opting for SCHIP instead of private insurance.

"Existing regulations ... provide that states must have 'reasonable procedures' to prevent substitution of public SCHIP coverage for private coverage," Mr. Smith wrote.

Many states have had such procedures in place, but the CMS is now requiring that specific processes be implemented. For instance, children will have to be uninsured for at least 1 year before receiving SCHIP benefits. Currently, only Alaska requires a year-long exclusion, said Judy Solomon, a senior fellow with the Center on Budget and Policy Priorities, a Washington-based policy research organization.

Most states impose a 1- to 6-month waiting period, but most also have generous exceptions to those rules.

Under the administrative change, states also will have to prove that they've enrolled at least 95% of children who are below 200% of the federal poverty level, and document that the number of low-income children who are eligible for and covered by private insurance has not dropped by more than 2% in the past 5 years.

States that have already increased their eligibility to 250% or more—18 states—will have to comply with the new requirements within a year or lose some of their federal matching funds.

The CMS said that the requirements should not harm children who currently receive benefits. "We would not expect any effect on current enrollees," Mr. Smith wrote.

While it's not clear how many children might be dropped, "at the very least, you're going to have thousands of children unable to get coverage," Ms. Solomon said, noting that the hurdles might be too high for new enrollees.

SCHIP was designed to give states flexibility to meet the needs of their own citizenry, noted Ms. Solomon. For instance, states with a higher cost of living and the ability to shoulder a higher fiscal burden—like New York, New Jersey, and Massachusetts—have increased income eligibility levels.

But the new CMS policy is severely diminishing that flexibility. "This turns back the clock," Ms. Solomon said.

The House and Senate will meet in conference in September to determine the course of SCHIP over the next 5 years. ■

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