

Minnesota and the State Children's Health Insurance Program (SCHIP): At a Crossroads

What is the State Children's Health Insurance Program (SCHIP)?

Since its creation by Congress in 1997, the State Children's Health Insurance Program (SCHIP) has extended health insurance coverage to millions of children and some adults who would not otherwise have access to health care. SCHIP provides federal matching funds to states to cover 65% to 84% of the costs of health care coverage, primarily for low-income children. Thanks in large part to SCHIP, the percentage of low-income children in the U.S. without health coverage has fallen by one-third in the past decade, even while the overall number of uninsured Americans has grown.¹ In FY 2006, 6.6 million Americans received health care coverage funded by SCHIP.

Children who have access to health care are healthier, both physically and mentally. Children enrolled in SCHIP perform better in school. Research shows that when parents of low-income children have health insurance, their children are more likely to have health care coverage.

SCHIP Helps Minnesota Build on its Success in Covering Kids

SCHIP covers children with incomes at or below 200% of federal poverty guidelines (\$34,340 for a family of three). Thanks to a federal waiver that recognizes Minnesota's already strong coverage of children, Minnesota uses SCHIP funds to provide health care to low-income children with slightly higher incomes, as well as to the children's parents and caregivers and low-income pregnant women. A number of other states have similar waivers. Close to 40,000 Minnesotans receive health insurance through SCHIP.

Inadequate Funding Threatens Health Care Coverage in Minnesota

SCHIP funding is a block grant — a capped amount of funding that was set ten years ago. However, over the past ten years, health care costs have increased dramatically in both the public and private sectors. Consequently, many states now find that their SCHIP block grant funding is not sufficient to continue to provide health care coverage to those currently covered by SCHIP. If SCHIP is reauthorized at current funding levels, over the next five years, states will have \$12 to 13 billion less than is necessary to provide health care coverage to those currently covered by SCHIP. In 2012, Minnesota's SCHIP funding would be \$73 million less than what would be needed to fund health care for those currently covered by SCHIP.

2007 is the Year to Renew Commitment to Covering the Uninsured

This year Congress must decide how to reauthorize SCHIP, which could include enhanced funding or program improvements. In the House and Senate budget resolutions, Congress took a significant step in the right direction by indicating its willingness to provide \$50 billion in new funding for children's health coverage. As Congress continues its work to reauthorize SCHIP, it should take steps to achieve the following goals:

- **Maintain State Flexibility:** The key to the success of SCHIP in Minnesota is the flexibility provided by our federal waiver, which enables Minnesota to cover more uninsured children and adults. Congress should reject proposals to limit state flexibility or shift more costs onto the states, which could jeopardize health care coverage for the thousands of Minnesotans currently covered by SCHIP.
- **Build on the Success of SCHIP:** As Congress works to reauthorize SCHIP this year, they should establish a stable, predictable and adequate funding stream for states. Congress should deliver on the pledge to add \$50 billion in new funding for children's health insurance coverage. This level of funding is the minimum that should be dedicated to allow states to continue providing health care to those already covered by SCHIP, cover those who are eligible but not yet enrolled, and make

¹ The data in this issue brief comes from the Center on Budget and Policy Priorities, *Improving Children's Health: A Chartbook about the Roles of Medicaid and SCHIP*, www.cbpp.org/schip-chartbook.htm, and *Freezing SCHIP Funding in Coming Years Would Reverse Gains in Children's Health Coverage*, www.cbpp.org/6-5-06health.htm.

progress in covering more of the uninsured.