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Children's Eligibility for SCHIP

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SCHIP Eligibility Overview

In 1997, the State Children's Health Insurance Program (SCHIP) was created with strong bipartisan support. SCHIP gives states new resources to expand publicly funded coverage to children who do not have insurance. The federal SCHIP eligibility rules set the guidelines for which children states can cover with federal SCHIP funds. The rules depend on whether a state uses its funds to expand Medicaid (in which case the regular Medicaid rules generally apply), or to cover children in a separate (i.e., non-Medicaid) child health program. The key eligibility rules are listed below, followed by a more detailed summary of SCHIP eligibility.

KEY ELIGIBILITY RULES	
Income Eligibility Levels	States have broad flexibility to set their SCHIP income eligibility levels; most states cover children up to 200 percent of the federal poverty level (FPL), which, in 2006, was equivalent to $2,767 in monthly income for a family of three.
Insurance Status	Children generally must be uninsured to qualify for SCHIP-funded coverage. Some states require children to be uninsured for some period of time (e.g., 3 or 6 months) before they can enroll, but this is not a federal requirement.
Enrollment Guarantee	States can cap or freeze enrollment in separate SCHIP programs. They cannot, however, close enrollment to eligible children in a SCHIP-funded Medicaid expansion.
Coordination	Federal rules require states with separate SCHIP-funded programs to coordinate their enrollment procedures with Medicaid to prevent children from "falling through the cracks" and remaining uninsured and to ensure that children are enrolled in the proper program.
Citizenship/ Immigration Status	In general, SCHIP funds (as well as regular Medicaid funds) may not be used to cover immigrant children who are lawfully present but have not been in the country for five years or undocumented children. The new citizenship documentation requirement established in the Deficit Reduction Act (DRA) applies to citizen children applying for Medicaid (including SCHIP-funded Medicaid expansions), not to separate SCHIP programs.

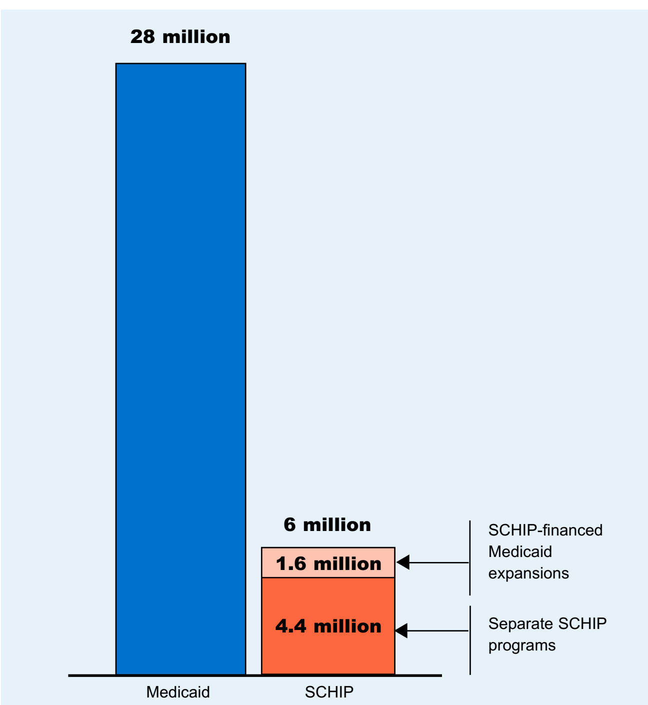
Basic Structure of SCHIP

SCHIP builds off Medicaid and the child health coverage that was in place through Medicaid immediately before SCHIP was created. More specifically, states can use their federal SCHIP funds to finance coverage for children whose family incomes are too high to qualify for Medicaid under the rules the state had in place as of June 1997. States can either expand Medicaid beyond the June 1997 levels, cover children through a separate program, or combine the two approaches. As of July, 2006, 22 states use the combination approach, while 18 use SCHIP funds only in a separate program, and 11 use SCHIP funds only to expand Medicaid.[1]

In 2003, 4.4 million children were covered with SCHIP funds in separate child health programs, while 1.6 million were covered with SCHIP funds in Medicaid. To set this in context, in 2003, approximately 28 million children were covered in Medicaid under regular Medicaid financing.

Figure 1

Children's Enrollment in Medicaid and SCHIP, 2003



Source: CCF Analysis of FY2003 Medicaid Statistical Information System (MSIS) and SCHIP enrollment data.

What are the family incomes of the children covered through SCHIP?

When considering SCHIP income eligibility rules, it is important to look at both the "lower" and the "upper" income limits of SCHIP-funded coverage. A state that covers children in SCHIP up to 200% of the FPL might have a much more narrow SCHIP program than another state that also covers children up to 200% of the FPL depending on the income level at which SCHIP eligibility starts in that state. As noted above, SCHIP eligibility begins where "regular" Medicaid eligibility leaves off. In states, like Alabama and Utah, that had not expanded Medicaid for children before SCHIP was enacted, SCHIP eligibility begins at 100% of the federal poverty level (FPL) for children age 6 and older and at 133% of FPL for younger children. Children with family incomes below these levels are eligible for Medicaid.[2] (For a family of three, 100% of FPL is about $1,400 a month and 133% of FPL is equivalent to $1,840 a month.) SCHIP-financed coverage begins at somewhat higher income levels in states that expanded Medicaid prior to SCHIP. In Connecticut and New Mexico, for example, SCHIP-financed coverage begins at 185% of the FPL because both states were covering children through a regular Medicaid expansion up to 185% of the FPL before SCHIP.

While the lower level of SCHIP eligibility will depend on the scope of a state's regular Medicaid program for children, federal law offers states flexibility to set the upper income level for their SCHIP programs. The federal law allows states to use SCHIP funds to cover children whose incomes are either below 200 percent of the FPL or 50 percentage points above the state's Medicaid eligibility level as of June 1997. Federal law also gives states discretion to decide how they will calculate income, including whether to consider gross income, or to allow deductions or income disregards.

As illustrated in Figure 2, (on page 3) as of July 2006, 26 states (including Washington, D.C.) covered children up to 200 percent of the FPL, while 10 states had a lower income threshold and 15 states had a higher threshold. It can be somewhat misleading, however, to compare eligibility levels across states by looking only at these income thresholds because the deductions, disregards and other income counting rules that states may adopt can make a considerable difference.

Must children be uninsured to be covered through SCHIP?

Children must be uninsured to qualify for SCHIP-funded coverage (either in a separate program or in Medicaid). This is a departure from regular Medicaid rules, which allow states to enroll children with other insurance in Medicaid. (In this situation, Medicaid helps to pay the cost of the other insurance, usually an employer plan, and fills in the benefit gaps that might exist.) Some states have a similar "premium assistance" component in their SCHIP program, but since insured children are ineligible for SCHIP, the premium assistance option in SCHIP is generally available for children who enroll in an employer plan after applying for SCHIP.

Some states require a child to be uninsured for some period of time before the child can be covered under a separate SCHIP program. States have gradually been moving away from these waiting periods or reducing the length of the wait. Waiting periods are not required under federal rules and are not permitted in SCHIP-funded Medicaid expansions. As of July 2005, 33 states had waiting periods typically lasting three or six months.[3]

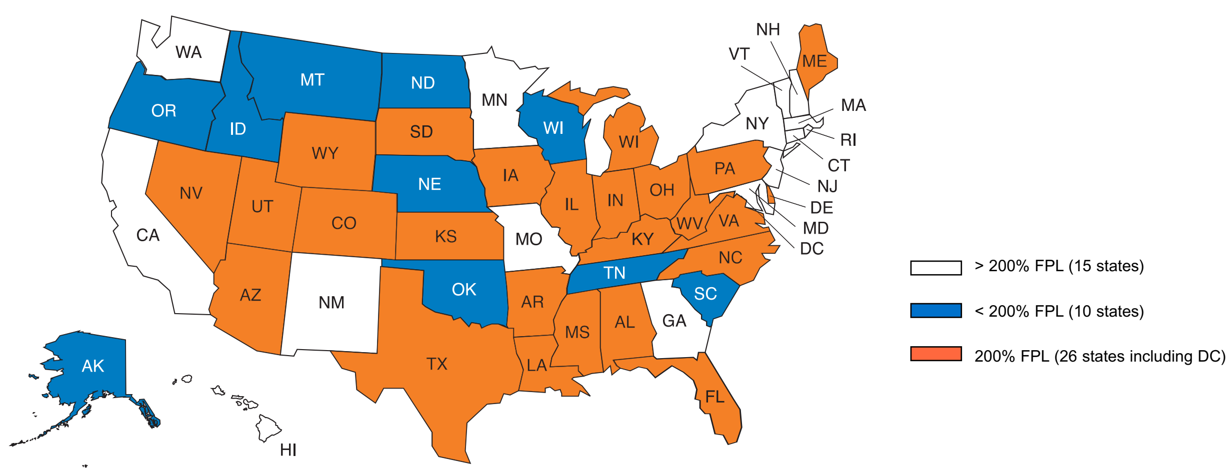
What are the enrollment rules?

States have considerable flexibility in their separate programs and in Medicaid to design their applications and enrollment systems. A key difference, however, is that states can cap the number of children who enroll in separate child health programs and close enrollment and create waiting lists. Waiting lists are not permitted in Medicaid.

While the SCHIP law offers states broad flexibility to design their enrollment procedures, it includes several provisions to ensure that those procedures are coordinated with Medicaid. In particular, the law requires states to screen children whose families are applying for coverage for Medicaid as well as SCHIP eligibility and to enroll the Medicaid-eligible children into Medicaid rather than simply turning them away from SCHIP. This "screen and enroll" requirement prevents children from losing out on coverage if their family happens to apply to the "wrong" program and ensures that Medicaid-eligible children receive the full scope of benefits guaranteed by Medicaid. In addition, the coordination requirement helps SCHIP cover the greatest number of children by avoiding limited SCHIP funds from being spent on coverage that ought to be financed through Medicaid. SCHIP rules also require coordination in the other direction; if children apply for Medicaid but turn out to be eligible for SCHIP, states are to facilitate their enrollment into SCHIP.

Figure 2

Children's Eligibility for Medicaid/SCHIP by Income, July 2006



Note: The Federal Poverty Line (FPL) for a family of three in 2006 was $16,600.
Source: Based on a national survey conducted by the Center on Budget and Policy Priorities for Kaiser Commission of Medicaid and the Uninsured, 2006.

Putting SCHIP Income Eligibility Levels in Context

SCHIP was adopted to help families who cannot afford or are not offered insurance through their jobs. The income range of the children covered through SCHIP varies by state — in most states the children have family incomes between 133 percent and 200 percent of the federal poverty level.

According to recent survey data, the average cost to employees for family coverage purchased through an employer plan was $2,973 a year [5] — close to the total monthly income (before taxes) for a family of four at 200 percent of the federal poverty level. (This considers premiums only; copayments, deductibles and other out-of-pocket costs are additional.)

What are the other eligibility criteria?

"Continuous" and "presumptive" eligibility.
To promote continuity of coverage and care, states have the option under SCHIP (in separate programs and in Medicaid) to enroll children for periods of up to 12 months, without interruption. In addition, under the "presumptive eligibility" option, states can enroll children while the family is gathering supporting documents or the agency is reviewing the application if the child appears to be eligible.[4]

Statewideness.
In separate child health programs, states can apply different eligibility rules in different parts of the state. By contrast, eligibility rules in Medicaid can vary by population group (e.g., children versus adults), but the eligibility rules for each group (e.g. children) must be applied statewide.

Citizenship and immigration status.
In both Medicaid and in separate SCHIP programs, eligibility is generally limited to citizens and to lawfully present immigrant children who have been in the U.S. for at least five years. Medicaid coverage for emergency health services only is available for children who do not meet these criteria (at the regular Medicaid matching rate, assuming the child is otherwise eligible).

The new DRA rule that requires states to collect documentation from citizens (including children) who are applying for Medicaid or renewing their Medicaid eligibility does not apply to separate SCHIP programs.

Asset tests.
States can establish asset (resource) requirements, but they need not do so. Most states have no asset limit for their children's coverage in either Medicaid or in their separate child health programs.

Unborn children.
By regulation, states can cover unborn children in separate SCHIP programs. Medicaid rules permit states to cover pregnant women.

State employees.
States cannot cover children in separate SCHIP-funded programs if they could be covered under a state health benefits plan based on a family member's employment with a public agency. This limitation does not apply to SCHIP-funded Medicaid expansions.

1 Centers for Medicare and Medicaid Services, SCHIP Enrollment Report (July 12, 2006). This breakdown is often changing as states redesign their child coverage systems. States can switch between Medicaid and separate programs (in both directions) except that states lose access to SCHIP funds if they reduce Medicaid eligibility below the levels in effect before SCHIP was adopted. This provision of the 1997 SCHIP law was intended to assure that SCHIP funds were used to expand coverage rather substitute for coverage previously available with regular Medicaid funds.

2 Under federal Medicaid rules, in all states children under age six are eligible for Medicaid if their family income is below 133% of the FPL and older children are eligible if their income is below 100% of the FPL. States have long had the option of expanding Medicaid coverage for children above these levels at the regular Medicaid matching rate, and several states had taken up this option prior to SCHIP.

3 Survey data collected by the Center on Budget and Policy Priorities for the Kaiser Commission on Medicaid and the Uninsured, (October 2005). This is down from 40 states with waiting periods in 2004.

4 In the case of the new citizenship documentation requirement imposed by the DRA for citizen children applying for Medicaid, children cannot be enrolled in Medicaid while their parents secure the necessary documentation unless the state has implemented the "presumptive eligibility" option. As of July, 2005, nine states had implemented presumptive eligibility in Medicaid.

5 Kaiser and HRET, Survey of Employer Health Benefits (September 26, 2006).

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