Senate Committee on Finance
U.S. Senator Orrin Hatch (R-UT), Chairman
http://finance.senate.gov

Extending Funding for the State Children's Health Insurance Program

Overview of Bicameral Chairmen's Discussion Draft

The State Children's Health Insurance Program was enacted on a bipartisan basis in 1997. SCHIP served 8.4 million children in FY 2012, with a budget of $12.2 billion. The Patient Protection and Affordable Care Act (PPACA) reauthorized SCHIP through FY 2019, but did not provide funding past FY 2015. Without Congressional action, no new funding will be provided to SCHIP after September 30, 2015. New analysis from the Medicaid and CHIP Payment and Access Commission (MACPAC) estimates that more than one million children would become uninsured if funding were allowed to expire, while millions more would face higher cost-sharing in PPACA exchanges.

House Energy and Commerce Chairman Fred Upton (R-MI), Health Subcommittee Chairman Joe Pitts (R-PA), and Senate Finance Committee Chairman Orrin Hatch (R-UT) are soliciting feedback on a discussion draft of legislation that would extend SCHIP funding and sustain access to affordable health coverage for millions of children. Specifically, the draft proposes to:

- Extend SCHIP funding while seeking feedback from stakeholders on the appropriate length of the extension.
- Retain the current formula for allocating federal SCHIP funds to states, which states report worked well.
- Maintain the redistribution of unused SCHIP allotments to states that might not have enough money to meet their projected costs.
- Eliminate the PPACA requirement that states cover children ages 6 to 18 in families with income between 100 percent and 133 percent of federal poverty level in Medicaid.
- Eliminate the PPACA 23 percent increase in federal SCHIP Enhanced Federal Medical Assistance Percentage (E-FMAP) scheduled to take effect in FY 2016. The Congressional Budget Office has indicated that the estimated $10 billion increase in federal spending that would occur as a result of this E-FMAP increase over four years would not result in any net increase in coverage.
- Return federal matching rates for certain translation and interpretation services to the normal SCHIP E-FMAP.
- Focus SCHIP funding on low-income families by reducing federal funding for families with income above 250 percent of poverty and eliminating federal funding for those with incomes above 300 percent of poverty. This policy addresses concerns about crowding out private coverage and subsidizing upper-middle-class families.
- Maintain the ability of states that expanded Medicaid eligibility for children prior to the creation of SCHIP to use their SCHIP allotment to fund the difference between the Medicaid FMAP and the SCHIP E-FMAP.
- End the maintenance-of-effort requirement to allow states to make common sense changes to their Medicaid and SCHIP programs.

- Permit states to use waiting periods as a tool to prevent crowd-out among families who had private insurance.

- Ensure state-funded programs that provide SCHIP-equivalent coverage count as minimum essential coverage, thereby exempting families enrolled in that coverage from the individual mandate.

- Reaffirm the state-based nature of the program by calling for the use of “SCHIP” as opposed to “CHIP.”

- Encourage the U.S. Territories to implement Medicaid Fraud Control Units by exempting expenditures from their capped federal funding. This policy was included in the president’s budget.