



# American Public Health Association

*Working for a Healthier World*

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## **ALERT: CMS to Apply Unreasonable Requirements to SCHIP and Medicaid**

On August 17, 2007 The Centers for Medicare and Medicaid Services (CMS) issued a guidance letter that has had a devastating effect on states' ability to provide health insurance coverage through the State Children's Health Insurance Program (SCHIP) for children in families earning more than 250% of the federal poverty level (FPL) (\$51,626/year for a family of 4). Now, CMS is going to apply the same rule to Medicaid. The effects of this rule have already been felt by the State of New York, when on September 13, 2007 CMS rejected the state's proposal to increase SCHIP coverage to include families earning up to 400% of FPL. In addition, CMS has blocked proposals by Ohio, Louisiana, and Oklahoma to increase eligibility up to 300% of FPL. Wisconsin, in an effort to get CMS approval of its expansion proposal scaled back its proposal. As a result of this rule, which did not receive Congressional approval or federal notice-and-comment review, an estimated 80,000 children will not receive coverage.

This CMS policy requires states to meet burdensome and unattainable requirements before any proposal to expand coverage would be approved and would require states currently offering SCHIP and Medicaid coverage to households with income thresholds above 250% of FPL to meet the requirements within one year. The policy implies that states are not focusing on low-income families. However, the Congressional Research Service estimates that 91% of SCHIP enrollees are from families earning less than 200% of FPL.

Specifically, the CMS policy requires states to:

1. Show that new SCHIP and Medicaid enrollees had been uninsured for one year.
  - a. This is a dangerous policy both in terms of harming children and the potential to increase health care costs due to increased utilization of Emergency Rooms as the provider of last resort
2. Prove that 95% of enrollees are at or below 200% of FPL.
  - a. This requirement will prove very difficult for states because it requires states to track family income, insurance, and legal status for all enrollees. Currently only the Census Bureaus' population survey measures all of these factors and that survey is by design only episodic, lacks real time information, and contains sampling errors.
3. Show that private health insurance enrollment had not declined more than 2% among targeted income groups, and
  - a. This requirement will be difficult to establish because there are many reasons why rates of private health insurance coverage fall, including employers no longer offering coverage or large employers moving out of state.

Between 1998 and 2005 the number of uninsured children was reduced by 2.7 million, despite an increase in child poverty and a decline in the number of children whose families have access to employer-sponsored health insurance. This decrease, experts agree, is the result of expanded coverage through SCHIP and Medicaid. These new restrictions on states has resulted tens of thousands of children not gaining coverage and has blocked state efforts to expand coverage to uninsured children.