POLICY BACKGROUND

File policy background

BACKGROUND

Children

1. **Helping Medicaid and CHIP reach their full enrollment potential**. Most uninsured children are today eligible for Medicaid or CHIP but are not enrolled. Al Gore would propose three policies to raise participation in these insurance programs from around 60 to 98 percent of children in families with income below 250 percent of poverty. First, he would offer additional funding for states to expand to 250 percent of poverty (currently, CHIP is restricted to 200 percent of poverty). This additional funding, which would be added to the CHIP allotments would be based on the number of uninsured children between 200 and 250 percent of poverty (since the current CHIP allotment is based on the number of uninsured children in families with income below 200 percent of poverty). Second, he would provide a bonus award payment for states that meet the enrollment target which will be phased in from 90 percent to 98 percent between 2001 and 2005. States could use this bonus for additional outreach or other health programs. And, third, he would reduce the CHIP enhanced matching rate for states that do not meet the enrollment target. This reduction would be based on the difference between actual enrollment and the enrollment target but would not go below Medicaid's matching rate in the state. This bonus / penalty structure would provide powerful incentives for states to ensure that eligible children are enrolled. It would result in a Federal matching rate that is based both on poverty in the state (the current matching formula) and performance in reaching coverage targets.

2. **Guarantee access to affordable health insurance for all children**. Beginning in 2002, states would either allow all uninsured children above their CHIP/Medicaid eligibility levels to buy into CHIP, Medicaid, or a similarly state-designed benefit option that would be affordable, accessible alternative (e.g., an individual insurance plan that offers guarantee issue, modified community-rated children's only products for all children).

   To help make these policy options more affordable, most families purchasing coverage for their children through the new CHIP/Medicaid buy-in or through an individual insurance policy would qualify for the new 25? percent tax credit for individual insurance. Families purchasing coverage through small business purchasing coalitions would also receive a 25 percent tax credit to help offset costs

3. **Enroll uninsured children through schools**. All schools and pre-schools would screen children for health insurance coverage, which will significantly increase enrollment of uninsure children. Similar to immunization records, all parents would provide proof of health insurance for their children in September of every year or when they change schools. Families of children without insurance would be sent an application form by the school. Upon receiving this application with basic eligibility information, schools would presumptively enroll uninsured children in the relevant program: Medicaid for the poorest children or CHIP for children from low-income working families. Schools would submit the applications for higher income children to the new Medicaid/CHIP buy-in or individual

insurance option. States would then follow through to verify income and collect premiums where applicable.

- **Cost and Coverage.** This policy, couple with the laws enacted by the Clinton-Gore administration to expand children's health coverage, is designed to cover 9 million uninsured children when fully implemented. This coverage would cost about $15 billion over 5 years, $40 billion over 10 years.

Parents of Children on Medicaid and CHIP

- **New Family Coverage Option under CHIP**: States would be given the option to expand CHIP to cover the uninsured parents of the children. The CHIP funding allotments would be increased by to help offset the cost of the parents of children on Medicaid and CHIP. Most of the structure of CHIP would remain the same (e.g., funding at an enhanced matching rate; option to cover families through Medicaid or a non-Medicaid program; protections against "crowd-out" of existing coverage). States would cover only the parents of children eligible for CHIP in this program; parents of children on Medicaid would be covered through Medicaid (as described below). States could set upper income eligibility for parents at levels below their CHIP children's eligibility but would have to cover all parents below the income limit (i.e., states could not favor higher over lower income parents). The allotments would be based on the proportion of low-income uninsured parents in the state. [need to add the Medicaid costs]

- **Medicaid enrollment bonus.** States expanding coverage to uninsured parents of Medicaid children would enroll them in Medicaid, but would receive enhanced match from the new parents' component of the CHIP allotment. This enhanced match would provide the same financial benefit of the current CHIP program and would be based on the additional number of uninsured parents enrolled in Medicaid relative to baseline. The baseline for this proposal is the number of Medicaid-enrolled parents in the year prior to implementation of this option.

- **Costs and coverage:** Assuming that 40 percent of uninsured, eligible are parents (assuming that not all state participate), the program would cover over 3 million adults at a cost of $20 billion over 5 years, $50 billion over 10 years.

Small Business Purchasing Coalitions

- The President's FY2000 budget proposed to (1) give small firms (fewer than 25 employees) that do not offer health insurance a temporary (2 year) tax credit of 10 percent of their contribution towards health insurance, up to $200 per individual, $500 per family for purchasing health insurance through purchasing coalitions; and (2) allowing donations from foundations to coalitions from foundations for start-up to be considered charitable. The option would sunset in 2003. This proposal would be expanded by:

    - Making all small businesses participating in coalitions (not just those that do not current offer health insurance) eligible for the tax credit;

    - Increasing the amount of the credit to 20 percent of the employer contribution up to a limit of $400 per individual, $1,000 per family.

    - Providing $25 million in grants to states to start coalitions.