American Academy of Pediatrics (AAP) Medicaid and SCHIP Update May 10, 2004

PLEASE NOTE: ALL REPLIES SHOULD BE SENT TO schip@aap.org

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New and Noteworthy

1. Article Indicates Federal Scrutiny of State Medicaid Financing Mechanisms

An April 23 Stateline.org article indicates that many states are facing significant federal scrutiny of Medicaid spending. At issue is the use of intergovernmental transfers (IGTs), which many states have used in recent years to draw down a greater share of federal dollars. IGTs are allowed under federal law, however federal officials are concerned some states are using them inappropriately and not paying their appropriate share of Medicaid expenses. The article indicates that Medicaid programs in 34 states may be improperly exploiting loopholes, and that many new IGT programs have been set up recently. The complete article can be found online at:

http://www.stateline.org/stateline/?pa=story&sa=showStoryInfo&id=366958

2. MCH Policy: States More Likely to Increase SCHIP Cost-Sharing than Reduce Eligibility/Benefits

A new fact sheet from the Maternal and Child Health (MCH) Policy Research Center indicates that, in taking steps to control costs, states are more likely to increase children's cost sharing in SCHIP programs than to cut their eligibility or benefits. The MCH fact sheet reports on the SCHIP program changes that states have made over the last 16 months in response to state budget shortfalls, based on information from SCHIP directors in all 50 states in March 2004. The fact sheet shows that despite the enormously difficult fiscal conditions facing states, nearly all are protecting the SCHIP programs from direct cuts to eligibility and benefits. The report finds, however, that many states are asking parents to contribute more to the cost of children's coverage, usually in the form of new or higher premiums. The fact sheet can be found online at:

http://www.mchpolicy.org/publications/documents/SCHIPFactSheetUpdate_001.pdf

3. New CHIRI Report Highlights Positive Effect of New York SCHIP Program

A new report of the Child Health Insurance Research Initiative (CHIRI) examines the impact and benefits of providing health insurance to low-income children. CHIRI researchers compared demographic and health measures for children before and after enrollment in SCHIP in New York. This new study demonstrates the benefits of SCHIP, and finds that enrollment in the program had a positive impact in many areas. The researchers found that the program decreased the proportion of enrollees without a regular source of care, decreased the proportion of enrollees with any unmet health need and specific health care needs, increased the proportion of children who received preventive visits, and increased both continuity and quality of care. This report can be found online at:

http://pediatrics.aappublications.org/cgi/content/full/113/5/e395

4. Study Shows Medicaid a Lower-Cost Approach to Providing Care

A March report of the Kaiser Commission on Medicaid and the Uninsured (KCMU) examines a study conducted by researchers of the Urban Institute, looking at per-capita costs in Medicaid and private insurance. The investigators sought to assess whether, for non-elderly adults and children with incomes below 200% of the federal poverty level (FPL), Medicaid is a high-cost program relative to private health insurance. To do so, the researchers examined whether health care spending would be lower under private insurance than through Medicaid. They found that per capita expenditures for adults in Medicaid were higher than the corresponding amounts for low-income adults with private insurance. However, the study notes that Medicaid enrollees are in poorer health than those in private insurance. When disabled adults in Medicaid were then excluded from the sample, per capita expenditures were significantly lower for Medicaid adults than for the privately insured. With children, per capita expenditures were significantly lower for those in Medicaid than for those with private insurance – even when children with disabilities, who are more prevalent in the Medicaid population, were included in the analysis. A simulation model indicates that per capita spending would increase by $1,265 for an adult and $76 for a child, if the average person enrolled in Medicaid were shifted to private insurance. The report further indicates that lower per capita spending in Medicaid reflects, in part, Medicaid's lower provider payment rates, which raise concerns about access to the program. The complete report can be found online at:

http://www.kff.org/medicaid/7057a.cfm

5. Analysis Examines SCHIP and Children with Special Health Care Needs (CSHCN)

A study by the Kaiser Commission on Medicaid and the Uninsured (KCMU) published in January sought to 1) describe the Title V Maternal and Child Health Services Block Grant program as it pertains to children with special health care needs (CSHCN); 2) explore the level of interaction and coordination between Title V programs and separate SCHIP programs in providing services to CSHCN; and 3) assess the implications of state program choices for publicly-funded health insurance programs and pediatric health care. The study found that states have generally less-comprehensive benefits under SCHIP than under Medicaid and that, while this works well for the vast majority of children who are healthy, it can result in gaps for needed services for CSHCN. The study also found that a handful of states have used their Title V programs to attempt to fill the gaps in coverage for CSHCN in SCHIP, but the majority of states have not done this. However, the study indicates that even in those states where Title V is used to fill-in coverage gaps for CSHCN in SCHIP, some of these children, especially those with extensive behavioral health needs, are likely to find it difficult to navigate the system, and that gaps in coverage still exist. The full report is available online at:

http://www.kff.org/medicaid/7035.cfm

6. Budget Battles and Medicaid and SCHIP in 12 States

An article published in the March/April issue of Health Affairs indicates that, in the 12 states studied, Medicaid and SCHIP programs have been protected from budget cuts to a large extent. These protections came mostly because of the greater constituencies that have fought to protect these programs during the difficult budget conditions of recent years. The authors examined data from 12 states, interviewing representatives of health care providers, health plans, employers, local officials, advocates for low-income populations, other community respondents, and officials for state health and human services departments, representatives from the governor's office, and state legislators. They found that states have attempted to contain Medicaid costs primarily by slowing the pace of enrollment and reducing provider payments, while fewer states enacted measures to directly impact access to services or reduce eligibility. The study found that the coalition of support behind Medicaid in most states goes well beyond the low-income people who benefit most directly from the program, and that these coalitions largely helped the program avoid drastic cuts. Nonetheless, the report cites that experiences may be different in other states not studied, and that past success at protecting Medicaid and SCHIP

does not guarantee that this will continue, as states continue to face ongoing budget pressures. An abstract of this article can be found online at:

http://content.healthaffairs.org/cgi/content/abstract/23/2/143

7. State Budget Update Indicates Budget Shortfalls Smaller for FY 2005

An April state budget update of the National Conference of State Legislatures (NCSL) indicates that while approximately the same number of states are facing budget shortfalls this year as last, the amount of these shortfalls is considerably less this year. In total, 33 states face an aggregate shortfall of $36 billion for upcoming FY 2005, which starts July 1 in all but four states. While sizeable, this amount is nearly half of the $68.5 billion aggregate shortfall states faced last year. Moreover, a large portion of this $36 billion comes from California alone, which faces a $15 billion gap. The fiscal conditions have improved in a number of states, and as many as 32 states expect to end FY 2004 with a small budget surplus. States with budget shortfalls, however, expect difficulty again this year balancing their budgets.

This report can be purchased by the public for $30 at:

http://www.ncsl.org/programs/fiscal/sfo20044.htm

8. Cover the Uninsured Week Kickoff

Cover the Uninsured Week kicked off May 5, 2004, with a national event in Washington, DC. From May 10-16, a series of events in local communities taking place nationwide will highlight the plight of the uninsured and the need for coverage of the nearly 44 million Americans without health insurance. Organized by The Robert Wood Johnson Foundation and an ideologically diverse group of national and local organizations, Cover the Uninsured week will be co-chaired by former Presidents Ford and Carter. The AAP has joined this effort as a national supporter. To find out more about events in your community, please visit:

http://covertheuninsuredweek.org/

From the Federal Government

9. CMS Approves First-Ever Multi-State Medicaid Drug Purchasing Pool

On April 22, the Centers for Medicare and Medicaid Services (CMS) announced the approval of plans to allow five state Medicaid programs to pool their purchasing power to obtain larger discounts for prescription drugs, a first for states and CMS. The five states involved are Michigan, Vermont, New Hampshire, Alaska, and Nevada. Announcing the approval of the plan, CMS indicates that guidance will be issued in coming weeks explaining the agency's requirements for forming and participating in multi-state purchasing pools. The guidance will be distributed in a letter to state Medicaid directors. Under the approved plans, each state will maintain its own preferred drug lists and exercise clinical oversight of those lists to assure needed access to medications for beneficiaries, according to the US Department of Health and Human Services (HHS). The HHS press release announcing the approval of this multi-state plan can be found online at:

http://www.hhs.gov/news/press/2004pres/20040422.html

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an example: UNSUB schip joesmith@email.com

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SUB schip Joe Smith

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ABBREVIATIONS and ACRONYMS

AAP - American Academy of Pediatrics
CHIRI – Child Health Insurance Research Initiative
CSHCN – children with special health care needs
CMS – Centers for Medicare and Medicaid Services
FPL – federal poverty level
FY – fiscal year
HHS – Health and Human Services, US Department of
IGT – intergovernmental transfer
KCMU – Kaiser Commission on Medicaid and the Uninsured
MCH – Maternal and Child Health
NCSL – National Conference of State Legislatures
SCHIP - State Children's Health Insurance Program

The Division of State Government Affairs sends the Medicaid and SCHIP e-mail update to the Academy's Executive Committee, Board of Directors, District Vice-Chairs, Chapter Presidents, Committee on State Government Affairs, Committee on Federal Government Affairs, Chapter Executive Directors, other interested AAP members and staff, and other subscribers. Send comments or questions to SCHIP@aap.org or contact Dan Walter at the American Academy of Pediatrics at (800) 433-9016 ext 4086.

Previous updates are available on the AAP Web site at:

http://www.aap.org/advocacy/schiprep.htm

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