



American Academy of Pediatrics

DEDICATED TO THE HEALTH OF ALL CHILDREN™



STATEMENT

of the

AMERICAN ACADEMY OF PEDIATRICS

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The Future of CHIP: Improving the Health of
America's Children

Department of Federal Affairs

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The American Academy of Pediatrics (the Academy) is an organization of 60,000 primary care pediatricians, pediatric medical subspecialists, and pediatric surgical specialists, who are deeply committed to protecting the health of children, adolescents and young adults receiving health care in the United States. The Academy is pleased to provide comments about the future of the State Children's Health Insurance Program, (SCHIP), which currently covers more than six million lower-income children throughout the United States in partnership with the Medicaid program. SCHIP has achieved remarkable progress in its brief history.

Despite the program's widely acknowledged success and popularity, several outstanding challenges have been identified by participating pediatricians and other health care professionals, SCHIP officials, enrolled families, and health service researchers. These challenges pertain to (1) ensuring adequate funding for the program; (2) compilation and analysis of payment rate information, and (3) ensuring adequate payment for both SCHIP and Medicaid. This Statement for the Record posits recommended strategies in each of these areas. If these changes to the program are incorporated in this year's reauthorization, SCHIP's success will continue into its next decade.

Ensuring Adequate Funding for both Medicaid and SCHIP

The Academy believes that significant new funds must be added to both SCHIP and Medicaid to strengthen children's health coverage in the United States. Over the past decade, amidst rising health care costs, declining employer-based coverage, and growth in the number of uninsured Americans, SCHIP and its larger companion program, Medicaid, covered millions of children who otherwise would have been without coverage. Together, these programs drove down the uninsured rate of low-income children by a third.

The outlook for SCHIP does not bode well for children. If the SCHIP and Medicaid budgets are not addressed, the population covered by SCHIP will shrink nearly in half over the next five years. Thus, the Academy urges Congress to reauthorize the program with an adequate increase in funding. Additionally, to forestall further shortfalls, the budget baseline for SCHIP should be set at a rate significantly higher than the level set in law for the final year of SCHIP's initial authorization to avoid future budget shortfalls.

As Congress discusses setting funding levels, eligible but unenrolled children should be the target of that funding. Nearly 70% of the children who are uninsured in the country are eligible but unenrolled. It is likely that funding is the fundamental reason that these children are not currently insured.

States need sufficient federal funding to ensure that all those currently covered by SCHIP can continue to be served by the program, and move forward in covering more children, as a growing number of states are poised to do. Without enhanced SCHIP and Medicaid funding, more children will be forced to turn to safety net providers for their care, crowding emergency rooms and generally receiving aid from an already overburdened system.

Commission to Study Medicaid and SCHIP Payment

Recognizing burdens in the safety net system, a group of senators in 2003 discussed a proposal that would provide for the creation of an independent commission to monitor the system of providers caring for underserved populations. The proposed commission was modeled on the Medicare Payment Advisory Commission, and was named the Safety Net Organizations and Patient Advisory Commission (SNOPAC). SNOPAC was designed to track changes in the status of the health care safety net; link and integrate existing data systems related to the safety net; and establish an early-warning system to identify impending failures of health care safety net systems and providers. Members of the group that proposed SNOPAC included Finance Chairman Baucus, Health Subcommittee Chairman Rockefeller and Ranking Member Hatch.

The Academy believes that such a mechanism should be implemented to monitor and analyze Medicaid and SCHIP payment rates for others who provide services under Medicaid as well. This proposal would call for a Medicaid Payment Advisory Commission (MEDICAID-PAC). While payment rates under Medicaid have been monitored by the Academy, the SCHIP program makes it much more difficult to deduce rates of payment because some states have tied SCHIP payment to Medicaid while others have not. These difficulties implicate to an even greater extent the need to create a MEDICAID-PAC to compile and analyze payment rates under both programs.

A MEDICAID-PAC could advise CMS and Congress on physician coding and payment policies related to state Medicaid and SCHIP programs, as does the Medicare Payment Advisory Commission (MedPAC) with respect to Medicare payment policies. MedPAC's predecessor, the Physician Payment Review Commission (PPRC), had served as a forum for reviewing both Medicare and Medicaid payment policies. Since MedPAC replaced the PPRC, there has been no equivalent entity to examine Medicaid payment policies.

Access and Payment Under SCHIP and Medicaid

It is important to emphasize the vital link between SCHIP and the Medicaid program. Medicaid covers six times as many children as SCHIP, and thus provides the foundation for children's health coverage in the United States. Policymakers should take steps to improve both Medicaid and SCHIP during the SCHIP reauthorization this year.

Low Medicaid and SCHIP payments do not cover costs, and increasingly force pediatricians to make difficult business decisions of continuing to treat patients at a financial loss, or limiting their participation in the Medicaid program altogether. The resulting lack of access for patients may then drive them to seek emergency room care that is significantly more expensive.

As strong as these programs are, pediatricians are finding it increasingly difficult to maintain their Medicaid and SCHIP caseloads. On average, Medicaid reimburses pediatricians at only 69% of the rate that would be paid under Medicare, and only 56% of commercial rates for an office visit. In some states, Medicaid payment is even lower. As has been stated, SCHIP rates

are harder to pin down, but in many states SCHIP rates are tied to Medicaid's rates. Low rates of payment seriously impede access to quality health care for children.

Conclusion

SCHIP has a proud history on which to build. To achieve continued success in reducing uninsurance among children and ensuring access to high-quality pediatric care, the AAP recommends that Congress and state policy makers adopt these important recommendations. In closing, the American Academy of Pediatrics seeks to ensure that Congress keeps in mind the children we care for as it considers reauthorizing SCHIP. The Academy would welcome the opportunity to provide further information and input to the Committee as it considers changes to SCHIP.