

# Too Close to Turn Back

## *SCHIP and Children's Health Coverage in Arkansas*



Arkansas Advocates for Children & Families  
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## **Introduction**

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In 1997, with the enactment of Title XXI of the Social Security Act, the State Health Insurance Program (SCHIP) was created with strong bipartisan support. Initially authorized as a 10-year program, SCHIP has become widely regarded as one of the greatest recent social policy successes. SCHIP was crafted to provide affordable health care coverage to low-income children who are financially ineligible to receive coverage under Medicaid.

The federal government provided states the financial support (nearly \$40 billion) and flexibility needed to expand publicly funded coverage to children. It authorized states to use federal SCHIP funds to extend coverage beyond Medicaid by expanding eligibility levels (as was done in Arkansas), by creating a separate children's insurance program (as was done in Mississippi and Texas) or through a combination approach (as is the case of Florida). Unlike Medicaid, federal funding for SCHIP is capped. States receive an enhanced federal match rate 65% to 85% for its SCHIP related initiatives (Arkansas' SCHIP federal rate match is almost 82%), up to a capped allotment determined through a formula that takes into account a state's share of low-income children and uninsured, low-income children. If a state does not use its annual allotment of SCHIP funds within a period of three years, the unspent funds are redistributed to other states.

Although funding for SCHIP is set to expire in September 2007, Congress has the opportunity to reauthorize the program to build upon the success of the last 10 years and provide the resources needed to further narrow the coverage gap for children. Since the inception of SCHIP, the number of uninsured children in this country has decreased by one-third. Currently, 28 million children receive coverage through Medicaid and 6 million receive coverage through SCHIP-financed Medicaid expansions or separate SCHIP programs. Despite the success of Medicaid and SCHIP, 8.3 million children under the age of 18 remain uninsured. And for the first time since 1998, the number of children without health insurance coverage rose by 360,000 children, climbing from 10.8 percent of children in 2004 to 11.2 percent in 2005. Nearly 70 percent of uninsured children live in families with incomes under 200 percent of the federal poverty level (which translates to \$40,000 for a family of four and \$31,000 for a family of three). As a result of coverage expansions, most of these children are now eligible for Medicaid or SCHIP.

SCHIP was designed to provide health coverage for children that fall between the gap of publicly funded Medicaid and private insurance. The original goal was to cover 5 million children by 2007. In 2006, 6.1 million children were enrolled in SCHIP. The latest information released by the U.S. Census Bureau indicates that the number of uninsured kids has increased for the first time since 1998. Current estimates reveal that approximately 9 million children nationwide are without health insurance, of which 74 percent are eligible to enroll in Medicaid or SCHIP.

As a result of SCHIP and other initiatives, Arkansas has been a national leader in reducing its ranks of uninsured children, from over 20% in 1997 to 10% today. Today, nearly 65,000 Arkansas children receive coverage through SCHIP.

In 2007, Congress will face opportunities and challenges to make advancements in meeting the health care needs of children through reauthorization of the State Children's Health Insurance Program (SCHIP). The reauthorization of SCHIP will have major implications for Arkansas' future efforts to provide health care coverage for all children. In 2011, Arkansas will join the ranks of

states that face a financial shortfall in its SCHIP program unless funding is increased. Without additional funding, the state will face tough choices about how to make up the shortfall, such as serving fewer children and/or cutting benefits.

## **Overview of Children’s Coverage in Arkansas**

ARKids First, Arkansas’ children’s health care coverage program, was created and established in 1997 several months prior to the federal adoption of the SCHIP program. Like SCHIP, the ARKids First program was originally created to provide coverage for children with family incomes too high to qualify for traditional Medicaid.

Until August of 2000, Arkansas had two distinct health care coverage programs for children: (1) traditional Medicaid which served children under age 6 with incomes up to 133% of poverty and children 6 years and older in families with incomes up to 100% of the federal poverty line; and (2) the ARKids First program which served children with family incomes too high to qualify for traditional Medicaid up to 200% of poverty.

In August of 2000, the ARKids First Program was expanded to include traditional Medicaid. Since that time, ARKids First has had two components, ARKids A and ARKids B. ARKids A is funded by traditional Medicaid and serves poor children under age 6 up to 133% of poverty and children 6 years and older up to 100% of poverty. ARKids B serves children in families with incomes above the income limits for ARKids A (traditional Medicaid). ARKids B covers most of the services provided under ARKids A. ARKids B requires a \$10 co-pay for office visits and a \$5 co-pay for prescriptions, but co-pays are waived on all well-child visits, immunizations, dental check-ups. There are no premiums for either ARKids A or ARKids B.

**Eligibility Guidelines for ARKids First**

| <b>Age Group</b>    | <b>ARKids A<br/>(Traditional<br/>Medicaid)</b> | <b>ARKids B<br/>(1115 Waiver)</b> | <b>ARKids B<br/>(SCHIP)</b> |
|---------------------|--|-----------------------------------|-----------------------------|
| <b>&lt; 6 yrs</b>   | <b>0-133%</b>                                  | <b>134-149%</b>                   | <b>150-199%</b>             |
| <b>6 &amp; over</b> | <b>0-100%</b>                                  | <b>101-149%</b>                   | <b>150-199%</b>             |

From its inception in 1997 until 2005, the original ARKids program (what we know as “ARKids B” today) was funded by a Medicaid 1115 waiver. Until 2005, the state used SCHIP funds only to expand coverage for children below 100% of poverty ages 13 through 18 so that traditional Medicaid coverage was available for children up to age 19. This meant there were only a few thousand kids using SCHIP dollars for the first five years of the program. Arkansas did not utilize all of its SCHIP allotment and part of its allotment was reallocated in 2002. According to the best data we have available from the Center on Budget and Policy Priorities, Arkansas had \$145 million in SCHIP funds reallocated to other states through 2005. Arkansas’ SCHIP allotment for fiscal year 2007 is \$49.3 million.

In 2005, Arkansas received federal permission to implement a Medicaid plan change that would move most ARKids B children from the 1115 waiver to SCHIP. Arkansas is utilizing its SCHIP dollars for children who are between 150 and 200% of poverty and who meet SCHIP guidelines. This allowed Arkansas to begin drawing down its SCHIP allotments that, until then, were mostly unspent. Because the plan change was initially requested in 2002, Arkansas was allowed to back date Medicaid claims for 2002, 2003, and 2004 to draw down federal funds at the enhanced SCHIP matching rate. The state is using 2005's allotment to cover current spending.

## **Arkansas Children Impacted by SCHIP**

The SCHIP reauthorization could have a tremendous impact on Arkansas children. Without additional SCHIP funding, Arkansas is expected to run an SCHIP funding shortfall in 2011. Additional SCHIP funding will be needed to continue coverage for all of the 64,000 children now being financed through SCHIP.

**ARKANSAS DEPARTMENT OF HUMAN SERVICES  
ARKIDS/SCHIP MEMBERS  
ACES DATABASE - March 2006 - May 2006**

|                             | <b>Number</b> | <b>%</b> |
|-----------------------------|---------------|----------|
| ARKids B Children           | 77,135        | 25%      |
| ARKids A Children           | 236,318       | 75%      |
| Total ARKids Children       | 313,453       | 100%     |
|                             |               |          |
| <u>ARKids B Children</u>    |               |          |
| SCHIP (> 150% PL)           | 64,001        | 83%      |
| 1115 waiver (100 - 150% PL) | 13,134        | 17%      |
| Total ARKids B Children     | 77,135        | 100%     |

SCHIP and Medicaid have become even more important in recent years with the decline in employer provided coverage. According to the recent study by the Economic Policy Institute, "Health Insurance Eroding for Working Families," Arkansas has seen a significant decrease in employer based coverage for both adults and children. For all people under age 65, Arkansas's employer-based coverage decreased from nearly 63% in 1999 -2000 to 57% in 2004 -2005. This outpaced the national decline in employer provided coverage (from 68% to 63%) during the same time period. For Arkansas children under 18, employer based coverage declined from 61% in 1999 - 2000 to 55% in 2004 -2005. Nationally, the same rate declined from 65% to 61%.

## Modernizing and Improving Coverage for Children

Prior to 1997 a family desiring Medicaid coverage was required to go to the local DHS office, complete a lengthy application form, and participate in a face-to-face interview with a case worker before eligibility could be determined. Under *ARKids First*, a family needing Medicaid for their child could call a 1-800 number and have an application mailed to their home. The face-to-face interview was eliminated as a family could mail in their application to a central processing unit in North Little Rock. Although families were still required to send in copies of pay stubs to verify their income, the application form was shortened to two pages and required no assets information as required under traditional Medicaid.

Over the past eight years Arkansas Advocates and the other coalition partners have worked with the Arkansas Department of Human Services to reduce barriers to enrollment in both *ARKids First* and all of children's Medicaid. These changes included:

- Constant refinements to the application that made it easier for families to apply, including:
  - removal of parent social security number requirement,
  - removing the requirement of absent parent contact information,
  - printing of the application in Spanish,
  - and inclusion of the local human service office's mailing address.
  
- In August 2000, *ARKids First* was expanded to include traditional Medicaid. ARKids now had two packages, ARKids A (renamed from traditional Medicaid) and ARKids B (the original *ARKids First expansion program*). The renaming of the traditional Medicaid program to the popular ARKids First program helped reduce the perceived stigma that some families had previously associated with applying for traditional Medicaid.
  
- In August 2000, the ARKids First application became a joint mail-in application for both ARKids A and ARKids B. An actual application packet was developed with input from Arkansas Advocates and their local outreach projects that included program information as well as the new self-mailing application.
  
- In August 2000, the self declaration of income was accepted for both ARKids A & B. Families were no longer required to save monthly and weekly pay check stubs to send in with their application. The Department of Human Services now uses alternative methods to verify income. This reduced the time needed to apply for ARKids First and also reduced the burden on families and made it easier for them to stay enrolled in the program.
  
- In 2001, the state eliminated the asset tests used to help determine eligibility for ARKids First (ARKids A previously required an assets test). Children applying for the ARKids A program were no longer required to provide asset information, thereby making it easier for some families to successfully apply for the program.

☛ In 2001, the waiting period required for children with another form of insurance to access ARKids B was reduced to six months. The definition of insurance was clarified to allow individual policy holders to have immediate access to ARKids B.

☛ In 2005, the requirement of attaching a copy of the birth certificate was eliminated for applicants born in Arkansas (note: this situation may possibly change in the future as the result of new requirements imposed by last year's Deficit Reduction Act).

Re-enrollment procedures have been the most recent focus of simplification efforts. AACF and DHS, with the support of the Covering Kids & Families initiative, began a process improvement project to identify better ways to re-enroll children in *ARKids First*. A new process was recently put in to place to re-enroll children over the phone. This collaborative process has opened the door for consideration of other possible re-enrollment methods such as physician based re-enrollment and electronic re-enrollment. Simplifying re-enrollment not only enables children to retain health insurance coverage, but reduces the administrative time required to determine eligibility for children whose coverage has lapsed.

Other improvements include the following:

- In 2001 Arkansas voters passed a ballot initiative to set aside part of the state's Tobacco Settlement Dollars to expand Medicaid maternity coverage to pregnant women up to 200% of poverty. This expansion has provided more women in Arkansas with much needed prenatal care.
- In July 2003, Arkansas extended prenatal care to unborn children, thereby allowing immigrant women who would not themselves be eligible for Medicaid or SCHIP, access to prenatal care for their unborn children. This was accomplished using SCHIP funds (nearly 1,200 are being served through this option).
- In 2006, Arkansas received federal permission to extend coverage to uninsured working parents and childless adults working for small employers. The program, which rolled out in early 2007, offers a bare bones policy with limited benefits. The program, which will be partially financed using SCHIP dollars, has received federal approval to provide insurance coverage for up to 80,000 adults annually.

## **Getting to the Finish Line: How Far Have We Come?**

Arkansas' overall uninsured rate has increased in recent years from 15% in 2001 to 17% in 2004. This is due to a dramatic increase in the number of uninsured adults. In 2001 the number of uninsured adults was 19.8% and in 2004 it was 24.1% (note: this data comes from the Household Insurance Survey performed by Arkansas Center for Health Improvement in 2001 and in 2004).

In contrast, Arkansas has made major strides in providing health care coverage for kids. As a result of the ARKids First program, the availability of enhanced SCHIP funding, and program improvements, the percent of uninsured children has dropped considerably since 1997. Arkansas has been among the national leaders in reducing its rate of uninsured children in recent years, reducing its uninsured rate from 22% in 1997 to about 10% today.

| Year | Uninsured Under 100% of Poverty | Uninsured All Children |
|------|---------------------------------|------------------------|
| 1997 | 34%                             | 22%                    |
| 1998 | 37%                             | 23%                    |
| 1999 | 37%                             | 20%                    |
| 2000 | 25%                             | 14%                    |
| 2001 | 20%                             | 12%                    |
| 2002 | 17%                             | 12%                    |
| 2003 | 15%                             | 11%                    |
| 2004 | 12%                             | 10%                    |
| 2005 | 13%                             | 10%                    |

Source: Current Population Survey, various years.

Families seem to be very satisfied with the ARKids First program. The Arkansas Foundation for Medical Care produces a customer satisfaction survey for ARKids First A & B. The most recent surveys reflect a high level of client satisfaction. In 2003, 73% of the families utilizing ARKids A rated the quality of care high (8 or above on a scale of 10). In 2004, 80% of families utilizing ARKids B rated the quality of care high.

## **Key Challenges Ahead**

To date, citizens, policymakers and providers have continued to be very supportive of the Arkansas Medicaid program. From 1998 until the end of 2005, Arkansas Advocates for Children & Families served as the lead agency to reach children and their families and enroll them in SCHIP or Medicaid. This project was funded through the national Robert Wood Johnson Covering Kids and Covering Kids and Families initiatives. This effort was completed in December 2005 and very little direct outreach has been done since that time. While most of the local partners are still engaged in enrollment assistance as part of their organizational operations, we have concerns that a lack of financial commitment and support will ultimately lead to less outreach and enrollment assistance. The lack of outreach may result in diluted awareness and lower enrollment rates. This erosion would jeopardize the knowledge base developed with the outreach project and become a barrier to enrollment.

Another challenge will be the availability of Medicaid and SCHIP funding. Now that Arkansas has dramatically increased its use of SCHIP funds to serve more eligible children, and given the recent creation of a new program to serve adults, there is a real threat that Arkansas may not have enough SCHIP funds in future years. The Center on Budget and Policy Priorities has estimated that without an infusion of new SCHIP funds, Arkansas will run a shortfall by 2011, meaning that the state will not have enough funding to sustain current enrollment in the program. Not only would a shortfall threaten coverage of those currently enrolled in ARKids B, but without additional SCHIP funding, the state would not be able to both provide coverage for those who are currently eligible but not

enrolled or pursue any effort to expand eligibility for those who are currently ineligible for coverage. Furthermore, additional funding will be necessary to expand ARKids First to other child populations, such as those in families with incomes between 200 and 300% of the poverty line. This group is the fastest growing group of uninsured children, with an uninsured rate of 14% and growing.

The situation is underscored by national trends. Current policy assumes that total federal funding for SCHIP will be frozen at \$5.04 billion annually for future years. This level does not take into account any future funding increases that will be needed for health care inflation or population growth. According to the Center on Budget and Policy Priorities, another \$12-\$14 billion in nationwide SCHIP funding is needed from 2008 to 2012 just to stay even and serve existing caseloads in the states.

A particular challenge in states' efforts to cover more children is the unfunded mandate imposed on states in the Deficit Reduction Act (DRA) which requires states to document every Medicaid applicant/participant's citizenship. The mandate affects states like Arkansas whether or not they have a problem with undocumented children and others getting on Medicaid. The documentation requirements are extremely rigid and are causing significant problems, particularly for children who are citizens who cannot secure the limited allowable documents to prove citizenship. In a number of states, this mandate has led to a documented decline in Medicaid participation among these children. This DRA provision should be modified in the SCHIP reauthorization to give states the option of requiring citizenship documentation and discretion over how best to implement a requirement if they choose to establish one.

## **Recommendations**

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The citizens of Arkansas strongly support the goal of ensuring that all of America's children have health care coverage. Since SCHIP was adopted in 1997, Arkansas and other states have made major progress toward reducing the uninsured rate of low-income children by one-third – even as the number of uninsured adults has jumped. A growing number of states, including Arkansas, are pursuing initiatives to build on the success of SCHIP and its larger companion program, Medicaid, to cover even more children. The success of SCHIP reauthorization will not be measured by whether Congress simply maintains the progress achieved to date. Instead, it must support the momentum that is building around the country and to help establish a pathway for states to reach the broadly-shared goal of covering all of America's children.

To accomplish this goal, SCHIP reauthorization should:

- Increase federal funding that flows to the states for child health care to narrow the coverage gap. The level of financing for SCHIP – established in 1997 – does not keep pace with rising health care costs and the need for coverage. To ensure that no child currently enrolled in the program loses coverage and that the country moves forward in reducing the number of uninsured kids, Congress needs to commit \$60 billion in federal funds over the next five years for Medicaid and SCHIP, as well as provide states with adequate, predictable funding. The financial stability of SCHIP is critical to states. If states continue to face impending funding shortfalls, they may impose enrollment



freezes, increased-cost sharing, and place greater restrictions on eligibility requirements, further increasing the number of kids without health care coverage.

- Protect Medicaid. Currently, seven in 10 uninsured children are eligible to enroll in either SCHIP or Medicaid. Medicaid is the backbone of the country's commitment to providing health care for low-income children and SCHIP reauthorization should not weaken the program. With pay-as-you-go federal budget rules in place, Congress needs to ensure that new investments in children's programs are not secured at the expense of other child services.
- Provide a flexible administrative framework for states to improve and expand their SCHIP programs. States should be able to expand their programs to provide coverage to more children. Flexibility should include state options to cover pregnant women through SCHIP without relying on waivers, as well as to provide SCHIP and Medicaid coverage to legal immigrant children and pregnant women who are unable to receive coverage until they have lived in the country for five years. States should also be able to use federal funds, without the need to submit a waiver, to assist families in purchasing or retaining their child's coverage through the private market, as long as the employer-based coverage meets SCHIP benefit and cost sharing standards.
- Eliminate barriers that keep eligible children from gaining or retaining public health care coverage. States should be given flexibility to develop their own requirements for establishing citizenship and options to simplify enrollment, renewal and waiting period requirements.
- Improve the quality of care provided to children to ensure healthy development. Congress should support state demonstrations that promote best practices and should require states to collect data on core child health quality measures. Congress should establish a new child health quality initiative that reflects children's unique health care needs.
- Establish performance-based measures and reward states that have successfully reduced the number of uninsured children and improved the quality of care.

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