



## **West Virginia Missing Opportunity to Insure More Children**

### **WVCHIP Funding in the Year Ahead**

#### **Implications of the Medicare, Medicaid and SCHIP Extension Act**

**March 2008**

#### **Introduction**

The State Children's Health Insurance Program (SCHIP) is one of the most successful programs nationally and in West Virginia. It provides health coverage for the children of working families who are too poor to buy insurance in the market place and too rich to qualify for Medicaid. Last year about 40,000 West Virginia children received important preventive and acute health care and oral health services through WVCHIP.

The program was passed with bipartisan support by Congress in 1997 and scheduled for reauthorization in 2007. Reauthorization failed, however, when the President and the Congress could not agree on funding levels for continuation of the program. They did, however, agree to extend the program through March 31, 2009 and provide sufficient funds to cover projected program costs through March 31, 2009. Federal funding is guaranteed through the Medicare, Medicaid and SCHIP Extension Act.

**It is often thought that the Extension Act provides each state with only enough funding to continue their existing SCHIP programs. In actuality, the extension ensures that all states have at least the amount of federal SCHIP funding that they projected in November 2007 would be needed through March 31, 2009 including funding to cover more children.**

Federal projections show SCHIP expenditures growing by 23 percent in fiscal year 2008, the highest rate of growth in any year. The extension ensures that the federal funds are available for such a growth should they be needed.

#### **Federal Funds Available for WVCHIP in FY 2008**

In West Virginia, CHIP will have \$49 million available in federal dollars for FY 2008. The current projection for FY 2008 expenditures for West Virginia anticipates spending \$40.5 million for the program at the current level. Consequently, West Virginia will have plenty of federal dollars to sustain the current program and expand coverage to more families.

**Analysis of Federal SCHIP Funds Available for West Virginia  
in Fiscal Year 2008 (in millions)<sup>1</sup>**

Funds Retained from FY06 & FY07 Allotments	\$23.3
Funds Distributed as New FY08 Base Allotments	\$25.7
Total Funds Available in FY 08	\$49.0
Actual FY07 Federal SCHIP Expenditures	\$35.4
Projected FY08 Federal SCHIP Expenditures	\$40.5
Percent Change in Federal SCHIP Expenditures	14.3%
Available FY08 Funding	\$49.0
Available FY 08 Funding as a Percent of Projected FY08 Expenditures	120.9%

## **SCHIP in West Virginia**

WVCHIP covers uninsured children living in families earning a gross income up to 220 percent of the federal poverty level.<sup>2</sup> In 2006, the West Virginia Legislature passed a law permitting the state program to expand coverage up to 300 percent of the federal poverty level. Coverage at the 300 percent level is estimated to insure an additional 1,406 children.<sup>3</sup>

Expansion of WVCHIP above the 220 percent level has not gone forward because of the uncertainty around SCHIP reauthorization. In 2007, the administration took a cautious step and expanded coverage to 220 percent of the federal poverty level with the promise to continue expansion when federal funding became more certain. Even though the program has not been reauthorized, it appears now that there is sufficient federal funding available to expand the program to 250 percent of the poverty level.

West Virginia should take advantage of the federal funds available to expand coverage to more children. The state has one of the highest SCHIP match rates in the country with about 81 percent of the program costs supported with federal dollars. The WVCHIP expansion from 200 to 220 percent of the federal poverty level begun in January 2007 added a modest 100 children to the program in the first six months. An expansion from 200 to 250 percent is estimated to add a total of 902 children<sup>4</sup>.

According to the 2007 Annual Report of WVCHIP, the average annual cost per child for FY 2008 is projected at \$1,832.64.<sup>5</sup> An expansion to 250 percent of the federal poverty level for an estimated 904 children will cost less than \$2 million including about \$300,000 in state dollars.

**Clearly, under the current funding situation, West Virginia can afford to move forward and expand coverage to uninsured children to 250 percent of the federal poverty level.**

While the West Virginia Legislature amended the CHIP bill to permit coverage to 300 percent of the federal poverty level, federal directives issued on August 17, 2007 by the Center for Medicare and Medicaid probably makes it impossible for West Virginia to expand above the 250 percent level at this time

## **Conclusion**

The importance of SCHIP to families cannot be underestimated. With SCHIP coverage, children receive important preventive services; children have a better chance of having physical, emotional, social and behavioral problems addressed early. With good health care in the early years, children will be more ready for school, able to learn and to become productive adults. A small state investment can help to ensure that middle income families trying to make ends meet can afford health care for their children.

**The Governor's Kids First Initiative to provide comprehensive preventive screening for all children entering Kindergarten recognizes the importance of such screening for young children. Expanding WVCHIP to 250 percent of the federal poverty level would support and strengthen the Kids First Initiative.**

West Virginia can afford this expansion in the short term. In the long- term, the history of bipartisan support for SCHIP and the discussion in the Congress in 2007 around reauthorization indicate that the federal government will continue to support the SCHIP program and provide states with sufficient federal funding necessary to continue the existing programs and expand coverage to meet the needs of children.<sup>6</sup>

### **Five Year Projections of Federal Funding for WVCHIP**

Table 1 shows five year projections of federal funding for WVCHIP. Because of the way federal funding for WVCHIP works, projections are a moving target. They are potential shortfalls not actual shortfalls. In FY 2004, the WV CHIP Actuary projected a federal shortfall of \$3.1 million for 2007, \$29.2 million for 2008, and \$35 million for 2009 respectively. When data on funds became available in 2005, the target moved and the report projected no shortfall in 2007. In fact, the data shows there has never been a federal shortfall for WVCHIP nor is it likely there will ever be a federal shortfall under the current funding formula and redistribution of funds.

**Table 1: Analysis of WVCHIP Federal Funding Shortfalls**

Fiscal Years Projections	YEAR of CHIP Annual Report				
	FY2004	FY2005	FY2006	FY2007	FY2008*
<b>2004</b>	\$0.0	NA	N A	NA	NA
<b>2005</b>	\$0.0	\$0.0	NA	NA	NA
<b>2006</b>	\$0.0	\$0.0	\$0.0	NA	NA
<b>2007</b>	\$3.1	\$0.0	\$0.0	\$0.0	NA
<b>2008</b>	\$29.2	\$10.1	\$0.0	\$0.0	\$0.0
<b>2009</b>	\$35.0	\$27.0	\$14.2	\$0.8	\$0.0
<b>2010</b>	NA	\$33.9	\$26.9	\$22.0	\$18.8
<b>2011</b>	NA	N A	\$31.2	\$26.0	\$24.3
<b>2012</b>	NA	NA	\$38.0	\$31.0	\$28.2

Source: CHIP Annual Reports

NA means Not Applicable because there are no projections

\* December 31, 2008

## Acknowledgements

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## Endnotes

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<sup>1</sup> Source: "FY 2008 SCHIP Funding Chart" from the Centers for Medicare and Medicaid Services (January 9, 2008); and C. Peterson, "FY 2008 Federal SCHIP Financing," Congressional Research Services (January 9, 2008).

<sup>2</sup> In calculating gross income eligibility for WVCHIP, the WVDHHR deducts some expenses for working parents and for childcare. Actual income will, therefore, be somewhat higher than 220 percent. Actual income limits will vary from family to family. In 2008, a single mother with two children can earn up to \$39,000 per year and be eligible for WVCHIP.

<sup>3</sup> West Virginia Children's Health Insurance Program, 2007 Annual Report, page 27.

<sup>4</sup> West Virginia Children's Health Insurance Program, 2007 Annual Report, page 27.

<sup>5</sup> Ibid. page 35.

<sup>6</sup> Georgetown University Health Policy Institute, Center for Children and Families, *SCHIP Funding in the Year Ahead*, March 2008, p.4.

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