



## The State Children's Health Insurance Program (SCHIP)

### Introduction

Regular access to health care supports children's healthy growth and development. Kids without a routine health care provider get sick more often, are less likely to be immunized, and are less likely to get treated for routine illnesses that can turn into serious health problems. This issue of the Facts on KIDS in South Dakota Monograph will focus on the State Children's Health Insurance Program or SCHIP. The SCHIP program, which began in 1997, is up for reauthorization this year.

### History of SCHIP

Children who seem healthy need regular check-ups to treat problems that might undermine their development and performance in school. They need someone to notice if they need glasses, if they hear properly, if their physical and mental growth is on track, and if their teeth are healthy. Middle and high school students need guidance as they begin to make decisions that will affect their health and well being for the rest of their lives.

It is widely understood that an early relationship with health care providers fosters preventive and routine health care and contributes to a healthy lifestyle. However, many children do not have access to health care because their parents do not have the benefit of health insurance coverage. Many parents are in jobs that provide no health insurance, e.g., self-employed, part-time workers, or service sector jobs. There is a federal-state health insurance program that provides coverage for children who fall between the gap of publicly funded Medicaid and private health insurance.

In 1997, with the enactment of Title XXI of the Social Security Act, the State Children's Health Insurance Program (SCHIP) was created. It was the largest children's health care investment since the creation of Medicaid in 1965. The SCHIP initiative was designed to reach children from working families with incomes too high to qualify for Medicaid but too low to afford private health insurance. The original goal was to cover 5 million children by 2007.

The federal government provided states the financial support (nearly \$40 billion) and flexibility needed to expand publicly funded coverage to children. The federal block grant to states specifies the amount given to each

state by an allocation formula. Federal funds must be partially matched with state general funds.

States receive enhanced federal matching funds only for actual expenditures to insure children. Federal SCHIP funds can be used to extend coverage beyond Medicaid by expanding eligibility levels, by creating a separate children's insurance program, or through a combination approach. 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. Funding for SCHIP is set to expire in September 2007 when it will be up for reauthorization in Congress.

Under federal law, SCHIP must provide health coverage to targeted uninsured children who meet the following criteria:

- Must be less than 19 years of age, unless a child leaving foster care who may be covered to age 21.
- Must have family income at or below 200% of Federal Poverty Level.
- Must not be covered by any other health insurance.
- Must not have been covered by a group health plan in the prior three months.
- May not be otherwise eligible for Medicaid.
- Must meet certain other non-financial criteria, such as state residency and citizenship.

Since the inception of SCHIP, the number of uninsured children in the United States has decreased by one-third. In 2005, SCHIP covered 6 million uninsured children and Medicaid covered 28 million children. However nine million children are still not insured. The share of uninsured children varies by state from a high of 20 percent in Texas to a low of 5 percent in Massachusetts. South Dakota's percent of uninsured children is 9 percent.

The latest information released by the U.S. Census Bureau indicates the percentage and the number of children (people under 18 years old) without health insurance increased between 2004 and 2005, from 10.8 percent (7.9 million children) to 11.2 percent (8.3 million children). And, with an uninsured rate at 19.0 percent in 2005, children in poverty were more likely to be uninsured than the population of all children<sup>1</sup>.

The likelihood of health insurance coverage varied among children by poverty status, age, race, and Hispanic origin. Children in poverty were more likely to be uninsured than the population of all children in 2005—19.0 percent compared

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with 11.2 percent<sup>2</sup>. Children 12 to 17 years old were more likely to be uninsured than those under 12 years old—12.6 percent compared with 10.5 percent<sup>3</sup>.

### SCHIP in South Dakota

South Dakota chose Medicaid for its CHIP program. This allows the Department of Social Services to use the existing Medicaid program to administer and deliver benefits to children in families up to 200% of the federal

poverty level (see table for eligibility level).

A Medicaid-based expansion also offered more expansive coverage for preventive, dental and optometry services. Participating families are not required to pay premiums for children under 19.

In July, 2000 the income level was increased to the current 200% of the federal poverty level. With the new eligibility level instituted, and active outreach by

a statewide coalition of health care and children's advocates, beneficiary enrollments increased. It represented the largest single expansion of health care benefits to children in South Dakota's history covering uninsured children under age 19 up to 200% of the federal poverty guidelines (\$34,104 for a family of four in 2000). Currently (2007) CHIP health insurance coverage to children whose family income is up to 200% of Federal Poverty Level (FPL) amounts to \$41,304 per year for a family of four.

The number of children eligible for Medicaid and SCHIP services in March 2007 was 67,732. The age breakout of the 67,732 was:

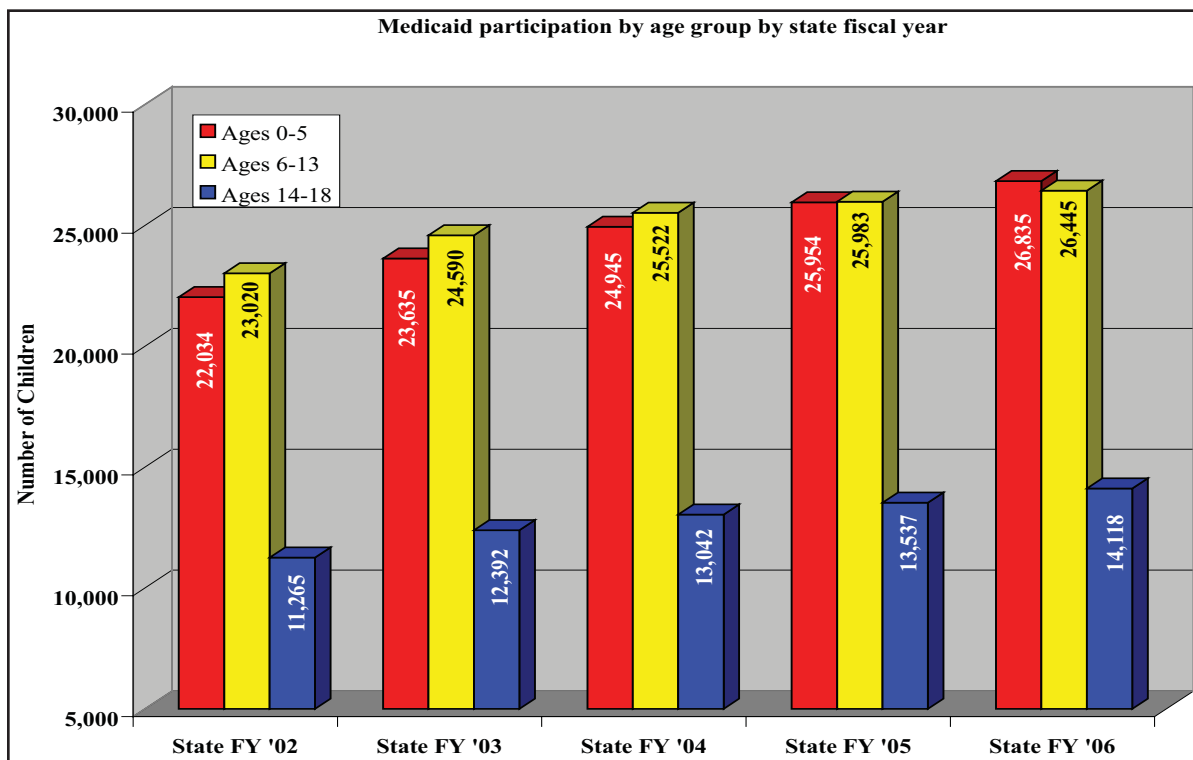
Ages 0 – 5	27,481
Ages 6 – 13	26,101
Ages 14 – 18	14,150 <sup>4</sup>

The number of children eligible for medical services over the past five state fiscal years, 2002-2006, is shown in the chart below.

2007 POVERTY LEVEL GUIDELINES			
ALL STATES (EXCEPT ALASKA AND HAWAII) AND D.C.			
ANNUAL GUIDELINES		MONTHLY GUIDELINES	
FAMILY SIZE	PERCENT OF POVERTY	FAMILY SIZE	PERCENT OF POVERTY
	200%		200%
1	20,420.00	1	1,701.67
2	27,380.00	2	2,281.67
3	34,340.00	3	2,861.67
4	41,300.00	4	3,441.67
5	48,260.00	5	4,021.67
6	55,220.00	6	4,601.67
7	62,180.00	7	5,181.67
8	69,140.00	8	5,761.67

For family units of more than 8 members, add \$3,480 for each additional member.

Income Guidelines as Published in the Federal Register on January 24, 2007

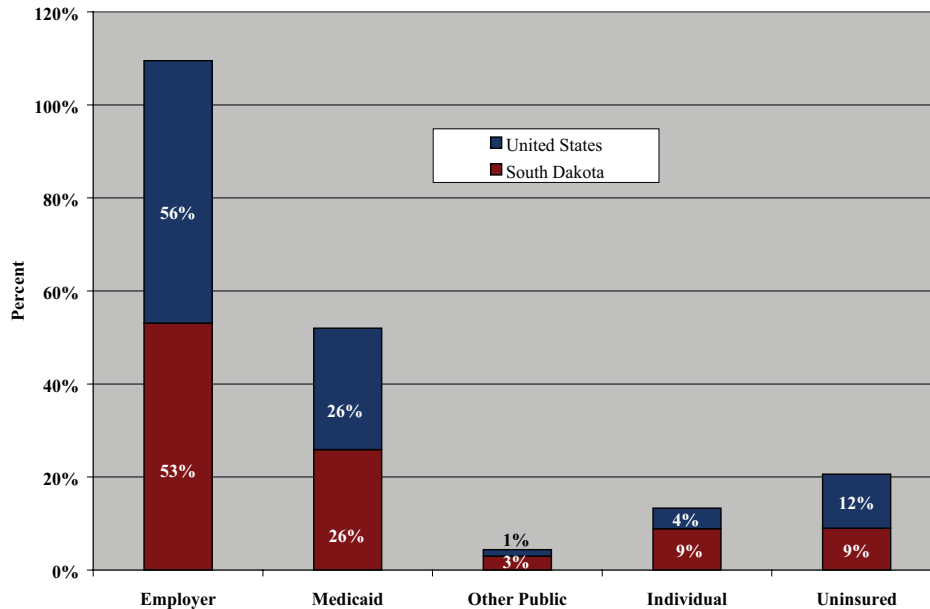


## SCHIP Facts and Figures<sup>5</sup>

For South Dakota fiscal year 2006 (July 1, 2005 - June 30, 2006), the total SCHIP expenditures was \$13,991,825, with \$10,570,824 in federal funds and \$3,421,001 is state general funds. South Dakota's CHIP match rate is approximately 76% federal funds and 24% state funds.

have will major implications for South Dakota's future efforts to provide health care coverage for all children. Estimates indicate that over the next five years \$13 to \$15 billion over current levels will be required to maintain current SCHIP enrollment levels for children across the nation. The level of funding and the distribution of funds to South Dakota are important SCHIP reauthorization issues and will affect efforts to reduce the number of uninsured children in the state.

Percent of Children by Insurance Status, 2004-2005 for South Dakota and the United States



The chart above shows the distribution of children by insurance for South Dakota and the United States. The United States has slightly more children covered by employer insurance and slightly more uninsured children than South Dakota. Meanwhile, South Dakota has more 'other public' and individual health insurance coverage for children than the nation as a whole.

## Children & Families Living in Rural Areas

As stated previously, about 9 million children under age 19 lack health insurance. About one-sixth of all uninsured children live in rural areas<sup>6</sup>. In South Dakota, 41 percent of children in rural areas live in low-income families (income below 200% of the federal poverty level)<sup>7</sup>. According to The Carsey Institute (University of New Hampshire) Policy Brief No. 6, South Dakota has about 9 percent (10,200\*) of rural children without health insurance<sup>8</sup>. In 2000, South Dakota had two counties, Todd and Corson, in the top 50 counties nationwide with the highest percent of children uninsured<sup>9</sup>.

## SCHIP Reauthorization

In 2007, Congress will have the opportunity to reauthorize the State Children's Health Insurance Program (SCHIP). In fiscal year 2008, 20 states will experience a SCHIP funding shortfall. South Dakota is one of those states. The estimated shortfall is \$2,240,000<sup>6</sup>. In 2012 the estimated shortfall for SCHIP will reach \$8,604,000.<sup>7</sup> The reauthorization of SCHIP

## Endnotes

<sup>1</sup>DeNavas-Walt, C., Proctor, B.D. and Lee, C.H., (2006) U.S. Census Bureau, Current Population Reports, P60-231, Income, Poverty, and Health Insurance Coverage in the United States: 2005. Washington, DC: U.S. Government Printing Office.

<sup>2</sup>DeNavas-Walt, C., et. al. (2006) U.S. Census Bureau, Current Population Reports, P60-231, Income, Poverty, and Health Insurance Coverage in the United States: 2005. Washington, DC: U.S. Government Printing Office. *Note: The uninsured rate for children under 6 years old was not statistically different from the uninsured rate for children 6 to 11 years*

*old in 2005.*

<sup>3</sup>DeNavas-Walt, C., et. al. (2006) U.S. Census Bureau, Current Population Reports, P60-231, Income, Poverty, and Health Insurance Coverage in the United States: 2005. Washington, DC: U.S. Government Printing Office.

<sup>4</sup>South Dakota Department of Social Services. Retrieved April 16, 2007 from <http://dss.sd.gov/medicalservices/stats/eligiblepeople/index.asp>.

<sup>5</sup>Children's Health Fact Sheets. The Kaiser Commission on Medicaid and the Uninsured. Retrieved April 18, 2007 from [www.kff.org](http://www.kff.org).

<sup>6</sup>O'Hare, W.P. (2007) Rural Children Increasingly Rely on Medicaid and SCHIP. (Policy Brief No. 6) Durham, NH: Carsey Institute. Retrieved May 11, 2007 from [http://www.carseyinstitute.unh.edu/documents/RuralChildHealth\\_final.pdf](http://www.carseyinstitute.unh.edu/documents/RuralChildHealth_final.pdf).

<sup>7</sup>National Center for Children in Poverty. (2007) Retrieved May 9, 2007 from <http://www.nccp.org/index.html>.

<sup>8</sup>O'Hare, W.P. (2007) Rural Children Increasingly Rely on Medicaid and SCHIP. (Policy Brief No. 6) Durham, NH: Carsey Institute. Retrieved May 11, 2007 from [http://www.carseyinstitute.unh.edu/documents/RuralChildHealth\\_final.pdf](http://www.carseyinstitute.unh.edu/documents/RuralChildHealth_final.pdf).

<sup>9</sup>O'Hare, W.P. (2007) Rural Children Increasingly Rely on Medicaid and SCHIP. (Policy Brief No. 6) Durham, NH: Carsey Institute. Retrieved May 11, 2007 from [http://www.carseyinstitute.unh.edu/documents/RuralChildHealth\\_final.pdf](http://www.carseyinstitute.unh.edu/documents/RuralChildHealth_final.pdf).

<sup>10</sup>Center on Budget and Policy Priorities. (February 2007) Freezing SCHIP funding in Coming Years Would Reverse Recent Gains in Children's Health Coverage. Retrieved April 18, 2007 from [www.cbpp.org](http://www.cbpp.org).

<sup>11</sup>Center on Budget and Policy Priorities. (February 2007) Freezing SCHIP funding in Coming Years Would Reverse Recent Gains in Children's Health Coverage. Retrieved April 18, 2007 from [www.cbpp.org](http://www.cbpp.org).



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**The South Dakota KIDS COUNT Project**

([www.sdkidscount.org](http://www.sdkidscount.org)) is a national and state-by-state effort, sponsored by the Annie E. Casey Foundation, to track the status of children in the United States. By providing policymakers and citizens with benchmarks of child well-being, KIDS COUNT seeks to enrich local, state, and national discussions concerning ways to secure better futures for children and families. Additional funding for the state project comes from the South Dakota Departments of: Education, Human Services, and Social Services.

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