

## SCHIP REAUTHORIZATION: PRESIDENT PROPOSES INSUFFICIENT FUNDING FOR HEALTHY FAMILIES

**C**alifornia makes health coverage accessible to millions of children through the Healthy Families and Medi-Cal Programs using state and federal funds. Healthy Families currently provides low-cost health coverage to over 775,000 children, thereby reducing the number of children who would otherwise be uninsured. The federal funding that supports Healthy Families expires in 2007, and the President's Proposed Budget for FFY 2008 fails to provide sufficient funding to sustain the current program. Estimates suggest that the President's proposal would allocate less than \$1 billion in additional federal dollars to California over the next five years; however, the state needs an additional \$2 billion to \$3 billion in order to support the current Healthy Families Program. Even more funds would be needed to expand eligibility to cover additional children. Congress must act to ensure that the funding level is sufficient to support Healthy Families' continued success and should consider including funds to expand coverage to additional children.

### The President Proposes Insufficient Funds for Healthy Families

The President's Proposed Budget for federal fiscal year (FFY) 2008 fails to provide sufficient funding for the federal State Children's Health Insurance Program (SCHIP) to sustain California's Healthy Families Program at its current level. The President proposes \$4.8 billion in new federal SCHIP funding over the next five years, far less than the level needed to continue covering the same number of children insured today. The Center on Budget and Policy Priorities estimates that states will need \$12.7 billion to \$14.6 billion in additional federal funds between FFY 2008 and FFY 2012 just to maintain their current programs.<sup>1</sup>

If the new funding is distributed based on the current methodology, California's share of the new funding would likely be between \$750 million and \$850 million over the next five years, far less than the additional \$2 billion to \$3 billion needed to support the current Healthy Families Program.<sup>2</sup> Without additional

funding, California would face difficult decisions. California could stop enrolling children, reduce coverage provided by Healthy Families, or freeze payments to health plans that provide Healthy Families coverage. Since California faces sizeable budget deficits through the end of the decade, it will have limited resources to replace federal funding with additional state dollars.<sup>3</sup>

The President's Budget also includes reductions to Medicaid that are more than five times the size of the increase in SCHIP funding. The President proposes \$25.7 billion in Medicaid reductions over the next five years. Many of the reductions, such as reducing payments for public hospitals, would shift costs to California and other states.

### The President Proposes to Scale Back Support for Many Children

In addition, the President's Budget discourages California and other states from using SCHIP funds to cover children in families with incomes above 200 percent of the federal poverty level

(FPL). While details of his proposal are unclear, it likely would eliminate or otherwise limit California's ability to use federal funding to cover approximately 200,000 children in families with incomes above 200 percent and below 250 percent of the FPL (above \$34,340 and below \$42,925 for a family of three) who are currently enrolled in Healthy Families.<sup>4</sup> Even if California discontinued coverage for children at these income levels, the funding proposed by the President would likely be inadequate to support the remaining children currently covered by Healthy Families.

The President's proposal to restrict SCHIP support for children in families with incomes above 200 percent of the FPL would have a significant impact on California, because of the state's higher cost of living. Since the FPL does not vary by region or housing costs, the President's proposed limit would have a disproportionate impact on California, which has among the highest housing costs in the US. Only Hawaii and the District Columbia have higher rental costs as measured by Fair Market Rents (FMRs) for FFY 2007 for a two-bedroom unit.<sup>5</sup> California's two-bedroom FMR is 67.2 percent higher than that of Texas, whose FMR for a two-bedroom unit falls in the middle of the distribution for the 50 states and the District of Columbia.

The President's proposal is also inconsistent with proposals by the Governor and legislative leaders to expand Healthy Families to children in families with incomes up to 300 percent of the FPL. These proposals recognize that many families at that income level are unable to purchase coverage on their own. The President's proposal would limit the federal funds available to support any expansion of coverage.

## What Is SCHIP?

Congress established SCHIP in 1997 to support state efforts to expand health coverage to uninsured children (Table 1). Congress targeted SCHIP to children whose family incomes were relatively low, but above limits for Medicaid (Medi-Cal in California). However, while the federal government provides unlimited funding to match eligible Medicaid spending, the total amount of funds available for SCHIP was set for 10 years in the 1997 law. This means that the level of federal support has not responded to the actual level of program needs. The current funding for SCHIP will expire on September 30, 2007.

The federal government determines each state's share of SCHIP funding based on a formula. The formula includes each state's share of the nation's low-income children – whether or not they are insured – as well as each state's share of uninsured low-income children. However, state funding allocations do not necessarily respond to program need, since they do not reflect actual program enrollment or costs and because the data used in the formula are several years old.

States generally have three years to spend their annual SCHIP allocations, which are called allotments. If a state does not fully spend its SCHIP allotment within the required period, it may have to return any unspent funds to the federal government. California, for example, has returned approximately \$1.5 billion in unspent SCHIP funds to the federal government since the program began.<sup>6</sup> Thus, states have limited ability to count on unused funds from prior years to support program growth.

Table 1: SCHIP Milestones in California

August 1997	Congress creates the State Children's Health Insurance Program (SCHIP) through the Balanced Budget Act of 1997, authorizing approximately \$40 billion of funding over 10 years.
October 1997	California creates the Healthy Families Program to use SCHIP and state funds to provide health coverage to children with family incomes at or below 200 percent of the federal poverty level (FPL).
July 1998	California begins enrolling children in Healthy Families.
July 1999	California increases the Healthy Families income eligibility limit to 250 percent of the FPL.
September 2000	California approves the use of SCHIP funds to cover parents of children eligible for Healthy Families. Despite federal approval, the expansion is not implemented due to a lack of state funds.
FFY 2000 through FFY 2004	California returns a total of \$1.5 billion in SCHIP funds to the federal government because it did not spend them within required timelines.
FFY 2003	For the first time, California spends more in SCHIP funds than it receives, filling the gap with unused funds from prior years. This trend continues until the present.
FFY 2006	California begins using SCHIP funds to support children's health coverage through county-based programs and prenatal care.
FFY 2007	California projects spending over \$300 million more in SCHIP funds than it receives.
September 30, 2007	SCHIP funding expires absent Congressional action.

Recognizing the fundamental connection between SCHIP and Medicaid, federal law allowed states to use SCHIP dollars to expand their current Medicaid program, to create new programs, or both. California's Healthy Families Program is separate from Medi-Cal – different departments oversee the programs – but California also uses SCHIP dollars to support some improvements to Medi-Cal. For example, California has used SCHIP dollars to support children enrolled in Medi-Cal as a result of waiving the “assets test” for children in the program.<sup>7</sup> California also uses a relatively small share of SCHIP funds for programs not directly tied to Medi-Cal or Healthy Families (see box).

## What Is Healthy Families?

Healthy Families provides comprehensive health coverage to children whose family incomes are somewhat above the maximum level for Medi-Cal.

### Healthy Families Eligibility

Healthy Families covers children who:

- Are under the age of 19;
- Have family incomes below 250 percent of the FPL, equivalent to \$42,925 for a family of three in 2007;
- Are not eligible for Medi-Cal;
- Have not had job-based health coverage for the previous three months; and
- Meet citizenship or immigration requirements.

### Healthy Families Benefits

Healthy Families provides benefits similar to those provided under the health benefit plan for state employees. These include physician services, inpatient and outpatient hospital care, prescription drugs, lab tests and x-rays, mental health services, dental care, and vision care. However, Healthy Families benefits are not as comprehensive as those provided by Medi-Cal and do not, for instance, include Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services.<sup>8</sup>

### Healthy Families Costs

Healthy Families provides cost-effective health coverage. The cost of covering children under Healthy Families is somewhat lower than the cost of private insurance, despite research suggesting that children eligible for Healthy Families and similar state programs are in poorer health than those covered by private insurance.<sup>9</sup> For example, one study found that the cost of private coverage averaged \$1,004 per child in the US in 2001.<sup>10</sup> In comparison, combined state and federal Healthy Families spending was \$973 per child in 2001-02, reflecting the state's

## How Does California Use Its SCHIP Dollars?

California uses its federal SCHIP dollars primarily to support coverage for children enrolled in Healthy Families. However, SCHIP funds also support certain expansions and changes to Medi-Cal that were enacted when California created Healthy Families. These changes include waiving the assets test for children applying for Medi-Cal and providing temporary coverage for children whose incomes are too high for Medi-Cal while they enroll in Healthy Families.<sup>11</sup> The Managed Risk Medical Insurance Board (MRMIB) projects that approximately four out of every five SCHIP dollars (78.1 percent) spent in federal fiscal year (FFY) 2007 will support children enrolled in Healthy Families and related Medi-Cal changes. The remainder of the SCHIP dollars support other activities, as detailed below.

In 2003, California began the Child Health and Disability Prevention (CHDP) “gateway” program, also called presumptive eligibility. Under this program, children who see a CHDP provider and appear to meet eligibility requirements are enrolled in Medi-Cal or Healthy Families for two months. Approximately 7.2 percent of SCHIP dollars spent in FFY 2007 will support enrollment of these children in Healthy Families.

California uses SCHIP funds for two additional purposes. SCHIP funds help support health coverage for children with incomes between 250 percent and 300 percent of the federal poverty level enrolled in county-based programs. In FFY 2007, California will spend approximately \$2 million to cover these children. In addition, California uses SCHIP funds to support certain prenatal services provided under the Medi-Cal and Access for Infants and Mothers (AIM) Programs. Approximately 14.5 percent of SCHIP dollars spent in FFY 2007 will support these services, which became eligible for federal matching funds under regulations released in 2002.<sup>12</sup>

ability to keep costs low by negotiating with the health plans that provide Healthy Families coverage.<sup>13</sup>

## Healthy Families Financing

Healthy Families is jointly funded by the state and federal governments. The federal government pays about two-thirds of the program's costs, although the amount of funds available annually is limited. Families with children enrolled in the program also pay monthly premiums of \$4 to \$15 per child, up to a maximum of \$45 per family. Families also pay copayments for many services, up to a maximum of \$250 per year.

## Healthy Families Builds on Foundation of Medi-Cal

Medi-Cal, which was created several decades before Healthy Families, is the primary provider of health coverage for low-income families and children. In addition, Medi-Cal covers seniors and persons with disabilities. Healthy Families covers children with somewhat higher incomes than allowed under Medi-Cal, although the income level at which children are no longer eligible for Medi-Cal depends on a child's age.<sup>14</sup> Nationally, research suggests that children eligible for SCHIP programs, such as Healthy Families, are in better health and have fewer chronic health conditions than children enrolled in Medicaid.<sup>15</sup>

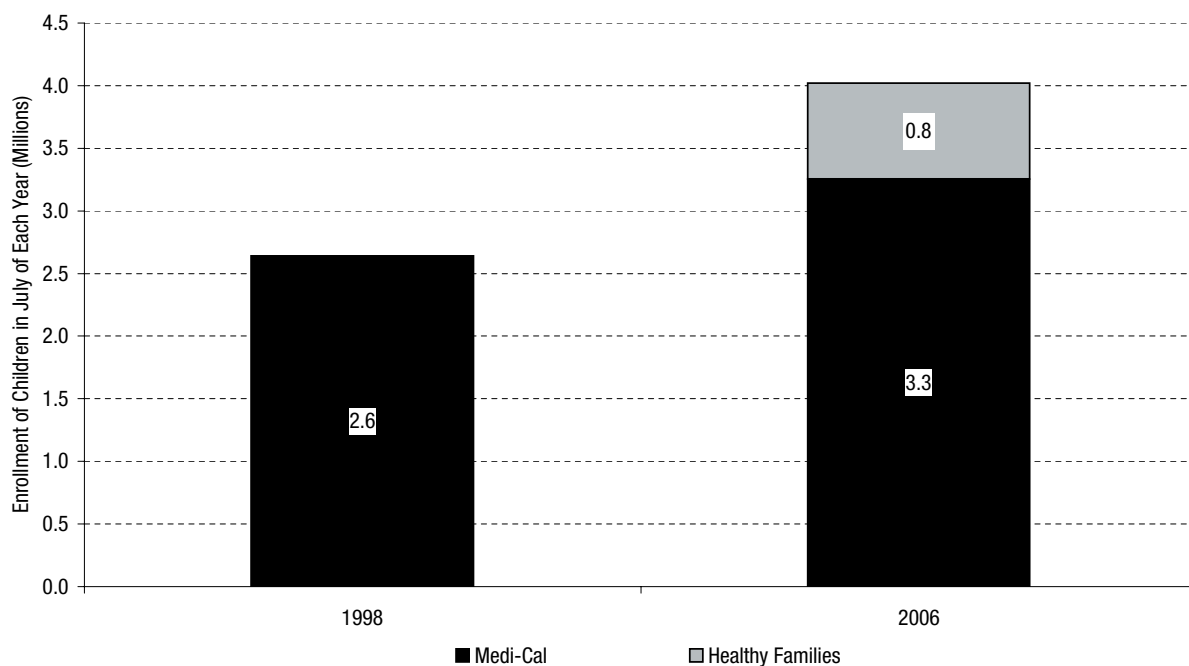
The Medi-Cal Program covers substantially more people and has a much larger budget than Healthy Families. More than 3 million children receive health coverage through Medi-Cal, over four times the number of children who are covered by Healthy Families (Figure 1). Since Healthy Families began, enrollment of children in Medi-Cal has also grown by more than 600,000. The 2006-07 Budget provides \$13.8 billion in state funds for Medi-Cal, many times the \$368 million allocated for Healthy Families. Higher Medi-Cal spending also reflects the fact that the cost per person is higher than that of Healthy Families, since Medi-Cal covers individuals with serious health conditions, such as seniors and persons with disabilities, in addition to children.<sup>16</sup>

## Healthy Families Has Reduced the Number of Uninsured Children

### Enrollment Is High and Growing

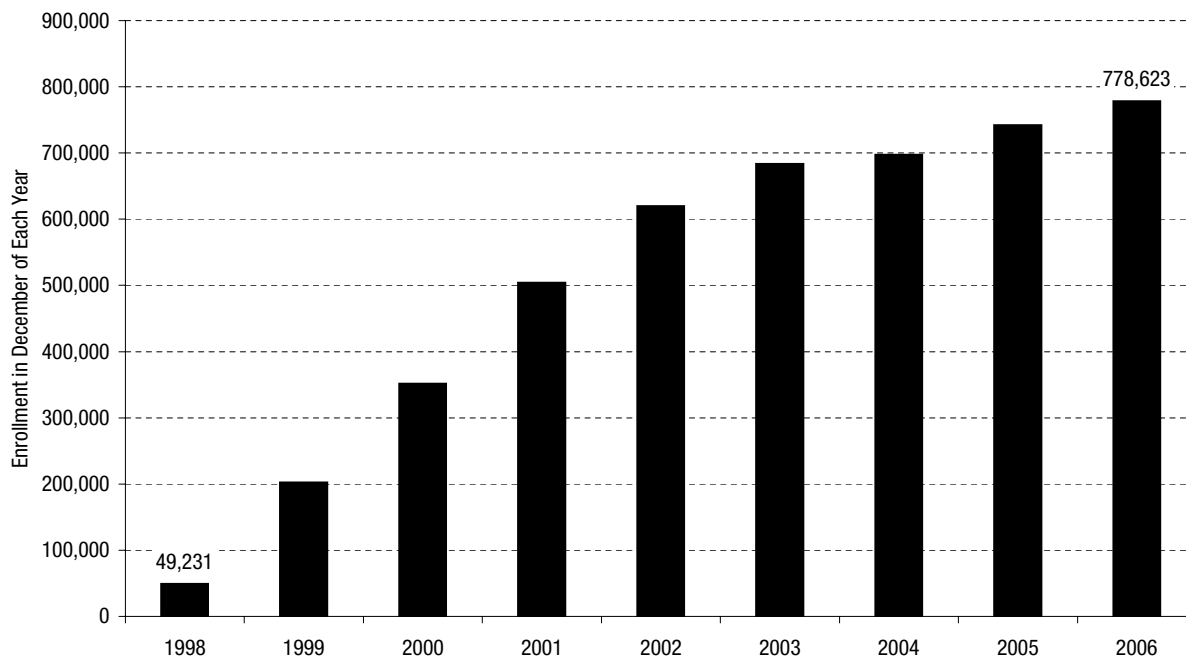
Enrollment in Healthy Families grew steadily during the first several years, adding more than 100,000 children to the program each year through December 2002 (Figure 2). Enrollment was essentially flat between December 2003 and December 2004, and then rose again in 2005 and 2006, although at a slower pace.

Figure 1: Children's Health Coverage Gains Have Come from Both Medi-Cal and Healthy Families



Source: Department of Health Services and Managed Risk Medical Insurance Board

Figure 2: Healthy Families Program Covers More Than 775,000 Children



Source: Managed Risk Medical Insurance Board

The number of children enrolled in Healthy Families in December 2006 was 778,623, or 4.9 percent higher than December 2005.

Healthy Families has helped reduce the number of low-income uninsured children, despite a shrinking share – and number – of Californians who receive job-based health coverage. Between 2000 and 2005, the share of children with family incomes below 250 percent of the FPL who were covered by Medi-Cal or Healthy Families jumped by 7.2 percentage points, from 37.3 percent to 44.5 percent (Figure 3). This increase more than offset the decrease in the share of low-income children covered by job-based health coverage. As a result, the share of California's low-income children with any health coverage increased by 2.3 percentage points. On the other hand, adults with similar incomes – who are not eligible for Healthy Families coverage – experienced a decline in health coverage between 2000 and 2005, despite a somewhat smaller decline in job-based coverage.

These trends suggest that Healthy Families plays two important roles for low-income children. First, it covers uninsured children. Second, it helps buffer the impact of declining job-based health coverage on these children.<sup>17</sup> Moreover, the impact of Healthy Families and Medi-Cal together was more powerful for low-income children than Medi-Cal alone was for low-income adults. Increased enrollment in Medi-Cal and Healthy Families by low-income children more than offset their loss of job-based

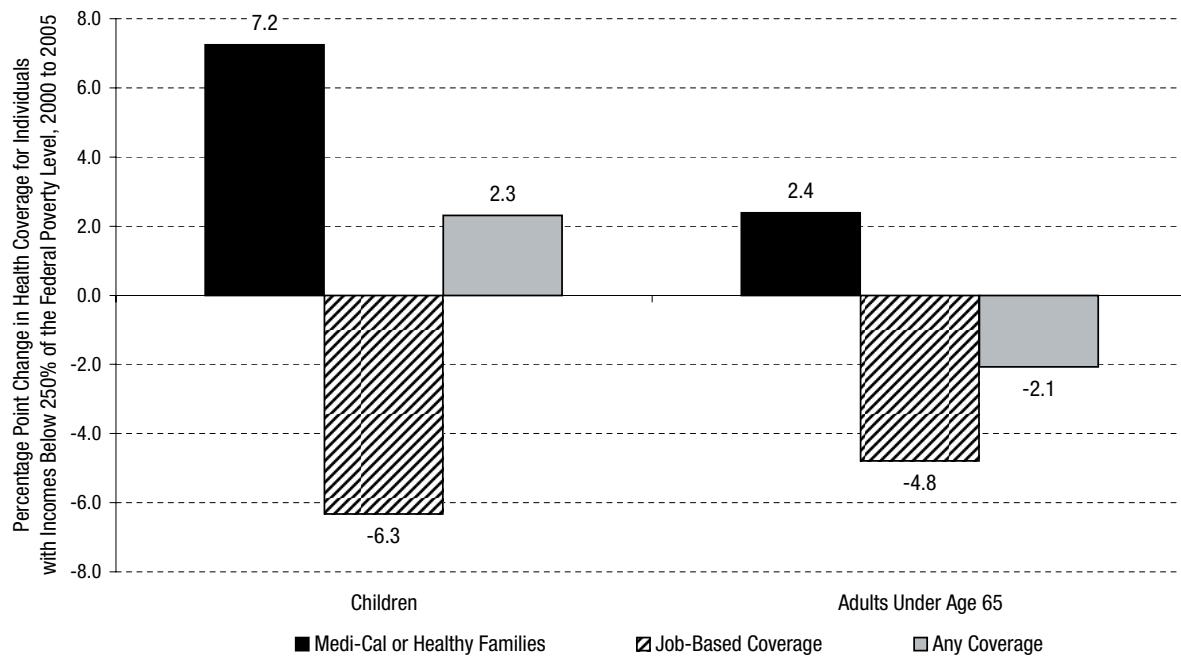
health coverage, while the enrollment increase in Medi-Cal by low-income adults only offset half the loss of job-based coverage. In future years, additional children who are currently insured may become newly eligible for Healthy Families if the erosion of job-based coverage continues.

### Healthy Families Has Improved Children's Lives

Studies document the importance of health coverage to children's well-being and life outcomes.<sup>18</sup> Children with health coverage are more likely to have better health outcomes than those without. Children with a regular source of care are more likely to receive cost-effective, preventive services, such as immunizations, that lead to better health outcomes.<sup>19</sup> Uninsured children, on the other hand, are more likely to lack a regular source of care and to have unmet needs for medical and dental care.<sup>20</sup> Better health status can improve educational outcomes, thereby resulting in higher wages and improved economic well-being later in life.

A recent study documents the improvements in children's health outcomes resulting from Healthy Families coverage.<sup>21</sup> In addition, a state evaluation found that for children in the poorest health, school attendance and performance improved after enrollment in Healthy Families. In particular, the ability of these children to pay attention in class and keep up with school activities improved significantly after enrollment in Healthy Families.<sup>22</sup>

Figure 3: SCHIP Has Helped Boost Health Coverage for Low-Income Children



Source: CBP analysis of Current Population Survey data

## Healthy Families Has Not Covered All Eligible Children

Despite the success of Healthy Families, California continues to have a substantial number of uninsured children. Historically, a greater share of children has lacked coverage in California than in the US as a whole (Figure 4). The share of uninsured children declined both in California and in the US as a whole between 2000 and 2004, although the decline was much larger in California.<sup>23</sup>

One reason that California has a high rate of uninsured children is that not all children are enrolled in programs for which they are eligible. For example, approximately 200,000 children were eligible for, but not enrolled in, Healthy Families in 2005.<sup>24</sup> Thus, California could further decrease the number of uninsured children by enrolling additional children in Healthy Families.

## California Has Outspent Its Annual SCHIP Allotment for Several Years

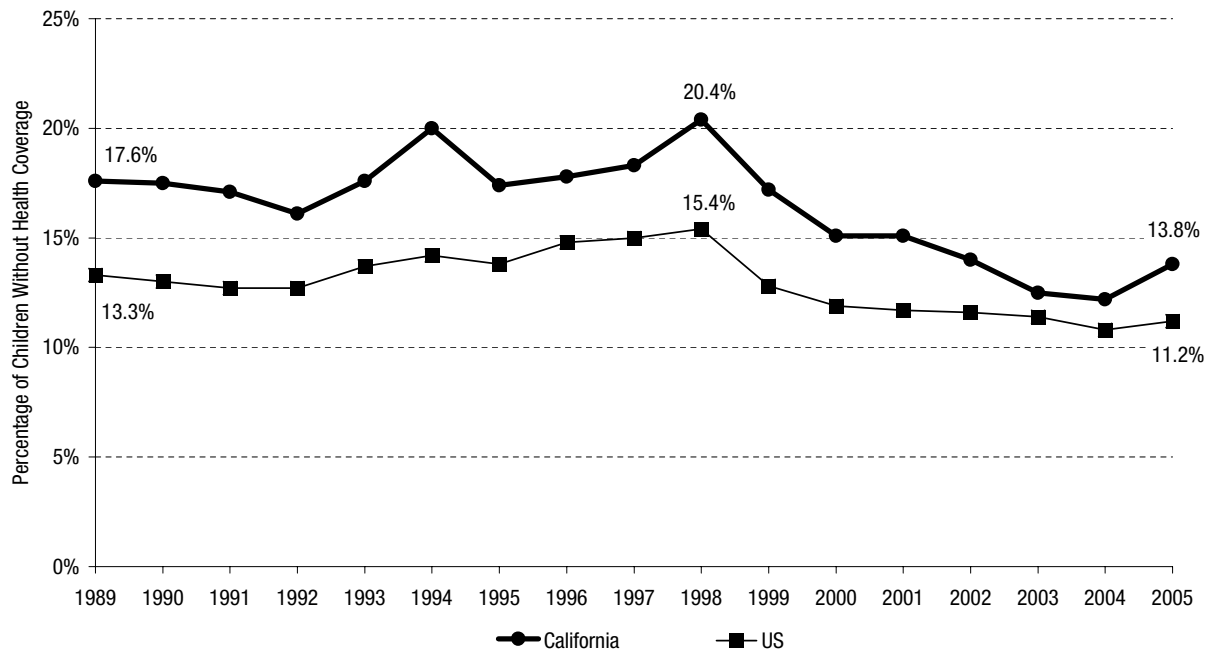
When Healthy Families began, the amount of SCHIP funds available exceeded the amount spent by California (Figure 5). In fact, California received the largest SCHIP allotments in FFY

1998 and FFY 1999, when Healthy Families expenditures were low, since the program was just starting up. Between FFY 1999 and FFY 2005, expenditures of federal SCHIP funds rose by approximately \$100 million per year. Since California spent less than it received each year through FFY 2002, the state amassed large amounts of unused funds. However, due to the time limitation for spending SCHIP funds, California was not able to retain all of its unused funds.

Since FFY 2003, California's SCHIP expenditures have exceeded each year's federal allotment. The state has relied on unused federal funds from prior years to bridge the gap between SCHIP expenditures and annual allotments. However, the MRMIB estimates that California will nearly exhaust all of its unused SCHIP funds in FFY 2007.

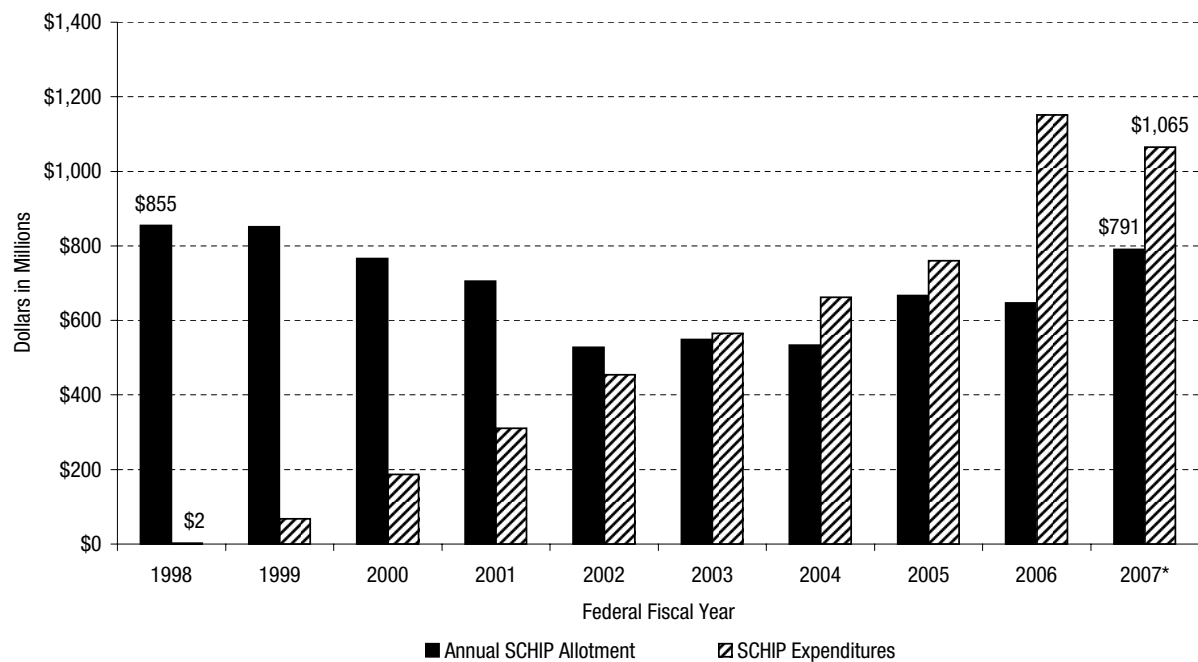
Federal SCHIP funding has not responded to California's actual need. First, California received the highest level of SCHIP funding when it had the lowest need. Four years later, SCHIP funding dropped to help meet federal deficit reduction goals, despite steady program growth.<sup>25</sup> Finally, although SCHIP funding increased in FFY 2007, the increase was far less than necessary to keep pace with enrollment and increases in the cost of health care.

Figure 4: A Larger Share of California's Children Lack Health Coverage



Note: Methodological changes led to lower estimates of the number of uninsured persons beginning in 2000.  
Source: US Census Bureau

Figure 5: California Now Spends More SCHIP Dollars Than It Receives



\* Actual allotment; projected expenditures. Approximately \$135 million in FFY 2006 expenditures are for services provided in FFY 2005.  
Source: Managed Risk Medical Insurance Board and Federal Register



## California Faces a Potential SCHIP Shortfall Totaling \$2 Billion to \$3 Billion in the Next Five Years

California could face an SCHIP shortfall totaling \$2 billion to \$3 billion over the next five fiscal years – the period for which Congress will likely reauthorize SCHIP funding – if funding levels are not increased (Table 2). That is because California has nearly exhausted unused SCHIP funds from prior years, and California's current allotment of \$791 million is far from adequate to support future needs of the program as it is currently configured. If the growth in California's SCHIP spending slows to 5 percent per year – assuming very slow growth in enrollment and health costs – the five-year shortfall would be approximately \$2 billion. On the other hand, moderate growth of 10 percent per year could lead to shortfalls of \$3 billion. Even more federal funds would be needed if eligibility for Healthy Families is expanded to cover children with incomes above 250 percent of the FPL.

While the future enrollment growth of Healthy Families is uncertain, these growth rates are likely conservative. Underlying growth – after adjusting for major policy changes – was 16.0 percent in FFY 2005 and is projected at 11.3 percent in FFY 2006.<sup>26</sup> These rates are likely to slow somewhat as the share of eligible children enrolled in Healthy Families increases. However, the MRMIB forecasts that expanded outreach efforts and simplified enrollment procedures that were included as part of the 2006-07 Budget will accelerate the number of children enrolled in Healthy Families.<sup>27</sup>

### How Can Congress Build on SCHIP's Success?

The current funding for SCHIP will expire on September 30, 2007 absent Congressional action. While the President fails to provide sufficient funds, Congress can use the reauthorization of federal SCHIP funding to ensure that California's Healthy Families Program continues to provide comprehensive health coverage to those low-income children who need it.

**Federal funding should be increased to keep pace with program needs.** Nationally, 1.5 million children could lose health coverage if SCHIP funding is not increased.<sup>28</sup> Without additional

federal funds, California faces substantial annual SCHIP shortfalls as soon as FFY 2008, and the five-year shortfall could reach \$3 billion. Additional funding would enable California to continue reducing the number of uninsured children by enrolling children who are eligible for, but not yet enrolled in, Healthy Families. The President's proposed funding is inadequate to sustain California's current program, much less the expansions advocated by the Governor or legislative leadership.

If Congress does not provide additional funding, California will face difficult decisions. For example, California could stop enrolling children, reduce Healthy Families benefits, or freeze payments to health plans that provide Healthy Families coverage. The shortfall could result in more than 700,000 California children losing health coverage in FFY 2012. Since California faces projected annual budget deficits of over \$4 billion through 2009-10, it will have limited resources to replace federal funding with additional state dollars.<sup>29</sup>

**Congress should protect and strengthen Medicaid.** Medicaid is the primary public program that provides health coverage to low-income individuals, including individuals with much higher health costs than children enrolled in Healthy Families. Research suggests that Medicaid is much less costly than private coverage, and Medi-Cal is the least costly Medicaid program per enrollee in the country, suggesting that reducing federal Medicaid funding would likely place individuals at risk of losing needed health care services.<sup>30</sup> Funding increases for SCHIP should not come at the expense of reduced support for Medicaid, which covers many more people, including many with serious health conditions. However, the President has proposed large reductions in funding for Medicaid. The President proposes over \$25 billion in Medicaid reductions over five years, more than five times his proposed increase in SCHIP funding.

**Congress could cover more immigrant children.** Federal law prevents states from covering legal immigrant children during their first five years in the US with federal SCHIP funds. California covers such children through Healthy Families using state funds. Congress could allow states to use federal matching funds to cover these children. However, California would need sufficient federal funds to expand coverage.

Table 2: California Faces Potential Five-Year SCHIP Shortfall of \$2 Billion to \$3 Billion (Dollars in Millions)

Program Growth	2008	2009	2010	2011	2012	Total
Very Low	\$116	\$383	\$442	\$504	\$568	<b>\$2,013</b>
Low	\$142	\$440	\$532	\$631	\$738	<b>\$2,484</b>
Moderate	\$169	\$498	\$627	\$768	\$924	<b>\$2,986</b>

Note: Assumes no increase in federal SCHIP funds from FFY 2007. Annual growth rates are 5.0% (very low), 7.5% (low), and 10.0% (moderate).

Source: CBP analysis of Managed Risk Medical Insurance Board data



**Congress could improve outreach and enrollment.** Healthy Families successfully provides health coverage to more than 775,000 children. However, approximately 200,000 children are eligible for, but not enrolled in, the program. When reauthorizing SCHIP funding, Congress could include fiscal incentives to encourage states to increase enrollment of eligible children. Similar to allowing states to use federal funds to cover more immigrant children, states would need sufficient federal funds to provide coverage to children enrolled through increased outreach and enrollment efforts.

## Conclusion

SCHIP reauthorization provides an opportunity to ensure adequate federal support to provide health coverage to low-income children in California and other states. In California, SCHIP funds support low-cost health coverage to over 775,000 children in Healthy Families and has helped reduce the number of uninsured children. While SCHIP has successfully helped increase the share of California's children with health coverage over the last 10 years, the President's Budget fails to provide sufficient funds to maintain these gains or to cover additional uninsured children.

*David Carroll prepared this Budget Brief. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's website at [www.cbp.org](http://www.cbp.org).*

## ENDNOTES

- <sup>1</sup> Matt Broaddus and Edwin Park, *Freezing SCHIP Funding in Coming Years Would Reverse Recent Gains in Children's Health Coverage* (Center on Budget and Policy Priorities: Revised November 28, 2006).
- <sup>2</sup> It is not clear how the \$4.8 billion would be distributed. California would also potentially qualify for additional funding under a separate proposal to redistribute unused SCHIP funds from other states on an accelerated basis. However, the additional funds from both proposals would fall well short of California's needs. A discussion of the estimated shortfall is provided below.
- <sup>3</sup> Legislative Analyst's Office, *California's Fiscal Outlook* (November 2006).
- <sup>4</sup> Managed Risk Medical Insurance Board, "Healthy Families Year End Caseload Comparisons 2006 November Estimate," *2006 November Estimate for the Healthy Families Program Access for Infants and Mothers Program and County Health Initiative Matching Fund Program for Fiscal Years 2006-07 and 2007-08*.
- <sup>5</sup> Data tables from National Low Income Housing Coalition, *Out of Reach 2006*. State values are weighted averages of FMRs throughout each state. The US Department of Housing and Urban Development determines FMRs for federal housing assistance purposes. The FMR estimates the dollar amount at or below which 40 percent of standard quality rental housing units are rented; in recent years, FMRs for some higher-cost counties have been set at the 50th percentile. FMRs are based on the distribution of rents paid by "recent movers" – renter households that have moved within the past 15 months. FMRs include the cost of shelter and utilities, excluding telephone service, and are adjusted for the number of bedrooms in the rental unit.
- <sup>6</sup> California returned a portion of allotments from federal fiscal years 1998 through 2002 because the state did not fully spend these funds in the required time periods as Healthy Families was ramping up.
- <sup>7</sup> The assets test requires families to document the value of savings accounts, vehicles, and other assets, even if they are below allowable levels. Adults who apply for Medi-Cal are still subject to an assets test.
- <sup>8</sup> The federal EPSDT program requires states to provide medically necessary health services to children and youth under age 21 who are enrolled in Medicaid, even if the state does not designate that such services are generally available under their Medicaid program. These services include medical screenings, vision and dental care, and any necessary health services to correct or ameliorate health conditions that are identified during screenings.
- <sup>9</sup> Gayle R. Byck, "A Comparison of the Socioeconomic and Health Status Characteristics of Uninsured, State Children's Health Insurance Program-Eligible Children in the United States With Those of Other Groups of Insured Children: Implications for Policy," *Pediatrics* 106 (2000), pp. 14-21.
- <sup>10</sup> Jack Hadley and John Holahan, "Is Health Care Spending Higher under Medicaid or Private Insurance?" *Inquiry* 40 (Winter 2003/2004), pp. 323-342.
- <sup>11</sup> Governor Pete Wilson, *State Child Health Plan Under Title XXI of the Social Security Act California's Healthy Families Program* (approved March 24, 1998).
- <sup>12</sup> 67 Federal Register 61956 (October 2, 2002).
- <sup>13</sup> Department of Finance, *Governor's Budget Summary 2007-08*, p. 158.
- <sup>14</sup> Healthy Families covers children under the age of 1 with incomes between 200 percent and 250 percent of the FPL; children ages 1 through 5 with incomes between 133 percent and 250 percent of the FPL; and children ages 6 through 18 with incomes between 100 percent and 250 percent of the FPL.
- <sup>15</sup> Gayle R. Byck, "A Comparison of the Socioeconomic and Health Status Characteristics of Uninsured, State Children's Health Insurance Program-Eligible Children in the United States With Those of Other Groups of Insured Children: Implications for Policy," *Pediatrics* 106 (2000), pp. 14-21. See also Jennifer N. Edwards, Janet Bronstein, and David B. Rein, "Do Enrollees in 'Look-Alike' Medicaid and SCHIP Programs Really Look Alike?" *Health Affairs* 21, No. 3 (2002), pp. 240-248.

- <sup>16</sup> High state Medi-Cal spending also reflects a lower federal match for Medi-Cal spending than for Healthy Families spending.
- <sup>17</sup> However, children who lose job-based coverage must wait three months before they may receive Healthy Families coverage.
- <sup>18</sup> Kaiser Commission on Medicaid and the Uninsured, *Children's Health – Why Health Insurance Matters* (May 2002); Kaiser Commission on Medicaid and the Uninsured, *Sicker and Poorer: The Consequences of Being Uninsured* (May 2002); American College of Physicians, *No Health Insurance? It's Enough to Make You Sick – Scientific Research Linking the Lack of Health Coverage to Poor Health* (2000); and US Department of Health and Human Services, *Access to Health Care Part 1: Children* (National Center for Health Statistics: Series 10, No. 196: July 1997).
- <sup>19</sup> See, for example, Christopher Trenholm, et al., *The Santa Clara County Healthy Kids Program: Impacts on Children's Medical, Dental, and Vision Care Final Report* (Mathematica Policy Research, Inc.: July 2005), p. 16.
- <sup>20</sup> See, for example, Lisa Dubay and Genevieve M. Kenney, "Health Care Access and Use Among Low-Income Children: Who Fares Best?" *Health Affairs* 20 (Jan/Feb 2001), pp. 112-121.
- <sup>21</sup> Michael Seid, PhD, et al., "The Impact of Realized Access to Care on Health-Related Quality of Life: A Two-Year Prospective Cohort Study of Children in the California State Children's Health Insurance Program," *Journal of Pediatrics* 149 (2006), pp. 354-361.
- <sup>22</sup> Managed Risk Medical Insurance Board, *The Healthy Families Program Health Status Assessment (PedsQL™) Final Report* (Revised September 2004), p. 10.
- <sup>23</sup> It is unclear whether the abrupt increase in the number of California uninsured children in 2005 was an anomaly or the beginning of a new trend.
- <sup>24</sup> In addition, approximately 250,000 uninsured children were eligible for, but not enrolled in, Medi-Cal. Shana Alex Lavarreda, et al., *More than Half of California's Uninsured Children Eligible for Public Programs But Not Enrolled* (UCLA Center for Health Policy Research: October 2006).
- <sup>25</sup> The funding authorized by Congress when it approved SCHIP as part of the Balanced Budget Act of 1997 included substantially lower allotments in FFY 2002 through FFY 2004.
- <sup>26</sup> CBP analysis of Managed Risk Medical Insurance Board data.
- <sup>27</sup> Managed Risk Medical Insurance Board, minutes from July 19, 2006 meeting (September 20, 2006). In addition, the Legislature passed SB 437 (Escutia, Chapter 328 of 2006), which provides additional simplification and other changes that could further accelerate enrollment.
- <sup>28</sup> Matt Broadus and Edwin Park, *Freezing SCHIP Funding in SCHIP Reauthorization Would Threaten Recent Gains in Health Coverage* (Center on Budget and Policy Priorities: June 5, 2006).
- <sup>29</sup> Legislative Analyst's Office, *California's Fiscal Outlook* (November 2006).
- <sup>30</sup> Jack Hadley and John Holahan, "Is Health Care Spending Higher under Medicaid or Private Insurance?" *Inquiry* 40 (Winter 2003/2004), pp. 323-342 and The Henry J. Kaiser Family Foundation, *Medicaid Payments per Enrollee, FY2003*, downloaded from [www.statehealthfacts.org](http://www.statehealthfacts.org) on December 7, 2006.