



MOVING FAST IN D.C.: CHIP REAUTHORIZATION & MORE FEDERAL DOLLARS FOR TEXAS MEDICAID

Congress is expected to pass a reauthorization of the State Child Health Insurance Program (SCHIP) block grant this week to make it available for the new president's signature as one of his first acts (this block grant provides the federal share of the Texas Children's Health Insurance Program, or CHIP). Meanwhile, Congress and the incoming administration are also developing and negotiating a sweeping economic recovery package, now expected to be debated in February. The stimulus package is now expected to include \$80 to \$100 billion in enhanced Medicaid funding for states over two years. As a result, Texas may receive **several billion dollars in additional Medicaid funds** for the 2010-2011 state budget. Our Legislature will then decide whether—or not—a portion of those funds is devoted to improving our struggling Medicaid program at a time when families need help more than ever.

- **Texas may receive billions in additional federal Medicaid funding to help with the 2010-2011 state budget.**
- **State lawmakers should ensure that a portion of those funds are plowed back into Medicaid improvements, so the program can help more Texas children in tough times, and so that Texas maximizes the new federal dollars we gain.**
- **Reauthorization of federal CHIP funding by Congress—possibly this week—will ensure that Texas will have the federal support needed to build on our successful CHIP program.**

How New Medicaid Funds Work

The exact amount of funds Texas will get and over what time period is not known yet, but the U.S. Senate's proposal in November 2008 would have provided Texas \$2.7 billion. Texas would receive at least \$3 billion over two years under the latest package, and possibly twice that amount.

Because Medicaid is not a block grant, these new dollars will only come to states when they spend money in Medicaid. Basically, a larger share of every Medicaid dollar will be paid by the federal government, freeing up state general revenue (GR) for other uses. Formulas for allocating the stimulus Medicaid funds by state could be as simple as adding a fixed number of additional federal cents on each Medicaid spending dollar; the Senate bill described above would have added 8 cents on every dollar for every state. Federal funds now cover about 60 cents of every Medicaid dollar in Texas; the Senate proposal would have increased that share to 68 cents per dollar. Formulas could also consider factors like unemployment rates by state, and since Texas fares better than the national average on unemployment, such a formula might provide our state a smaller share than a formula that treats all states the same.

Congress intends to include a maintenance of effort (M.O.E.) requirement, meaning states will not get any Medicaid stimulus aid if they (1) lower their Medicaid eligibility income levels, or (2) try to use more restrictive eligibility policies to drive down enrollment. And, the more eligible children and adults Texas enrolls in Medicaid, the more additional federal money we will get.

We do not yet know how much Congress will approve for the states or how Texas will use the amount we receive. Despite the fact that even a \$100 billion Medicaid package will fall short of already-reported state shortfalls, some members of Congress seek to reduce that amount—perhaps to even less than \$80 billion. Then, our state leaders and legislature will decide whether to use this money to improve Medicaid in Texas, or whether the legislature uses the “freed-up” state GR dollars for other purposes.

Advocates for children and health care hope that a good portion of the new money will be re-invested in Medicaid. Fixes to our struggling eligibility system, 12-month Medicaid coverage for kids (up from the current six months, and making Medicaid equal with CHIP), more improvements in Medicaid’s low provider payments, and more outreach and application assistance for families trying to enroll and renew their children’s coverage all could be easily funded with the new funds from Congress. And, with these improvements, more eligible children can be covered, which would qualify Texas for even more federal dollars. These increased funds will boost Texas’ economy while helping low-income working families during hard times.

Advocates hope that the enhanced federal Medicaid share will be mirrored in CHIP or in Title IV-E (foster care and adoption), which use the state Medicaid share formula as a starting point. However, we do not yet know whether that will be the case.

SCHIP Block Grant Reauthorization

Congress passed several versions of SCHIP block grant reauthorization, but those bills were vetoed by the current president. Congress is expected to vote as early as this week on a bill similar to the bills Congress approved. The bill will be funded with a 61 cent federal tobacco tax increase, and will include strong incentives for states to reach their eligible, unenrolled and uninsured children in Medicaid and CHIP (Texas is home to an estimated 700,000-plus such uninsured children). It will clearly allow states like Texas to grow and improve CHIP programs—and to respond the greater need for children’s coverage that can be expected in this economic downturn. Key issues still to be determined include whether or not to delete a current ban on federal CHIP funds for legal immigrant children in their first 5 years in the U.S., and what limitations may be placed on states wanting to cover children above 300 percent of the federal poverty income using federal SCHIP funds (coverage up to 300 percent FPL will be allowed).

For a detailed comparison of the recent vetoed bills, see these web sites:

- <http://ccf.georgetown.edu/index/cms-filesystem-action?file=policy/schip%20reauth/schip%20side-by-side.pdf>
- http://www.firstfocus.net/Download/SCHIP_SidebySide.pdf

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