



County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

September 10, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Handwritten signature of William T. Fujioka in black ink.

WASHINGTON, D.C. UPDATE

Pursuit of County Position on Legislation

State Children's Health Insurance Program (SCHIP) Reauthorization: A conference committee will be named soon to reconcile differences between the House and Senate versions of legislation to reauthorize SCHIP beyond Federal Fiscal Year (FFY) 2007. SCHIP was established under the Balanced Budget Act of 1997, which appropriated \$40 billion for SCHIP over ten years through FFY 2007. Under the program, states receive annual allotments which must be spent within three years to match state expenditures on health care provided to children in families with incomes too high to qualify for Medicaid through an expanded Medicaid program and/or newly created health insurance program. California has used SCHIP funds to implement its Healthy Families Program, which provides health coverage to children up to 250 percent of the Federal poverty level (FPL) and expand Medi-Cal eligibility for children age 6 to 18 from 85 percent to 100 percent of the FPL.

In FFY 2007, SCHIP was funded at \$5.0 billion of which California received an allotment of \$791 million. The Congressional Budget Office (CBO) has estimated that a \$14 billion increase over five years is needed to provide states with sufficient funds to maintain their current SCHIP eligibility and benefit levels. California estimates that its annual SCHIP funding must double to roughly \$1.6 billion to maintain its current

program level, and the State will need even more SCHIP funding to extend health coverage to children up to 300 percent of the FPL, as proposed in both the Governor's and AB 8 (Nunez) health care reform plans. Both the House and Senate-passed SCHIP reauthorization bills would provide the State with more than enough funds to expand coverage to that income level. The House bill (H.R. 3162) increases SCHIP funding by \$47.4 billion over five years while the Senate version (H.R. 976) increases funding by \$35 billion.

In addition to increasing overall funding, both bills revise the SCHIP allocation formula, reduce the availability of SCHIP funds from three to two years, provide a new state option to cover pregnant women, and prohibit new state waivers to cover childless adults and parents, as shown in the attached side-by-side comparison chart of the Senate and House-passed bills. Both versions also include language to revise the Medicaid citizenship documentation requirements imposed by the Deficit Reduction Act (DRA) of 2005.

Major differences between the Senate and House bills include:

- The Senate bill limits the availability of the enhanced Federal SCHIP match rate, which is 65 percent for California, to expenditures on children whose family incomes are below 300 percent of the FPL while the House version does not impose any limit on income eligibility;
- The House, but not the Senate bill, includes new options for states to cover children up to age 21 and to provide SCHIP (and Medicaid) coverage to legal immigrants who currently are ineligible because they have been in the U.S. less than five years;
- The Senate, but not the House bill, includes a new state option to subsidize family coverage under employer health plans, if cost-effective, and if employers contribute at least 40 percent of the cost of the premium;
- The Senate, but not the House bill, would apply the DRA Medicaid citizenship documentation requirements to SCHIP, prohibit the requirements from being waived, and give states an option to meet them using a new Social Security number matching system. The House bill makes the DRA requirements optional for children under age 21. Both bills require that applicants be provided a reasonable opportunity to submit documents before benefits are denied;
- The House, but not the Senate bill, reauthorizes Transitional Medicaid Assistance (TMA) through September 30, 2011. Under current law, TMA for families who, otherwise, would lose Medicaid eligibility due to increased earnings, expires on September 30, 2007; and

- The House, but not the Senate bill, imposes a one-year moratorium on regulatory or administrative actions which would limit Medicaid payments for rehabilitative or school-based services, similar to how language in the Iraq War supplemental appropriations bill blocked new regulations to reduce Medicaid payments for government providers and graduate medical education costs.

To offset increased spending and comply with pay-as-you-go budget rules, the Senate bill increases the Federal tobacco tax by 61 cents while the House bill increases the Federal tobacco tax by 45 cents and reduces payments to insurers under the Medicare Advantage Program.

The Board-adopted Federal Agenda includes policies to support SCHIP reauthorization legislation which would maintain or increase overall funding levels and California's share of total funding, allow the State to expend or retain more of its SCHIP allotments, provide greater flexibility over the use of funds, including to expand eligibility to cover parents and legal immigrants, and expand the scope of covered services; support proposals which would expand Medicaid, SCHIP, and health insurance coverage to more persons; and oppose proposals which would reduce the level of Medicaid payments and the scope of Medicaid covered services and policies. **Based on these Board policies, the County's Washington advocates will pursue the following positions in SCHIP reauthorization legislation:**

- Support increased SCHIP funding for California to enable the State to expand health insurance coverage to more persons, and, at minimum, maintain current Health Families Program levels;
- Support language which would provide the state with greater flexibility over the use of SCHIP funds, such as state options to cover children up to age 21, pregnant women and newly arrived legal immigrants, while opposing language which would reduce flexibility, such as prohibitions on waivers to cover parents and childless adults; and
- Support language which would extend TMA to families who otherwise would lose Medicaid eligibility, and which would impose a one-year moratorium on administrative actions which would restrict Medicaid payments for rehabilitative or school-based services.

The SCHIP reauthorization bill will be used as the vehicle for blocking regulations to cap Medicaid payments to government providers, preserving resident slots at Martin Luther King, Jr. - Harbor Hospital, and making the DRA Medicaid citizenship documentation requirements optional for states. In previous Washington, D.C. updates, we advised your Board that such legislation is being pursued based on existing Board policies.

Each Supervisor
September 10, 2007
Page 4

SCHIP reauthorization has been viewed as "must-sign" legislation that ultimately will be enacted to extend the program beyond FFY 2007, which ends on September 30, 2007. However, its legislative outlook now is unclear because the President is threatening to veto either the Senate or House versions, mainly due to their increased spending levels. The President supports a \$5.0 billion increase in SCHIP spending over five years, which is far less than the increased spending under either bill or the \$14 billion increase needed to maintain current SCHIP eligibility and benefit levels, as estimated by the CBO. If SCHIP reauthorization legislation is not enacted by the end of the month, then it is likely that a short-term extension will be enacted.

We will continue to keep you advised.

WTF:GK
MAL:MT:hg

Attachment

c: All Department Heads
Legislative Strategist

COMPARISON OF STATE CHILDREN'S HEALTH INSURANCE PROGRAM (SCHIP) REAUTHORIZATION BILLS

	Current Law	Senate Bill (H.R. 976)	House Bill (H.R. 3162)
Total New Funding	None	\$35 billion over five years	\$47.4 billion over five years
Annual Appropriations	2007: \$5.0 billion	2008: \$9.125 billion; 2009: \$10.675 billion; 2010: \$11.85 billion; 2011: \$13.75 billion; 2012: Combined total of \$16.0 billion	Annual funding will equal the sum of formula-based allotments for all states and territories.
State Allotments	Based on number of children below 200% of poverty level and number of such children who are uninsured, adjusted for geographic variations in health costs and subject to floors and ceilings.	For 2008, 110% of the greater of one of four factors (e.g., a state's 2007 SCHIP spending or allotment multiplied by annual adjustment or its projected 2008 SCHIP spending). Future annual allotments based on the combination of past and projected spending and number of low-income children in a state.	For 2008, greater of a state's projected 2008 spending or its 2007 allotment adjusted for growth in per capita health costs and child population. Future annual allotments based on prior year's allotment increased for growth in per capita health costs and child population.
Funding Availability	Three years to spend state allotments	Two years to spend state allotments	Two years to spend state allotments
Funding for Shortfall States	Unspent funds after three years are redistributed to states that spent their entire allotments.	Creates Contingency Fund, capped at 12.5% of annual SCHIP appropriations, from which payments would be made to shortfall states.	Unspent funds after two years are redistributed to shortfall states with more funding available to them based on their average cost per child.
SCHIP Match Rate	States receive an enhanced Medicaid match rate, subject to available funds. California's SCHIP match rate is 65%, compared to 50% for Medicaid.	Enhanced match rate only for children at or below 300% of Federal poverty level (FPL) unless a state already serves children above 300% FPL. Medicaid match rate for children above 300% FPL for new states which expand eligibility to such children.	Does not limit income eligibility for SCHIP to receive enhanced match rate.
Eligibility Age	Children eligible up to age 19	No change.	New state option to cover children up to age 21
Eligibility of Pregnant Women	May cover pregnant women under waivers. Otherwise, pregnant women are eligible for only prenatal and delivery services if unborn children also are covered.	New state option to cover pregnant women if a state's Medicaid eligibility for pregnant women is at least 185% FPL. Deems infants born to these women to be Medicaid/SCHIP eligible up to age one.	New state option for pregnant women if a state's Medicaid eligibility for pregnant women is at least 185% FPL and SCHIP eligibility for children is at least 200% FPL. Deems newborn infants to be Medicaid/SCHIP eligible up to age one.
Eligibility of Childless Adults	May cover childless adults under waivers approved before 2/8/06.	No new waivers for childless adults. Beginning in 2009, childless adult costs under existing waivers would be reimbursed at lower Medicaid match rate.	Prohibits new waivers to cover childless adults unless a state has an outreach program to cover all children with family incomes below 200% FPL. Allows existing waivers to continue.
Eligibility of Parents	May cover parents under waivers.	No new waivers to cover parents. Beginning in 2010, parent costs under existing waivers would be reimbursed at lower Medicaid match rate.	No new waivers for parents unless a state has an outreach program to cover all children with family incomes below 200% FPL. Allows existing waivers to continue.