



## CRS Report for Congress

### FY2008 Federal SCHIP Financing

Chris L. Peterson  
Specialist in Health Care Financing  
Domestic Social Policy Division

#### Summary

The President vetoed two bills (H.R. 976, H.R. 3963) that would have provided new federal funding for the State Children's Health Insurance Program (SCHIP) in FY2008 through FY2012. Four continuing resolutions provided FY2008 SCHIP allotments through December 31, 2007. On December 29, 2007, the President signed into law the Medicare, Medicaid, and SCHIP Extension Act of 2007 (P.L. 110-173), which provides FY2008 and FY2009 SCHIP allotments through March 31, 2009, and enough additional funding to cover every states' currently projected federal SCHIP spending through March 31, 2009. This report provides projections of states' FY2008 SCHIP federal funding and expenditures.

Four continuing resolutions (P.L. 110-92, P.L. 110-116, P.L. 110-137, and P.L. 110-149) appropriated \$5 billion for federal SCHIP allotments in FY2008 through December 31, 2007, without any changes to the statutory formula for allotting the appropriation to the states and territories. The Medicare, Medicaid, and SCHIP Extension Act of 2007 (P.L. 110-173) made the FY2008 allotments as well as FY2009 allotments (also totaling \$5 billion) available to states through March 31, 2009. States' FY2008 federal SCHIP allotments are shown in Column D of **Table 1**.

In FY2008, states may also use unspent FY2006 and FY2007 allotments, with states' projected available balances shown in Column B of **Table 1**. In addition, certain states will receive funds from the redistribution of other states' unspent FY2005 allotments, projected to total \$107 million. The continuing resolutions and P.L. 110-173 require unspent FY2005 funds to be redistributed to shortfall states (that is, states that will exhaust all other federal SCHIP funds) on a monthly basis in the order in which states experience shortfalls. States' projected receipt of redistributed FY2005 funds is shown in Column C of **Table 1**. In addition, P.L. 110-173 appropriated up to \$1.6 billion for states' remaining shortfalls in FY2008. Current projections are that less than \$1.2 billion of this appropriation will be necessary (Column E). The total federal SCHIP funds now available for states in FY2008 (Column F) are projected to cover every state's projected expenditures (Column G).

**Table 1. Projected FY2008 Federal SCHIP Financing, by State**

(dollars in millions)

State	Available unspent FY2006 and FY2007 balances	Projected redistribution of other states' unspent FY2005 allotments	FY2008 federal SCHIP allotments	Projected additional allotments for FY2008 to eliminate shortfalls	Total available federal SCHIP funds	Projected FY2008 federal SCHIP spending
A	B	C	D	E	F = B + C + D + E	G
Alabama	\$45.8		\$72.3		\$118.1	\$112.5
Alaska	\$0.6		\$11.2	\$11.0	\$22.8	\$22.8
Arizona	\$33.1		\$143.0		\$176.0	\$137.8
Arkansas	\$56.5		\$47.5	\$13.9	\$118.0	\$118.0
California	\$296.1		\$789.2	\$205.2	\$1,290.4	\$1,290.4
Colorado	\$99.7		\$71.5		\$171.2	\$77.7
Connecticut	\$68.8		\$38.8		\$107.6	\$33.0
Delaware	\$17.9		\$12.8		\$30.7	\$9.5
DC	\$20.4		\$12.1		\$32.5	\$7.5
Florida	\$453.1		\$301.7		\$754.8	\$290.5
Georgia			\$167.9	\$157.6	\$325.5	\$325.5
Hawaii	\$14.0		\$15.2		\$29.2	\$18.3
Idaho	\$36.7		\$23.8		\$60.5	\$31.1
Illinois			\$208.3	\$60.5	\$268.8	\$268.8
Indiana	\$115.2		\$97.4		\$212.6	\$92.6
Iowa			\$33.2	\$29.2	\$62.4	\$62.4
Kansas	\$19.4		\$36.6		\$56.1	\$51.2
Kentucky	\$62.9		\$68.2		\$131.1	\$83.0
Louisiana	\$37.0		\$84.1	\$16.2	\$137.3	\$137.3
Maine		\$0.3	\$15.4	\$16.7	\$32.4	\$32.4
Maryland		\$3.3	\$72.4	\$83.7	\$159.4	\$159.4
Massachusetts		\$46.9	\$73.3	\$155.4	\$275.6	\$275.6
Michigan	\$43.7		\$147.1		\$190.8	\$183.0
Minnesota			\$48.6	\$35.4	\$84.1	\$84.1
Mississippi		\$0.7	\$61.0	\$71.7	\$133.4	\$133.4
Missouri	\$16.0		\$77.6	\$15.0	\$108.7	\$108.7
Montana	\$14.0		\$15.9		\$29.9	\$21.7
Nebraska	\$0.4		\$21.4	\$13.6	\$35.5	\$35.5
Nevada	\$90.4		\$51.1		\$141.5	\$37.9
New Hampshire	\$14.7		\$10.7		\$25.4	\$13.4
New Jersey		\$42.8	\$105.5	\$174.8	\$323.1	\$323.1
New Mexico	\$74.6		\$52.0		\$126.6	\$103.0

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State	Available unspent FY2006 and FY2007 balances	Projected redistribution of other states' unspent FY2005 allotments	FY2008 federal SCHIP allotments	Projected additional allotments for FY2008 to eliminate shortfalls	Total available federal SCHIP funds	Projected FY2008 federal SCHIP spending
A	B	C	D	E	F = B + C + D + E	G
New York	\$447.0		\$328.7		\$775.6	\$376.7
North Carolina	\$15.7		\$136.1	\$42.8	\$194.7	\$194.7
North Dakota	\$1.9		\$7.9	\$3.1	\$12.9	\$12.9
Ohio	\$62.4		\$157.9		\$220.3	\$209.0
Oklahoma	\$33.8		\$70.8	\$19.8	\$124.4	\$124.4
Oregon	\$63.9		\$60.1		\$124.1	\$87.0
Pennsylvania	\$149.2		\$168.8		\$318.0	\$226.8
Rhode Island		\$13.0	\$14.0	\$32.7	\$59.7	\$59.7
South Carolina	\$122.4		\$71.0		\$193.5	\$117.7
South Dakota	\$5.8		\$10.5		\$16.3	\$13.6
Tennessee	\$177.9		\$99.8		\$277.7	\$113.3
Texas	\$1,012.7		\$556.2		\$1,568.9	\$792.7
Utah	\$40.4		\$41.3		\$81.7	\$51.6
Vermont	\$7.5		\$5.6		\$13.1	\$4.4
Virginia	\$65.4		\$90.3		\$155.7	\$124.8
Washington	\$144.6		\$79.9		\$224.5	\$30.0
West Virginia	\$23.3		\$25.7		\$49.0	\$40.5
Wisconsin	\$11.7		\$69.6		\$81.3	\$80.1
Wyoming	\$9.7		\$6.4		\$16.1	\$7.8
<b>State Total</b>	<b>\$4,026.4</b>	<b>\$107.0</b>	<b>\$4,987.5</b>	<b>\$1,158.5</b>	<b>\$10,279.4</b>	<b>\$7,348.7</b>

**Source:** CRS analysis of data provided by the Centers for Medicare and Medicaid Services (CMS), including states' quarterly projections of federal SCHIP expenditures provided in November 2007.

These estimates are based on expenditure projections provided by the states to the Centers for Medicare and Medicaid Services (CMS) in late November 2007.<sup>1</sup> States submit these projections on a quarterly basis, and they are likely to change.

## **Additional Description of SCHIP Provisions in P.L. 110-173**

**SCHIP Allotments.** Title XXI of the Social Security Act, as established by the Balanced Budget Act of 1997 (BBA 97, P.L. 105-33), specified national appropriation amounts from FY1998 to FY2007 for SCHIP. P.L. 110-173 set the FY2008 and FY2009 allotments at the same level as in FY2007 (\$5.0 billion for the states and territories, plus an additional \$40 million for the territories). The allotment of these funds to states in FY2008 and FY2009 will continue to be based on the statutory formula using the estimated number of low-income children and low-income *uninsured* children in each state, adjusted slightly by a geographic cost factor.

Generally, allotments are available for three years, after which any unspent funds are redistributed to other states. However, the FY2008 and FY2009 allotments are available only through March 31, 2009 (or the date of enactment of legislation to reauthorize SCHIP, whichever comes first).

**Redistribution.** Allotments unspent after three years are redistributed to other states. Under P.L. 110-173, FY2005 allotments unspent at the end of FY2007 are to be redistributed to states projected to exhaust all of their SCHIP funds in FY2008. The redistributed FY2005 funds would be provided, until exhausted, to states in the order in which their shortfalls occur. In addition, FY2006 allotments unspent at the end of FY2008 will be redistributed to states projected to exhaust all of their SCHIP funds in FY2009 before March 31, 2009. The redistributed FY2006 funds will be provided, until exhausted, to states in the order in which those shortfalls occur.

**Additional Appropriations for States' Shortfalls of Federal SCHIP Funds.** In early FY2006, several states were projected to exhaust their federal SCHIP funds during the year, with a shortfall projected at \$283 million. Congress appropriated \$283 million in the Deficit Reduction Act of 2005 (P.L. 109-171) for the purpose of eliminating states' shortfalls in FY2006, with 1.05% of the appropriation provided to the territories. To eliminate shortfalls of some states' federal SCHIP funds in FY2007, Congress appropriated such sums as necessary, not to exceed \$650 million, in the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (P.L. 110-28). The territories received no portion of this appropriation.

Under P.L. 110-173, such sums as necessary, not to exceed \$1.6 billion, are appropriated in FY2008 to (1) eliminate states' shortfalls of federal SCHIP funds and (2) provide 1.05% of states' projected shortfall amounts to the territories. These funds are available only for FY2008, and unspent funds are not available for redistribution. If the

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<sup>1</sup> Prior versions of this report showed states' projected FY2008 shortfalls at approximately \$1.6 billion. This was based on states' quarterly estimates from August 2007. Besides using states' November projections, the estimates in this report also reflect states' final reported FY2007 SCHIP spending.

\$1.6 billion appropriation is insufficient to cover states' shortfalls and the associated payments to the territories, then the payments to the states and territories would be reduced proportionally. Based on states' latest projections, the total FY2008 shortfalls are projected at less than \$1.2 billion.

Under P.L. 110-173, such sums as necessary, not to exceed \$275 million, are appropriated in FY2009 to (1) eliminate states' shortfalls of federal SCHIP funds in the first two quarters of FY2009 and (2) provide 1.05% of states' projected shortfall amounts to the territories. These funds are available only for the first two quarters of FY2009, and unspent funds are not available for redistribution. If the \$275 million appropriation is insufficient to cover states' shortfalls and the associated payments to the territories, then the payments to the states and territories would be reduced proportionally. Based on states' latest projections, the total FY2009 shortfalls through March 31, 2009, are projected at approximately \$200 million.

**Qualifying States.** Eleven states (Connecticut, Hawaii, Maryland, Minnesota, New Hampshire, New Mexico, Rhode Island, Tennessee, Vermont, Washington, and Wisconsin) are considered "qualifying states" for purposes of using SCHIP funds under §2105(g) for some children enrolled in Medicaid. For qualifying states, federal SCHIP funds may be used to pay the difference between SCHIP's enhanced Federal Medical Assistance Percentage (FMAP) and the Medicaid FMAP that the state is already receiving for children above 150% of poverty who are enrolled in Medicaid.<sup>2</sup> Qualifying states are limited in the amount they can claim for this purpose to the lesser of (1) 20% of the state's original SCHIP allotment amounts (if available) from FY1998-FY2001 and FY2004-FY2008, with the ability to use the FY2008 allotment previously linked to the termination dates in the continuing resolutions, and (2) the state's available balances of those allotments. The statutory definitions for qualifying states capture most states that had expanded their upper-income eligibility levels for children in their Medicaid programs to 185% of poverty prior to the enactment of SCHIP.

Under P.L. 110-173, the ability of qualifying states to use their FY2008 allotments for expenditures under §2105(g) is made permanent; their ability to use FY2009 allotments under §2105(g) is permitted through March 31, 2009.

**Improving Data Collection.** Because of concerns about inadequate sample sizes in the Current Population Survey (CPS) for making estimates of states' number of low-income children, for purposes of determining states' federal SCHIP allotments, \$10 million was appropriated in SCHIP statute annually beginning in FY2000. P.L. 110-173 provides \$20 million, instead of \$10 million, in SCHIP statute for the CPS in FY2008.

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<sup>2</sup> For FY2008, the regular Medicaid FMAP among the states ranges from 50.0% to 76.3%; the enhanced SCHIP match ranges from 65.0% to 83.4%. For each state, the enhanced FMAP is calculated so that its share of expenditures under SCHIP is 30% lower than under the regular Medicaid matching rate.