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515,000 CHILDREN WOULD LOSE HEALTH INSURANCE OVER THE NEXT FIVE YEARS UNDER FLAWED ADMINISTRATION SCHIP PROPOSAL

by Edwin Park and Matthew Broaddus

As part of its fiscal year 2003 budget, the Bush Administration proposed to extend the availability of certain expiring funds provided to states through the State Children's Health Insurance Program (SCHIP), which furnishes health insurance coverage to low-income uninsured children.[1] In recent weeks, the Administration has urged Congress to enact its SCHIP proposal when Congress reconvenes during a post-election lame-duck session this month or in December. Under the Administration's proposal, however, the number of children insured through SCHIP would decline by approximately 515,000 between 2003 and 2007. In addition, the Administration's proposal would have an immediate adverse effect on SCHIP: the proposal would result in 200,000 fewer children being enrolled in 2003 than would be the case under current law.

The Office of Management and Budget has projected that if *no* action is taken, the number of children insured through SCHIP will fall by 900,000 between fiscal years 2003 and 2006.[2] The Administration proposal would undo less than half of this decline. In addition, as just noted, the proposal would reduce the number of children that would otherwise be enrolled in 2003 by 200,000. (As a result, while the number enrolled in 2007 would be 515,000 below the number enrolled in 2003, it would be 715,000 below the number of children who would be enrolled in 2003 under current law.) The Administration's proposal would adversely affect SCHIP enrollment this year and fail to prevent large numbers of low-income children from losing health insurance over the next five years for one principal reason — it leaves large sums of SCHIP funds in states that cannot use them, rather than redistributing the funds to other states that will need them to avert sharp cutbacks in their SCHIP programs.

[1] Congress created SCHIP in 1997 and provided states with $40 billion over 10 years to expand health care coverage for low-income uninsured children. Under SCHIP, states can use SCHIP funds at an enhanced federal matching rate to provide health insurance to low-income uninsured children through either Medicaid or a separate state health insurance program. The total amount of federal SCHIP funds available each year is divided among the states (and territories) according to a formula in the SCHIP statute. States have three years to use the SCHIP allotment they receive for a particular year. If a state is unable to use its allotment within the three-year period, its unused funds are reallocated to states that did use their full allotment for that year. (Special rules apply for fiscal years 1998 and 1999.)

[2] For more analysis, see Edwin Park, Leighton Ku and Matthew Broaddus, *OMB Estimates Indicate that 900,000 Children Will Lose Health Insurance Due to Reductions in Federal SCHIP Funding*, Center on Budget and Policy Priorities, revised November 7, 2002.

Under the law as it now stands, unspent SCHIP funds from fiscal years 1998 and 1999 expired and reverted to the U.S. Treasury on September 30, 2002. Unspent funds from fiscal year 2000 are to be recovered from states that did not use these funds by September 30, 2002 and redistributed to states that have spent their full fiscal year 2000 allocations. Redistributed funds that are not used by September 30, 2003 will expire and revert to the Treasury at that time. A total of $2.7 billion in SCHIP funds either expired this September 30 or are projected to expire on September 30, 2003.

There is broad agreement that the strictures of current law that will cause the $2.7 billion to revert to the Treasury are unwise and need to be changed. States amassed unspent funds in the SCHIP program's early years (the program started in 1998) when it took states time to establish and implement their programs. But SCHIP has since grown substantially, now insures about four million low-income children, and will badly need these unspent funds from the program's early years in the years that lie ahead.

Moreover, under the terms of the 1997 Balanced Budget Act that created SCHIP, funding for SCHIP was reduced by $1 billion — or 26 percent — in fiscal year 2002 and remains at this reduced level through fiscal year 2004. This exacerbates the funding shortfalls that some states will face in the years ahead. Finally, the program has developed significant funding imbalances, with some states apparently unable to use the full SCHIP allotments they are being provided under the 1997 law while other states are scheduled to receive insufficient funds to maintain their SCHIP enrollments in coming years and will need to reduce the number of children they insure.

The Administration's proposal would address some of these problems, but leave other problems unaddressed and, in a few states, aggravate the funding shortfalls. Under the Administration's proposal, the funds that reverted to the Treasury on September 30, 2002 and the funds scheduled to revert on September 30, 2003 would be extended through the end of fiscal year 2006. The principal problem with the proposal is what it would do with these funds. Funds that reverted to the Treasury on September 30, 2002 would be returned to the same states that had not used them and would remain in these states through 2006; *none* of these funds would be reallocated from states that were unable to use them to other states that would face funding shortfalls. In addition, the scheduled redistribution of unspent fiscal year 2000 funds to states that have used all of their fiscal year 2000 allotments — a redistribution scheduled to occur in the next few months — would be *cancelled*. Instead, these funds would remain through 2006 in the states that have not been able to use them.

The weakness of the proposal is that while the availability of the expiring funds would be extended, the majority of these unspent funds would remain in states unlikely ever to use them, rather than being redistributed to states that will have insufficient SCHIP funds to sustain their SCHIP programs over the next several years and that face the prospect of having to cut their programs and cause more children to be uninsured.

The Administration's own budget documents illustrate the inadequacy of its proposal. These documents show that under the Administration's proposal, states would use only $1.2 billion of the $2.7 billion in unspent funds whose availability would be extended. Well over half

of these funds would remain unused despite the fact that the SCHIP program would be contracting and the number of children it insures would be dropping.

As noted above, the Administration has projected that if nothing is done, the number of children insured through SCHIP will drop by 900,000 between fiscal years 2003 and 2006. Analysis based on the model that the Centers for Medicare and Medicaid Services at HHS has developed to analyze SCHIP expenditures and enrollment indicates that under the Administration proposal, the number of children insured still would decline by 515,000 between 2003 and 2007. Furthermore, SCHIP enrollment in 2003 would be artificially depressed. The Administration's proposal would cause 200,000 fewer children to be enrolled in 2003 than are expected to be enrolled under current law. The proposal would have this effect because it would cancel the reallocation of unused fiscal year 2000 funds scheduled to take place in the next few months; that cancellation would cause several states to experience funding shortfalls *this year* and result in 200,000 fewer children being served in 2003 than would otherwise be the case. Under current law, on average, 4.5 million children are expected to be enrolled in the SCHIP program in fiscal year 2003. Under the Administration's proposal, projected enrollment in 2003 would be 4.3 million.

A superior approach would be to: 1) extend the expiring funds *and* target more of these funds to states that need them and are likely to use them; and 2) undo the federal SCHIP funding reduction that is in effect for fiscal years 2003 and 2004 (i.e., restore federal SCHIP funding to its level for fiscal years 1998-2001). Bipartisan legislation introduced in the Senate would do this. If it is done, most of the large enrollment decline that threatens the SCHIP program can be averted.

The following analysis examines these issues in more detail.

HHS Secretary Assured New Jersey Senator that States Would Have Adequate Federal Funding to Sustain their SCHIP Programs

On February 14, 2002, at a Senate Budget Committee hearing, Senator Jon Corzine (D-NJ) asked Secretary of Health and Human Services Tommy Thompson whether there would be sufficient federal funding for programs such as SCHIP in coming years and whether unspent SCHIP funds would continue to be reallocated to states that need them. In response, Secretary Thompson stated:

> "...If [SCHIP] money is not used, it should be reallocated to a State like New Jersey that is doing an excellent job with their S-CHIP money and be able to use that money because it needs to get in [the state] to help children. If it is not in the budget, we should make the modifications to accomplish that."

Despite these assurances, the Administration's budget proposal would leave 17 states — including New Jersey — with insufficient federal funding some time over the next five years. Both the Centers for Medicare and Medicaid Services and we project that under the Administration plan, New Jersey would face a severe funding shortfall in fiscal year 2003. New Jersey would have available *less than 40 percent* of the funding it would need to sustain its SCHIP program this year.*

* CMS has informally provided state-specific spending and funding projections under the Administration proposal to staff of the Senate Finance Committee and the House Energy and Commerce Committee.

The Impending SCHIP Enrollment Cuts

OMB projects that the number of children covered by SCHIP will fall substantially in the next several years because a number of states will have insufficient federal funding to sustain their current programs. States face funding shortfalls for three reasons.

- **Overall federal SCHIP funding was reduced by 26 percent, or more than $1 billion, in fiscal year 2002 and is scheduled to remain at this reduced level in each of the next two fiscal years.** SCHIP funds equaled about $4.3 billion per year through fiscal year 2001 but dropped to $3.15 billion in fiscal year 2002 and remain at this reduced level through 2004. The Balanced Budget Act of 1997, which established SCHIP, included this reduction solely to ensure that the federal budget was balanced by 2002 under the budget and economic assumptions in use at the time that legislation was enacted.

  States were able to avoid negative effects from this funding reduction in 2002 because they were able to draw on unspent SCHIP funds from the program's early years, when states confronted a series of implementation challenges and SCHIP got off to a slow start. SCHIP enrollment has increased substantially since then, however, and many states will exhaust their unspent funds in the years ahead.

  An examination of federal SCHIP expenditures illustrates the problem. These expenditures were only $200 million in fiscal year 1998, the program's first year, but rose to $600 million in fiscal year 1999, $1.8 billion in fiscal year 2000, and $2.7 billion in fiscal year 2001.[3] OMB estimates that federal expenditures will reach $4.3 billion in fiscal year 2003, while CBO estimates they will total $4.5 billion. As noted, federal SCHIP funding will be only $3.15 billion each year for fiscal years 2002 through 2004.

- **A total of $2.7 billion of unspent federal SCHIP funds are scheduled to expire and revert to the Treasury at the end of fiscal year 2002 and fiscal year 2003.** The expiring funds are the result of targeting and timing problems associated with the distribution of SCHIP funds. Some states have unspent funds available to them that they are not likely ever to use. Other states with unspent SCHIP funds that either reverted to the Treasury on September 30, 2002 or will revert on September 30, 2003 are expected to have insufficient federal funds to maintain SCHIP enrollments in the years *after* that; in these states, there is a mismatch between the time for which the unspent funds have been provided to the states and the time when the states will need them (see Table 1).

- **The current reallocation system does not provide for sufficient redistribution of unspent funds to states that have fully used their SCHIP allotments and need additional funds to avoid reducing the number of children they insure.**

[3] The 2001 figure has been adjusted downward from the original figure of $3.7 billion because that figure reflected a one-time technical fix in that year that artificially inflated spending for baseline purposes.

Under current law, a state has three years to spend the SCHIP funds it receives for a given fiscal year. If the state spends its entire annual allotment over the three-year period, it is eligible to receive some amount of unspent funds from states that did not fully use their allotments by the end of the three-year period. This redistribution system, while beneficial, has some weaknesses. Some funds may be redistributed to states that cannot use them; other states may receive less in redistributed funds than they need. In some cases, a state may not be able to spend the redistributed funds within the required timeframe for using the funds but may need those funds in subsequent years. As a result, the SCHIP reallocation system, in its current form, does not ensure that states have sufficient federal funding to sustain their SCHIP programs over time (or to enable states to grow the programs to reach more uninsured low-income children).

While states have been able to draw on unspent funds from prior years to delay the effects of these factors, the level of federal SCHIP funding needed to maintain SCHIP caseloads eventually will exceed the total federal SCHIP funds available (including redistributed funds) in 20 states (see Table 2).[4] In some states, the magnitude of the shortfalls will be very large.

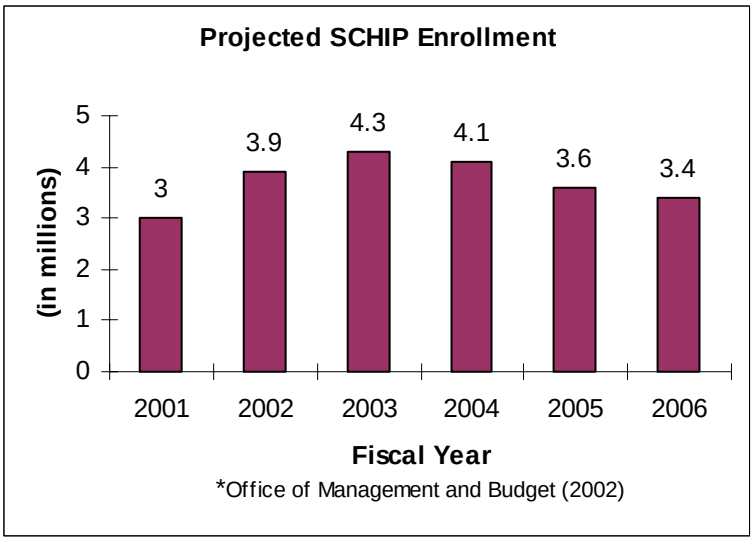
[4] Our initial May 2002 analysis of how states will be affected has now been updated. This November 2002 updated analysis continues to be based on a state-specific SCHIP expenditure and funding model provided by the Centers for Medicare and Medicaid Services but now uses fiscal year 2002 expenditures and state estimates of fiscal year 2003 expenditures, as reported to CMS by states as of August 2002. We modify the CMS model to reflect more accurate state expenditure sequences (this refers to the order in which states spend their annual SCHIP allotments and the SCHIP funds made available to states through the reallocation process), incorporate expenditure estimates under recently approved section 1115 waivers in Arizona, California, Colorado, Illinois and Oregon that use SCHIP funds to expand coverage to adults and/or pregnant women, and use CBO estimates for the rate of growth in per-capita health care costs for children.

States in which total SCHIP funds will become insufficient to maintain caseloads some time between now and fiscal year 2007 include: Alaska, Arizona, California, Florida, Georgia, Iowa, Kansas, Kentucky, Louisiana, Maryland, Minnesota, Mississippi, Missouri, New Jersey, New York, Rhode Island, South Dakota, Texas, West Virginia and Wisconsin.

Our initial May 2002 analysis included Idaho and Indiana among the states projected to have insufficient funds and did not include California, Florida, Georgia and South Dakota.

As a comparison, the Centers for Medicare and Medicaid Services determined in October 2001 that 15 states would have insufficient federal funding to sustain their SCHIP programs by fiscal year 2006. Those states were Alaska, Idaho, Indiana, Iowa, Kansas, Kentucky, Maryland, Minnesota, Mississippi, Missouri, New Jersey, New York, Rhode Island, Texas and West Virginia. Centers for Medicare and Medicaid Services, *Report on the Health Insurance Flexibility and Accountability (HIFA) Initiative: State Accessibility for Coverage Expansions*, October 4, 2001.

For example, in nine states, the level of funding needed to sustain children's enrollment will, by fiscal year 2006, be more than *twice* the total SCHIP funds available to the state in that year. In the years ahead, these states will have to reduce dramatically the number of children they insure through SCHIP unless the states fill these gaps entirely with state funds, which seems unlikely given the degree of fiscal stress that states are experiencing. If the affected states are unable to increase state funding to compensate, they will have no choice but to cut their SCHIP programs, in many cases sharply.



A large number of children thus are expected to lose out on health care coverage. According to OMB, the increase in the number of children enrolled in SCHIP programs nationally will slow markedly in fiscal year 2003, as the effects of the $1 billion-a-year reduction in SCHIP funding begin to be felt, and SCHIP enrollment subsequently will start to decline. OMB projects that, under current law, SCHIP enrollment will reach 4.3 million in 2003 but fall to 4.1 million in 2004, 3.6 million in 2005, and 3.4 million in 2006. That constitutes a decline of 900,000 children over three years (see figure).[5]

Although this decline in *national* SCHIP enrollment is not projected by OMB to start appearing until fiscal year 2004, children in some of these affected states are likely to begin losing out on coverage before then. With a number of states concerned that their future SCHIP costs will outstrip their available federal funding, some states may take steps to halt or slow increases in SCHIP enrollment before the year in which they actually will face a funding shortfall, causing fewer children to be insured in the interim than would otherwise be the case. Some states are likely to begin taking such steps this year to avoid having to cut the number of children insured through SCHIP in subsequent years. This would be especially unfortunate, considering the essential role that SCHIP is now playing in the stagnant economy in preventing children from becoming uninsured when their families lose jobs and health insurance. Survey data recently issued by the Centers for Disease Control and Prevention (CDC) show that the number of children who are uninsured would have increased by two million just between 2001 and the first quarter of 2002 as a result of a decline in employer-based coverage if Medicaid and SCHIP had not been able to expand to offset this decline.[6]

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[5] Office of Management and Budget, *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2003*, p.297.

[6] Centers for Disease Control and Prevention, National Center for Health Statistics, *Early Release of Selected Estimates Based on Data from the First Quarter 2002 NHIS*, Sept. 20, 2002; Leighton Ku, *The Number of Americans Without Health Insurance Rose in 2001 and Appears to Be Continuing to Rise in 2002*, Center on Budget and Policy Priorities, September 30, 2002.

Seventeen States Would Have Insufficient Federal Funding to Sustain their SCHIP Programs over the Next Five Years

According to our estimates based on the CMS model, under the Administration's proposal, the following 17 states would still face SCHIP funding shortfalls starting some time between fiscal year 2003 and fiscal year 2007: Alaska, Arizona, Florida, Georgia, Iowa, Kentucky, Louisiana, Maryland, Minnesota, Mississippi, Missouri, New Jersey, New York, Rhode Island, South Dakota, Texas, and Wisconsin.

The Administration's SCHIP Proposal

Earlier this year, as part of its fiscal year 2003 budget, the Administration proposed to extend the availability of the SCHIP funds that are scheduled to expire and revert to the Treasury at the end of fiscal years 2002 and 2003. This was a welcome move, as it would ensure that no federal resources would be lost to the SCHIP program. The Administration never provided a detailed proposal on how the expiring funds would be made available to states.

Last month, the Administration finally outlined its proposal on an informal basis. The Administration's SCHIP proposal includes two provisions. First, states with unspent funds from fiscal years 1998 and 1999 that expired on September 30, 2002 would be permitted to keep those funds through the end of fiscal year 2006. Second, the treatment of fiscal year 2000 SCHIP funds that were unspent as of September 30, 2002 would be altered. Under current law, all such funds are supposed to be redistributed this year to states that have fully spent their fiscal year 2000 allotments (and thus are likely to need additional SCHIP funds in the future). However, if the states receiving these redistributed funds do not spend them by September 30, 2003, the funds revert to the Treasury at that point. Under the Administration's proposal, there would be *no* redistribution of the unspent fiscal year 2000 funds; any state with unspent funds scheduled to be redistributed this year would keep those funds through 2006. On the positive side, this approach would keep these funds from reverting to the Treasury a year from now. On the negative side, this would result in large sums remaining in states that are not projected to need or use them between now and 2006, while states that badly need these idle funds to avoid cutbacks would not be provided access to them.

According to Administration budget documents issued in February, the Administration's proposal is intended, in part, to enable states to maintain their current SCHIP coverage levels.[7] Unfortunately, the proposal fails to meet this objective. According to our estimates, based on the model developed by the Office of the Actuary at the Centers for Medicare and Medicaid Services (see footnote 4), SCHIP enrollment would still suffer a decline of 515,000 children between 2003 and 2007 under the Administration's plan.[8] The Administration's proposal has this effect

[7] President's FY 2003 Budget for the Department of Health and Human Services, February 4, 2002.

[8] Under the model, projected enrollment in 2003 *under current law* would be about 4.5 million and the projected decline in national SCHIP enrollment between 2003 and 2007 would be 800,000 to 3.7 million in 2007, a bit smaller than OMB's projected decline of 900,000.

because it would result in large sums remaining unused in some states while other states had to make deep cuts in their SCHIP programs. Under this proposal, over the next five years, 17 states would have insufficient federal funding to maintain their SCHIP caseloads.[9]

In addition, the Administration's proposal would result in three states having insufficient SCHIP funding in 2003. (Under *current law*, no state would have insufficient federal funding this year.) As a result, 200,000 fewer children would be enrolled in SCHIP in 2003 than is otherwise expected under current law.[10]

- **Most of the states in which there were unspent SCHIP funds from fiscal years 1998 and 1999 on September 30, 2002 are states that are unlikely to need or use those funds.** Some 15 of the 21 states with unspent SCHIP funds that expired on September 30, 2002 are projected to have *sufficient* SCHIP funds in the years ahead. These states do not need to retain all of the funds that expired on September 30. Under the untargeted extension of expiring funds the Administration is proposing, only a few of the states projected to have funding shortfalls in the next few years would be provided sufficient additional SCHIP funds to avert reductions in the number of low-income children they insure.

- **The Administration plan would exacerbate the funding shortfall in some states.** Under current law, states that have fully used their fiscal year 2000 SCHIP allotments would, in the next few months, receive unspent fiscal year 2002 funds redistributed from states that have not used these funds. Most of the states slated to receive these redistributions under current law are states that face funding shortfalls over the next few years and need these funds. Even with the redistributions scheduled under current law, most of these states will not have sufficient funding to maintain their SCHIP enrollments in the years ahead. Nevertheless, under the Administration's proposal, the scheduled redistribution of unspent fiscal year 2000 funds would be cancelled. Without any redistribution of fiscal year 2000 funds, the magnitude of the shortfalls would be even greater in some of these states and they would be compelled to start cutting their SCHIP programs sooner.

The Administration's proposal would result in an enrollment decline of an estimated 515,000 between 2003 and 2007 — with projected enrollment of about 3.7 million in 2007. (We note that enrollment in 2003 would be depressed by 200,000 to about 4.3 million, thereby disguising the full extent of the enrollment decline under the Administration's proposal.) These numbers are not directly comparable to the original OMB enrollment estimates because of adjustments made to the data and projections from the Centers for Medicare and Medicaid Services and the use of a longer time period for analyzing national SCHIP enrollment trends (2003 through 2007); see footnote 4.

[9] New Jersey would have insufficient federal funding in 2003 but would then have sufficient funding in the years after that.

[10] Under current law, national enrollment is expected to reach 4.5 million in fiscal year 2003, an increase of about 500,000 from fiscal year 2002. Under the Administration proposal, national enrollment would rise to 4.3 million this fiscal year because of funding shortfalls in Alaska, New Jersey, and Rhode Island.

> Currently, no state is expected to face a federal funding shortfall this year. Under the Administration's proposal, however, Alaska, New Jersey and Rhode Island would face a funding shortfall in 2003 because these states are relying on the redistribution of fiscal year 2000 funds in coming months. New Jersey would have less than 40 percent of the federal funds it will need to sustain its program this fiscal year. As a result of the inadequate federal funding in these three states, SCHIP enrollment in 2003 would be 200,000 lower than is otherwise expected.

The Administration's own budget documents demonstrate the ineffectiveness of its approach to maintaining current SCHIP enrollment. According to these budget documents, the Administration's proposal would result in states using only $1.2 billion of the $2.7 billion in funds that would otherwise expire and revert to the Treasury.[11] This is because the majority of the expiring SCHIP funds that would be extended under the proposal would rest in states that are unlikely to use them, rather than being targeted to states that most need them to avert substantial reductions in children's enrollment.

A More Effective Approach

Senators Jay Rockefeller (D-WV), Lincoln Chafee (R-RI), Edward Kennedy (D-MA) and Orrin Hatch (R-UT) have introduced bipartisan legislation (S. 2860) that would extend the availability of expiring SCHIP funds but *target* them to states that will most need these funds. The legislation meets this goal by strengthening the current reallocation system through establishment of a caseload stabilization pool under which certain unused SCHIP funds, including the funds that were scheduled to expire on September 30, 2002 and September 30, 2003, would be allocated to the states that need these funds to sustain their programs. This legislation also would restore overall federal SCHIP funding for fiscal years 2003 and 2004 to the annual levels provided for SCHIP in fiscal years 1998 through 2001.

Unlike the Administration proposal, this legislation would halve the number of states expected to have insufficient federal funds by 2007 and result in *no* states having insufficient SCHIP funds to maintain enrollment until at least 2005. Moreover, the national SCHIP enrollment decline between 2003 and 2007 would be reduced by 75 percent. As a result, this legislation represents a much more effective proposal than the Administration proposal in preserving children's health insurance coverage.[12]

In addition, on October 1, Senators Max Baucus (D-MT) and Charles Grassley (R-IA) — the chairman and ranking minority member of the Senate Finance Committee — introduced legislation (S. 3018) related to Medicare provider reimbursements that includes SCHIP funding provisions. The Baucus-Grassley legislation incorporates some but not all of the elements of S.

[11] President's FY 2003 Budget for the Department of Health and Human Services, February 4, 2002. The net cost of the proposal is only $470 million over 10 years because of reduced Medicaid costs.

[12] Under S. 2860, projected enrollment in 2007 would be about 4.3 million, as compared to 3.7 million under the Administration's proposal.

2860. (It does not restore SCHIP funding levels for fiscal years 2003 and 2004 to the earlier SCHIP funding levels, and it makes some other modifications to S. 2860.) While significantly less effective than the Rockefeller-Chafee-Kennedy-Hatch bill in averting the SCHIP enrollment decline, the Baucus-Grassley proposal includes the proposal for a caseload stabilization pool. This would help avert nearly the entire national coverage decline through *2006*, a substantially better outcome than would occur under the Administration proposal.[13] However, under the Baucus-Grassley proposal, a sizable enrollment reduction would nonetheless result by 2007.[14]

[13] Under S. 3018, the projected enrollment in 2006 would be about 4.5 million, essentially the same level as in 2003. This is a significantly better outcome than under the Administration proposal; enrollment under that proposal would be about 4 million in 2006, a decline between 2003 and 2006 of more than 200,000. (Under the Administration's proposal, enrollment in fiscal year 2003 was already reduced by 200,000). In contrast to the other proposals, the Rockefeller-Chafee-Kennedy-Hatch legislation (S. 2860) would result in projected enrollment of about 4.8 million in 2006, an *increase* between 2003 and 2006 of 375,000.

[14] Because S. 3018 does not restore SCHIP funding levels for fiscal year 2003 and 2004 to the earlier SCHIP funding levels and the funds available to the caseload stabilization pool for additional redistributions are exhausted by the end of 2006, a growing number of states will face more significant shortfalls in 2007 and as a result, projected enrollment under S. 3018 would decline to about 4 million in 2007.

Table 1
States Projected to Lose Expiring Funds to the Treasury
At the End of Fiscal Years 2002 and Fiscal Year 2003, Under Current Law

(Figures in millions of dollars)*

State	Unspent SCHIP Funds that Reverted to the Treasury at End of FY 2002	Unspent SCHIP Funds Projected to Revert to the Treasury at End of FY 2003
National Total	**$1,209.6**	**$1,505.4**
Alaska	$9.9	—
Arkansas	$44.6	—
Delaware	$2.1	—
Hawaii	$2.5	—
Illinois	$21.9	—
Indiana	$105.2	—
Kansas	—	$70.3
Kentucky	$58.2	$122.2
Maine	$15.4	$34.6
Maryland	$38.0	$58.4
Massachusetts	$65.7	$121.4
Mississippi	—	$112.4
Montana	—	$34.9
New Hampshire	$4.0	—
New Mexico	$42.5	—
New York	$526.5	$526.2
North Carolina	$92.1	—
Oklahoma	$7.1	—
Rhode Island	$1.3	—
South Carolina	$115.9	$189.0
Tennessee	$15.2	—
Washington	$36.1	—
West Virginia	—	$45.6
Wisconsin	$2.8	$80.0
Wyoming	$1.4	—
Territories	$1.2	$110.4

* Updated November 2002 analysis based on the SCHIP expenditure and funding model used by the Centers for Medicare and Medicaid Services and using fiscal year 2002 expenditures and state estimates of fiscal year 2003 expenditures as reported to CMS as of August 2002 as well as actual fiscal year 2003 base allotments. The model has been modified to reflect more accurate state expenditure sequences (this refers to the order in which states spend their annual SCHIP allotments and the SCHIP funds made available to states through the reallocation process), incorporate expenditure estimates under recently approved section 1115 waivers in Arizona, California, Colorado, Illinois and Oregon that use SCHIP funds to expand coverage to adults and/or pregnant women, and use CBO estimates for the rate of growth in per-capita health care costs for children.

Table 2
States in Which Projected SCHIP Funding Will Be Insufficient Under Current Law to Meet SCHIP Funding Needs Between Fiscal Years 2003 and 2007
(Projected Total Available SCHIP Funds as a Percentage of SCHIP Funding Needed to Maintain Projected SCHIP Enrollment)*

State	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Alaska		60%	33%	31%	36%
Arizona		85%	42%	38%	44%
California					97%
Florida			83%	54%	62%
Georgia			96%	49%	57%
Iowa				75%	67%
Kansas					79%
Kentucky				62%	62%
Louisiana					77%
Maryland		73%	26%	25%	28%
Minnesota			61%	50%	58%
Mississippi			54%	37%	43%
Missouri				64%	65%
New Jersey		82%	63%	74%	98%
New York			68%	42%	48%
Rhode Island		60%	21%	20%	23%
South Dakota			75%	47%	55%
Texas				67%	63%
West Virginia					99%
Wisconsin			87%	49%	57%

* Total available SCHIP funds include annual allotments available to the state and any additional funds made available through the SCHIP reallocation process. Updated November 2002 analysis based on SCHIP expenditure and funding model used by the Centers for Medicare and Medicaid Services with CBPP modifications and using fiscal year 2002 expenditures and state estimates of fiscal year 2003 expenditures, as reported to CMS as of August 2002.