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**OUT IN THE COLD:
Enrollment Freezes in Six State Children's Health
Insurance Programs Withhold Coverage from Eligible Children**

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Summary

Overview

Facing budget pressures, six states — Alabama, Colorado, Florida, Maryland, Montana, and Utah — have stopped enrolling eligible children in their State Children's Health Insurance Programs (SCHIP). As a result, tens of thousands of eligible low-income children are going without health insurance.

The full version of this paper has been published by the Kaiser Commission on Medicaid and the Uninsured and is available at

<http://www.kff.org/medicaid/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=28333>.

The SCHIP freezes mark a threat to the nation's recent progress in providing health coverage to low-income children. Between 1997 (when SCHIP was created) and 2002, increased enrollment of low-income children in SCHIP and Medicaid caused the share of low-income children who are uninsured to fall by one third. Close to 4 million children receive coverage through SCHIP. However, roughly 6.8 million low-income children remain uninsured.

The families affected by the SCHIP freeze generally have incomes between 100 percent and 200 percent of the poverty line, or between \$15,260 and \$30,520 for a family of three in 2003. (Families with incomes below these levels are generally covered by Medicaid, which is not affected by the freeze.)

Three of the six states that have frozen SCHIP enrollment are putting SCHIP-eligible children on a waiting list. The other three states have not established waiting lists; in these states, families are told that to obtain coverage for their children, they will have to re-apply if and when enrollment re-opens at some point in the future. Children already enrolled in SCHIP can retain their coverage if they recertify their eligibility and pay any required premiums on time, but in at least some of these states, those who fall behind on their premiums and subsequently pay the back amounts owed can be terminated and placed on the waiting list if they reapply.

Because three of the six states with freezes do not maintain waiting lists, it is impossible to know exactly how many children nationally are affected by the freezes. Florida's waiting list contained more than 44,000 eligible children as of November 14.

The freezes are producing dramatic inequities in the treatment of children. For example:

- Many of the eligible children who are being denied SCHIP coverage have lower incomes than children who already are covered by SCHIP and retain coverage.
- Normally, children enrolled in Medicaid are transferred to SCHIP if their family income rises above the Medicaid income limit but remains below the SCHIP income limit. In states with enrollment freezes, however, such children are generally considered “new applicants” to SCHIP and are subject to the freeze. For some families, therefore, even a small increase in income will cause the loss of their children’s health coverage, a development that can discourage families from accepting promotions or working more hours.
- In most of the states with freezes, children with incomes between 100 percent and 133 percent of the poverty line become ineligible for Medicaid at their sixth birthday. (This is because these states have higher Medicaid income limits for children up to age six than for children ages six to 19.) Normally, these children are transferred from Medicaid to SCHIP and remain insured. In states with freezes, however, they are considered new SCHIP applicants and are subject to the freeze. Thus, they lose coverage.
- In states with freezes, the freeze generally applies to eligible newborns as well as other children. This means these newborns will be denied coverage despite their vulnerability (and the critical importance of health care) in their first days and months of life.

This report is based on a survey of state SCHIP officials and child health advocates in six states that were implementing enrollment freezes in November 2003. It is part of a series of surveys conducted over the last three years by the Center on Budget and Policy Priorities for the Kaiser Commission on Medicaid and the Uninsured.

Background

Children applying for health coverage under the State Children’s Health Insurance Program (SCHIP) in six states now confront a barrier they have not faced in the past: Enrollment is frozen, and uninsured children found to qualify for SCHIP are not being admitted to the program. Instead, states are either placing these children on waiting lists or notifying them that they must reapply if and when enrollment opens in the future.

Enacted as part of the Balanced Budget Act of 1997, SCHIP has played an important role in reducing the number of uninsured children. As of June 2003, some 3.9 million children were enrolled in SCHIP nationwide.¹ In addition, a large number of children who have applied for coverage through SCHIP have been found eligible for Medicaid and have been enrolled in that program. Data released by the Centers for Disease Control and Prevention (CDC) show that

¹ Vern Smith and David Rousseau, “SCHIP Program Enrollment: June 2003 Update.” Kaiser Commission on Medicaid and the Uninsured, December 2003, Publication #4148.

enrollment of low-income children in SCHIP and Medicaid led between 1997 and 2002 to a one-third reduction in the percentage of low-income children who are uninsured.²

Even with this progress, roughly 6.8 million children in families with incomes below 200 percent of the poverty line remain uninsured.³ The emergence of SCHIP enrollment freezes could undermine further progress toward reducing this number.

This report presents the findings of a survey of state SCHIP officials and child health advocates in six states that were implementing enrollment freezes in November 2003. It is part of a series of surveys conducted over the last three years by the Center on Budget and Policy Priorities for the Kaiser Commission on Medicaid and the Uninsured to track strategies that states are using to facilitate enrollment in health coverage for children and families. The survey found that the enrollment freezes in these states are causing tens of thousands of eligible children to go without health insurance and are creating inequities among children. The enrollment freezes also have amplified the need for effective outreach efforts aimed at helping families protect the eligibility of children currently enrolled in SCHIP in these states; these children stand to join uninsured, eligible children awaiting admittance into SCHIP if they do not comply promptly with renewal procedures and keep current on their premium payments.

Over the past few years, many states have faced their most difficult budget squeezes in several decades. These state budget pressures, not a lack of federal SCHIP funds, have driven the decision to freeze SCHIP enrollment. Federal funding shortfalls *are* expected to be a concern in *future* years in some states, but none of the states in question is experiencing a federal SCHIP funding problem at this time.

Various states have faced choices about the extent to which they will preserve health coverage for children and families. Some states in which policymakers made a decision to save money by scaling back SCHIP have judged an enrollment freeze to be less egregious than ratcheting back the SCHIP eligibility criteria or eliminating health benefits. Yet enrollment freezes impose significant hardship, as this report indicates.

States can dedicate new resources to ease or lift an enrollment freeze, specifically the federal fiscal relief funds allocated to states last May under the Jobs and Growth Tax Relief Reconciliation Act of 2003. This Act provided \$20 billion in fiscal relief funds to the states. One state with an enrollment freeze — Montana — used a share of its fiscal relief funds in November 2003 to enroll 1,300 children who had been on the SCHIP waiting list. The other five states with enrollment freezes have not availed themselves of this opportunity.

States With SCHIP Enrollment Freezes and How They Work

The states that had enrollment freezes in effect in November 2003 — Alabama, Colorado, Florida, Maryland, Montana and Utah — are six of the 35 states that have used federal

² Centers for Disease Control and Prevention, National Center for Health Statistics, “Early Release of Selected Estimates Based on Data from the 2002 National Health Interview Survey,” June 2003.

³ Analysis of March 2003 CPS data, Kaiser Commission on Medicaid and the Uninsured

SCHIP funds to create children's health coverage programs separate from Medicaid. (States that used their SCHIP funds to expand Medicaid cannot cap or freeze enrollment of children eligible under the expansion.) An additional state — North Carolina — had a SCHIP freeze in place between January and October 2001, but has since found the funds to keep the path to its SCHIP program open. Another state, Tennessee, has frozen enrollment for some children under TennCare, its Medicaid waiver program.

When a state imposes a freeze, it stops enrolling eligible children in its separate SCHIP program. When a family submits an application on behalf of a child, the process initially proceeds as it would under normal circumstances. Under a part of federal law known as the “screen and enroll” provision, the application is first screened to assess whether the child qualifies for Medicaid; children found eligible are enrolled in Medicaid. Children not eligible for Medicaid are then assessed to determine whether they qualify for SCHIP. While an enrollment freeze is in effect, states deal with these eligible children in one of two ways:

- The SCHIP-eligible children are put on a waiting list, as is the case in Alabama, Florida and Montana, or
- Families of the SCHIP-eligible children are notified that SCHIP enrollment is closed and they will have to re-apply on behalf of the child when enrollment re-opens in the future. Colorado, Maryland and Utah proceed in this manner.

At the time that children are told to reapply in the future, families generally are not given specific information about when the enrollment freeze will be lifted; families are told to watch for public announcements of an open enrollment period. In states with waiting lists, families are told they will receive notification.

In all six states, children who are already enrolled in SCHIP can retain their coverage as long as they recertify their eligibility and pay any required premiums on time. If their families do not complete the renewal process on time or if their premium payments are not received on time, however, the child loses SCHIP coverage and becomes uninsured. If the family subsequently re-applies, the child will be placed on the waiting list or informed that enrollment is closed, depending on the state.

Generally, all new SCHIP applicants in these states are subject to the enrollment freeze, with few or no exceptions. Some states exempt one or a few specific categories of applicants from the freeze, such as children of military personnel no longer on active duty who were previously enrolled in SCHIP.⁴

Ramifications of SCHIP Enrollment Freezes

Enrollment Freezes are Leaving Eligible Children Uninsured

⁴ For specific information on exceptions to enrollment freezes in these states, see the appendix to the full version of this paper, which has been published by the Kaiser Commission on Medicaid and The Uninsured and is available at www.kff.org.

Table I.
Family Incomes of Children Eligible for SCHIP Who Are Subject to the Enrollment Freeze
(Based on a Family of Three in 2003)

	Children Ages 0-5		Children Ages 6-19	
	Percent of the Federal Poverty Line	Annual Family Income	Percent of the Federal Poverty Line	Annual Family Income
Alabama	133%–200%	\$20,296–\$30,520	100%–200%	\$15,260–\$30,520
Colorado	133%–185%	\$20,296–\$28,231	100%–185%	\$15,260–\$28,231
Florida¹	133%–200%	\$20,296–\$30,520	100%–200%	\$15,260–\$30,520
Maryland	200%–300%	\$30,520–\$45,780	200%–300%	\$30,520–\$45,780
Montana	133%–150%	\$20,296–\$22,890	100%–150%	\$15,260–\$22,890
Utah	133%–200%	\$20,296–\$30,520	100%–200%	\$15,260–\$30,520

1. In Florida, *infants* in families with income up to 200 percent of the poverty line (\$30,520 per year) are not subject to the enrollment freeze.

Many families have lost employment as a result of the weak job market, and with it, their private health coverage. Other low-income families whose wages or hours have been cut back may encounter difficulty keeping up with the premium and other out-of-pocket health care costs they must pay to retain their private health care coverage. In short, the increase in unemployment and poverty of the past few years has increased the need for publicly funded health insurance programs. The SCHIP enrollment freezes, however, are leaving tens of thousands of SCHIP-eligible children without coverage.

These children live in low-income families, with many of them living just above the federal poverty line of \$15,260 per year for a family of three in 2003. Table I presents the income levels of eligible children who are unable to enroll in SCHIP programs in the six states as a result of enrollment freezes in effect as of November 2003.

In Florida, where the freeze went into effect on July 1, 2003, more than 44,000 uninsured children who have been determined eligible for one of the state's three SCHIP-funded programs were on the waiting list as of November 14, 2003.

Nationwide, exactly how many children are affected by the freezes is impossible to quantify since three of the states with freezes — Colorado, Maryland and Utah — do not maintain waiting lists. Some related information is available, however, from Utah: that state has lifted its enrollment freeze three times in the two years since its freeze was first established, and Utah reports that 25,302 applications, representing an estimated 55,043 potentially eligible children, were submitted during the periods when enrollment was open.⁵

⁵ Utah Department of Health, *Utah CHIP Open Enrollment Response for July 28-August 1, 2003*, November 7, 2003.

In addition to the number of children whose families apply but are turned away because enrollment is closed, there are an unknown number of children whose families are confused or discouraged by news stories about the freeze and do not apply. A particular concern is that a significant proportion of families discouraged from submitting applications are likely to have children eligible for Medicaid. If such families were to submit an application, the child would have an opportunity to be determined eligible for Medicaid and would receive health coverage. Information that families receive about the freeze may not highlight this reason to submit an application, even though SCHIP enrollment is closed.

Not much information is available about the conditions and health status of the children affected by an SCHIP enrollment freeze, but the data that are available indicate that while children are on a waiting list, their health may be compromised and their families may suffer significant anxiety and financial hardship.

Enrollment Freezes Create Inequities and Hardship Among Children

State policies and procedures being used to implement enrollment freezes are resulting in sharp inequities and significant hardship among children eligible for health coverage programs.

- **Higher income children retain health insurance, while some lower income children become uninsured.** New applicants to SCHIP who are found eligible may not enter the program until the enrollment freeze is lifted. Since current enrollees may have family income up to the state's SCHIP income limit — approximately 200 percent of the poverty line in most cases — and a new applicant may have a much lower income, higher income children are covered during the freeze while some lower-income children remain uninsured.

Suppose, for example, a child with family income of 170 percent of the federal poverty line (\$25,942 per year for a family of three) applies for SCHIP in January when no freeze is in effect and is enrolled in the program for the next 12 months. In July, the state imposes an enrollment freeze. Shortly thereafter, a seven-year-old child with family income of 110 percent of the federal poverty line (\$16,786 per year for a family of three) applies. Although the seven-year-old is eligible for SCHIP, the freeze prevents her from obtaining coverage, and she is placed on the waiting list.

The likelihood that such scenarios will occur is increased by the fact that in five of the six states with SCHIP freezes, children in families with incomes between 100 percent and 133 percent of the poverty line (or between \$15,260 and \$20,206 per year for a family of three in 2003) become ineligible for Medicaid on their sixth birthday. (The reason why this happens is explained on pages 7 and 8.) Children in this income range have lower incomes than many children already enrolled in SCHIP in these states.

- **Newborns may be barred from the program and remain uninsured.** Three states that have frozen SCHIP enrollment — Alabama, Maryland, and Utah — do not allow any eligible newborns to enroll in SCHIP. Colorado and Montana also

have generally frozen enrollment for newborns but make an exception for newborns who have an older sibling enrolled in SCHIP. Florida covers infants in families with up to 200 percent of the federal poverty line in Medicaid. Barring eligible newborns from health coverage is especially problematic, considering the vulnerability of newborns in their first days and months of life. Guidelines established by the American Academy of Pediatrics call for more frequent well-baby visits in the first year of life.⁶ Infants born at low-birth weight, or whose health is otherwise at risk, can require intensive medical care.

- **Children who lose Medicaid coverage because their family income increases become uninsured.** Under normal circumstances, children enrolled in Medicaid may “roll over” or transfer into their state’s separate SCHIP program if their family income increases above the Medicaid income limit but remains below the SCHIP income limit.⁷ In many states, this transfer occurs without the family having to submit a new application.

In states with enrollment freezes, however, such children would generally be considered “new applicants” to SCHIP and would be subject to the enrollment freeze. Thus, a child who has been covered under Medicaid whose parent secures a better job, gets even a small boost in pay or has a temporary increase in working hours can find herself uninsured and placed on a waiting list for health coverage. As a result, it can be to a parent’s disadvantage to accept a raise or promotion or to work more hours.

- **Six-year-olds and one-year-olds who previously were enrolled in Medicaid can become uninsured.** Under federal law, states are required, at a minimum, to cover in Medicaid children under age six whose families have income below 133 percent of the poverty line and children ages six to 19 in families with incomes below 100 percent of the poverty line. (States with separate SCHIP programs are free to establish a single Medicaid income limit of at least 133 percent of the poverty line for children of all ages. However, as of April 2003, only seven of the 35 states with separate SCHIP programs — and only one of the six states with SCHIP freezes — had done so.) Separate state SCHIP programs serve children with incomes that are above the state’s Medicaid income limit but below the state’s SCHIP income limit, which often is around 200 percent of the poverty line.

⁶ Committee on Practice in Ambulatory Medicine, *Recommendations for Preventive Pediatric Health Care*, American Academy of Pediatrics, 2000.

⁷ Suppose, for example, a state’s Medicaid income limit for a child age six or older is 100 percent of the poverty line or \$15,260 for a family of three in 2003, and the state’s SCHIP program covers children who are not eligible for Medicaid whose family income is below twice the poverty line, or \$30,520 for a family of three. A ten-year-old whose parents earn \$14,000 a year would be enrolled in Medicaid. If his the child’s father gets a better-paying job and the family income rises to \$20,000, the child will no longer qualify for Medicaid but will be eligible for coverage under the state’s SCHIP program. The child “rolls over” or is transferred from Medicaid to SCHIP and remains insured.

In states that have higher Medicaid income limits for children under age six than for children ages six through 19, some children cease to qualify for Medicaid upon reaching their sixth birthday and become eligible for SCHIP. Normally, these children “roll over” from Medicaid to SCHIP and remain covered. In states that have a SCHIP enrollment freeze in effect, however, such children become uninsured upon turning six, even if their families have complied with all Medicaid renewal procedures.

To illustrate the predicament that families are facing, suppose a family with income at 125 percent of the poverty line — \$19,075 for a family of three in 2003 — has children aged five and eight. The five-year-old would be enrolled in Medicaid, while the eight-year-old would be enrolled in the state’s separate SCHIP program. Upon reaching the sixth birthday, coverage of the younger child ordinarily would shift to the SCHIP program. In most states that have frozen SCHIP enrollment, however, the six-year-old will lose her health coverage and be treated as a new SCHIP applicant. She will be relegated to a waiting list or told to reapply at a later, unspecified time when enrollment is open. The result is that the family has one child with coverage and one child who is uninsured. Montana is the only state with age-based eligibility that has exempted children “aging out” of Medicaid from its freeze.

In addition, some states have established a higher Medicaid income limit for infants (i.e., children under age one) than for children aged one through five. In these states, Medicaid-eligible children can lose coverage upon reaching either their first birthday or their sixth birthday.⁸

Conclusion

With the emergence of enrollment freezes in six states operating SCHIP-funded separate programs, we are beginning to see an about-face in the aggressive efforts to enroll eligible low-income children in health coverage. Over the past several years, these efforts have played a major role in reducing the number of uninsured children and offsetting much of the loss of private coverage. The decisions of some states facing state budget pressures to freeze SCHIP enrollment and of other states to cut children’s Medicaid eligibility or to institute procedural changes that deter eligible children from accessing needed coverage has placed this progress in jeopardy. In states with SCHIP freezes, children who have been found eligible for coverage are being left uninsured. Whether they are placed on SCHIP waiting list or turned away to reapply at some future date, their families are left to grapple with the hardships they confront when they cannot obtain medical attention their children need.

⁸ Florida covers infants up to 200 percent of the federal poverty line in Medicaid while adhering to the federal Medicaid minimums for older children. In Florida, infants who reach their first birthday, as well as children who turn six, are subject to the freeze.

The enactment in late May of \$20 billion in federal fiscal relief to states provided an avenue for states to avert having to take actions such as imposing SCHIP enrollment freezes. These six states have not taken such action. In addition, by curtailing SCHIP enrollment, these states are forfeiting the enhanced federal matching funds they could be claiming to help meet the health needs of these uninsured children.

The likelihood that additional states will impose enrollment freezes will rise as states begin to face federal SCHIP funding shortfalls over the next several years. Unless more federal SCHIP funds are provided or procedures for reallocating federal SCHIP funds among states are modified, federal SCHIP funds are projected to be inadequate to maintain current SCHIP caseloads through 2007 in approximately nine states.

Waiting lists could also spread to Medicaid if the Administration's proposal to allow major parts of Medicaid to be converted to a block grant is adopted. Under the proposed block grant, federal Medicaid funding would be capped, and the provision of current law which requires that all eligible people who apply for Medicaid be enrolled would be repealed for the components of the Medicaid that the block grant would replace. This ultimately could lead to widespread use of waiting lists for children and other eligible applicants for the first time in Medicaid's history.