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CBO ESTIMATES PRESIDENT'S SCHIP PROPOSAL WOULD LEAD TO LARGE ENROLLMENT DECLINES AND FUNDING SHORTFALLS

By Edwin Park and Matt Broaddus

On March 9, the Congressional Budget Office issued detailed estimates of the President's fiscal year 2008 budget proposal to reauthorize the SCHIP program, including estimates of SCHIP enrollment levels and of the federal SCHIP funding shortfall that states will experience over the next five years.¹ The CBO estimates show:

- Under the Administration's proposal, the number of children and pregnant women covered through SCHIP at some point during the year would decline from 7.6 million in 2007 — assuming that Congress closes the current fiscal year 2007 shortfalls — to 6.2 million by 2012, a reduction of 1.4 million.² Total enrollment would decline by 1.6 million under the President's proposal.³
- States would still face a federal funding shortfall of \$4.6 billion over the next five years (2008-2012) under the President's proposal. By 2012, some 37 states would face a combined federal funding shortfall of \$2 billion.
- These shortfall estimates reflect the application of the Administration's proposal to reduce the federal matching rate for certain SCHIP beneficiaries, which artificially reduces the state need for federal SCHIP funds while shifting costs to states (and creating fiscal incentives for states to scale back coverage for those beneficiary groups).⁴ Without taking this provision into account, the CBO estimates indicate that states would face a federal funding shortfall of as much as \$7.6

¹ Congressional Budget Office, "Additional Information on CBO's Estimate of the Administration's SCHIP Proposals," March 9, 2007.

² These enrollment figures represent the number of children and pregnant women enrolled at any time over the course of a year. According to CBO, the number of individuals enrolled in SCHIP in any given month would be about 40 percent lower than these figures. The number of children and pregnant women enrolled in any given month will be about 4.6 million in 2007 if the 2007 shortfall is closed, but fall to about 3.7 million by 2012 under the Administration's proposal, a reduction of over 800,000.

³ The total enrollment figures also include some parents of children enrolled in Medicaid and SCHIP and some childless adults covered through waivers. The total number of individuals enrolled at any point during the year will be about 5 million in 2007 if the 2007 shortfall is closed and would decline to about 4 million by 2012 under the Administration's proposal, a reduction of 1 million individuals.

⁴ The Administration's proposal would reduce the federal matching rate from the higher SCHIP rate (on average, 70 percent) to the lower Medicaid matching rate (on average, 57 percent) for children with family incomes above 200 percent of the poverty line (just over \$34,000 for a family of three in 2007) and for parents and other adults covered through waivers.

billion over five years under the Administration's proposal.

- As a result, the proposal would reduce by less than half the \$13.4 billion federal funding shortfall which CBO estimates states would experience over the next five years if SCHIP is reauthorized at its current \$5 billion funding level, as is assumed under the CBO baseline.⁵

The CBO estimates of the Administration's SCHIP budget proposal are similar to estimates previously issued by the Center on Budget and Policy Priorities.⁶ The CBO estimates demonstrate that the Administration's proposal provides substantially less federal funding than states will need just to sustain their existing SCHIP programs, let alone to expand coverage to more low-income children who are uninsured.

⁵ Congressional Budget Office, "Fact Sheet for CBO's March 2007 Baseline: State Children's Health Insurance Program," February 23, 2007.

⁶ See Edwin Park and Matt Broaddus, "SCHIP Reauthorization: President's Budget Would Provide Less than Half the Funds that States Need to Maintain SCHIP Enrollment," Center on Budget and Policy Priorities, Revised March 13, 2007 (which estimates that under the Administration's budget proposal, states would face a federal funding shortfall of \$7 billion over the five-year period 2008-2012). The modest difference between the CBPP and CBO shortfall estimates is likely due primarily to differing assumptions about how the \$4.8 billion in new SCHIP funds that the Administration proposes over the next five years (i.e., the \$4.8 billion in funding it would provide above the baseline funding level) would be allocated among the states.