

Reopening “Cover Kids” Children’s Health Insurance Program (CHIP)

Susan McKay

Graduate Student, Tennessee State University, Institute of Government, College of Public
Service and Urban Affairs, Department of Public Administration
February 7, 2010

Author Note

Correspondence concerning this article should be sent to Susan McKay
E-mail: smckay4@elearn.tnstate.edu

Summary

Nearly one million Tennesseans, including 142,000 children, are uninsured. Tennessee's uninsured children have until recently been eligible for health insurance through one of two public health care programs: TennCare (Medicaid) or Cover Kids (Children's Health Insurance Program, CHIP). The State of Tennessee closed enrollment to the Cover Kids program on November 30, 2009, citing the economic downturn and budgetary concerns as main reasons. Ironically, it is precisely because of the economic downturn and budgetary concerns, along with the well-being of children, that the Cover Kids program should not have been closed and should be reopened. All states have a Children's Health Insurance Program and many are facing more severe budgetary concerns than Tennessee, yet only Tennessee has closed its CHIP. Seventy five percent of Tennessee's program is funded by federal dollars; that is, Tennessee draws down \$3 in federal funds for each \$1 of state funds it invests in the program. The state has \$850 million in reserves, of which \$14 million could be used to remove the cap to allow an additional 21,000 children onto the program. Facts herein will show that the Cover Kids program is practical from both an economic and humanistic point of view and should be reopened.

Reopening “Cover Kids” Children’s’ Health Insurance Program (CHIP)

Tennessee, like all states, is facing tough economic times and has to make tough decisions when it comes to its state budget and state programs and services. Yet it must also prioritize spending priorities with the criteria to include human need and program quality and efficiency. According to the Robert Wood Johnson Foundation, most Americans agree that the health and welfare of children rank high on the list of priorities and support the Children’s Health Insurance Program (CHIP).

Cover Kids is Tennessee’s version of the federal-state funded Children’s Health Insurance Program. Every state has a CHIP program, which has maintained bi-partisan popularity since the program’s inception in 1997 (“National Survey of America Voters Opinions On CHIP,” Lake Research Partners & the Center for Children and Families at the Georgetown University Health Policy Institute, 2007). CHIP’s popularity is a result of being an efficient and effective public health insurance program that helps states cover children and pregnant women (Centers for Medicare and Medicaid, <http://www.cms.hhs.gov/NationalCHIPPolicy/>). In Tennessee, the coverage is up to 250 percent of poverty without premium costs and beyond 250 percent of poverty with premium costs (State of Tennessee, <http://www.covertn.gov>). Tennessee receives 3 federal dollars for each state dollar spent on the program; in other words, 75 percent of the program is federally funded. When one starts to weigh the values of this program, especially in fiscally constrained times, it becomes clear that reopening Cover Kids it is a smart priority.

Discussion

Tennessee has a population of 6.1 million with 904,000 uninsured, among whom 142,000 are children (Urban Institute and Kaiser Commission on Medicaid and the Uninsured, 2009).

Until the state closed enrollment to Cover Kids on November 30, 2009, Tennessee had two public health care programs for children, TennCare and Cover Kids. TennCare is the state's Medicaid program, which covers children ages 0 to 19 years from families with annual incomes at or below 133 to 185 percent of the federal poverty level (percentage range based on the age of the child). Children ages 0 to 18 years and pregnant women whose incomes were too high to qualify for TennCare were eligible for Cover Kids until it recently closed. TennCare began in 1994, and there are 554,000 thousand children on the program (Kaiser Commission on Medicaid and the Uninsured, 2009). Tennessee's was the last state to start its CHIP program, with Cover Kids opening in 2007. The state has not met its original enrollment goal of 75,000 by the end of 2009 (Medical News Today, Dec. 2006), with only 42,000 children enrolled despite tens of thousands more children being eligible (State of Tennessee, 2009). Tennessee is the only state in the nation to close its CHIP program.

The state announced in October 2009 that it would be closing the Cover Kids program to new enrollment at the end of November 2009 (Associated Press, October 13, 2009). Enrollment was capped mid-way through the state's fiscal year, which runs July 1 through June 30. The governor cited that the program had reached its revised enrollment projections and claimed that the economic downturn warranted tightening the state budget to include capping program enrollment despite tens of thousands of eligible uninsured children in the state. The decision was questionable given that 75 percent of the program was funded through the federal government, drawing down a federal matching rate of 3:1, which brought much needed funding into the state. Furthermore, Tennessee had monies from the Rainy Day Fund and TennCare Reserves approaching \$1 billion. Gov. Bredesen announced in his 2010 State of the State address that Tennessee's current untapped reserves are \$850 million. According to the Center for Budget

Policy Priorities, Tennessee is not having nearly the economic troubles as other states. Yet the state has closed one of its safety-net programs for children's health, citing necessity due to the economic times—a necessity no other state is claiming.

“Nearly all states are holding steady on their coverage of kids,” said Jocelyn Guyer, co-executive director of the Center for Children and Families. “Actually about half of states are moving forward to cover additional children. What that reflects is that as bad a time as it is for state budgets, it's an even harder time for family budgets. States, even though they are really struggling financially, have been trying to find ways to help children and working families that are losing their jobs.” Other states have also proposed cutbacks to SCHIP services, she said, but Tennessee is the only one not accepting any more enrollees (Wileman, T., Memphis Daily News, December 8, 2009).

“On December 1, Tennessee became the only state in the country to close enrollment in its CHIP program. On that day, the state slammed the door of Cover Kids to new applicants. Far from ensuring coverage for "every child in Tennessee," as the Governor promised....” Michelle Johnson, Managing Attorney, Tennessee Justice Center (“Say Ah,” Children's Health Policy Blog, January 6, 2010).

Another key factor at play is that Tennessee families are losing health care coverage due to job loss and rising health care costs, which in turn increase the need for a public health care program like Cover Kids. It is estimated that 810 Tennesseans are losing health coverage each week, which adds up to 42,000 people each year (“The Clock Is Ticking: More Americans Losing Health Coverage,” Families USA, 2009). Closing a program like Cover Kids does not

end the need. According to the Institute of Medicine, lack of coverage results in families postponing taking children to the doctor for routine check-ups, and families will turn to local government and hospital emergency rooms when children are ill, resulting in higher medical tabs that are picked up through public funding of charity care and passed along costs to the insured through increased costs for services and higher insurance premiums. Families will either go into medical debt to get care for their children, or seek charity care, or both. From a budgetary standpoint, costs of uninsured and charity care will fall upon local governments and hospitals, which are struggling with their own budgets (Harkness, E.; Do, E. "Financing Health Care for the Uninsured: Who Bears the Burden in Tennessee?" 2007).

It is worth noting that even if national health care reform is passed, CHIP will remain a viable program until reform is fully implemented in 2014. This projection is based upon two factors: 1) the reform bill (H.R. 3590, Patient Protect and Affordable Care Act) being considered by Congress, if passed this year, will not be fully implemented until 2014; and 2) federal funding for CHIP runs through 2019 (H.R. 2, Children's Health Insurance Program Reauthorization Act of 2009), so the program will remain viable whether or not national health care reform is implemented. Therefore, Tennessee cannot (solely) rely on national reform to resolve anytime soon the state's challenges in dealing with a rising uninsured population or in funding children's health care, and should continue to maximize its CHIP program.

Recommendation

Tennessee should take \$14 million from reserves to reopen the Cover Kids program for up to an additional 21,000 children. The funding amount and enrollment figure are chosen based upon the fact that the state has intentionally sought incremental enrollment based on state budget

priorities, which have not focused on maximizing this program to cover all 130,000 eligible children as indicated in state budgets from 2007 to date. However, reopening the program with a new, conservative enrollment cap, using one-time monies, and revisiting enrollment and funding needs in the next budgetary cycle is a sensible policy given that: 1) there are 142,000 uninsured children in the state; 2) Tennessee is expected to see a continued rise in number of uninsured; 3) Cover Kids (CHIP) is a program proven to be both efficient and effective as proven by its popularity among all states and a majority of Americans; 4) No other state has closed its CHIP program, and many states are facing tougher budgetary times than Tennessee; 5) Seventy-five percent of the Cover Kids program is paid for by federal dollars (3:1 federal match); 6) \$850 million in state reserves sit unused; and 7) If the program is not reopened, uninsured children may not seek medical care early, which may prove costly to their health and to their families financial health, and to the public's financial health as local governments, hospitals and taxpayers will bear the burden of the uninsured.

References

- Associated Press, “Tennessee Caps Cover Kids Enrollment,” October 13, 2009
- Bredesen, P. (2010) State of the State Address
http://www.tennesseeanytime.org/govfiles/020110_For_Release_Bredesen_2010_State_of_the_State_Address.pdf
- Centers for Medicare and Medicaid, <http://www.cms.hhs.gov/NationalCHIPPolicy/>
- CBS News Poll (2009) *Spending on Children’s Health Care*
- Congressional Budget Office, H.R. 2 *Children’s Health Insurance Program Reauthorization Act of 2009*, <http://www.cbo.gov/ftpdocs/99xx/doc9963/hr2.pdf>
- Families USA (2009) *The Clock Is Ticking: More Americans Losing Health Coverage*
- First Focus (2009) *Health Care Reform Should Cover All Children, Address Their Unique Health Needs*
- Harkness, E.; Do, E. (2007) *Financing Health Care for the Uninsured: Who Bears the Burden in Tennessee?* Office of the Comptroller, State of Tennessee
- Institute of Medicine of the National Academies (2004), *Insuring America’s Health: Principles and Recommendation*
- Johnson, M. (2010), “Say Ah,” Children’s Health Policy Blog, Georgetown University's Center for Children and Families
- Lake Research Partners & the Center for Children and Families at the Georgetown University Health Policy Institute (2007), *National Survey of America Voters Opinions On CHIP*
- Library of Congress* (2009), H.R. 2590, *Patient Protect and Affordable Care Act*
<http://thomas.loc.gov/cgi-bin/query/D?c111:4:./temp/~c1111DMgGG>
- Medical News Today (2006) *Tennessee Announces Details Of Cover Kids, Cover RX Programs For Uninsured, Underinsured*
- McNichol, E.; Johnson, N. (2010) *Recession Continues to Batter State Budgets; State Responses Could Slow Recovery*, Center for Budget & Policy Priorities
- Robert Wood Johnson Foundation (2007) *Nine in Ten Voters What SCHIP Reauthorization*
- State of Tennessee (2010), Cover Tennessee, <http://www.covertn.gov>
- State of Tennessee, State Budget 2010-11
<http://tennessee.gov/finance/bud/documents/10-11BudgetVoll.pdf>

State of Tennessee, State Budget Archive, <http://tennessee.gov/finance/bud/archive.html>

Urban Institute and Kaiser Commission on Medicaid and the Uninsured (2009), *Estimates based on the Census Bureau's March 2008 and 2009 Current Population Survey*

Wileman, T., "Cover Kids Enrollment Suspension," Memphis Daily News, Dec. 8, 2009