HHS FACT SHEET

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

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President Clinton's Children's Health Initiative

Overview: One of the Clinton Administration's major first term accomplishments was improving the health status of children. Today, because of wise investments in public health and medical research, and because of the work of countless citizens: Childhood immunization rates are at an all-time high and infant mortality rates are at a record low. More than 80 percent of pregnant women are getting prenatal care in their first trimesters. And, teen pregnancy rates, teen birth rates and preventable childhood diseases are on the decline.

In addition, the Clinton Administration has expanded health care access to more American families. Since January 1993, the Department of Health and Human Services (HHS) has approved 15 comprehensive state Medicaid demonstration projects, and the framework of one additional demonstration. HHS has also approved Medicaid waivers for 19 states as part of larger welfare reform projects, enabling states to continue providing essential health services while encouraging independence from welfare. These Medicaid demonstration projects have extended health care coverage to 2.2 million Americans who would not have otherwise had coverage. President Clinton also signed into law the historic Health Insurance Portability and Accountability Act of 1996. These are great victories for American families, but we can and must do even more.

Today, an estimated 10 million American children -- one in seven -- are uninsured. Most of them are members of working families. And, when you compare them to children with insurance, they are almost twice as likely not to have seen a physician during the past year. [Archives of Pediatrics and Adolescent Medicine, 1995].

President Clinton recently announced a new children's health initiative that will extend health care coverage to up to five million children.

The Children's Health Initiative

The new children's health initiative announced by President Clinton has three parts:

Children at Risk Because Their Parents Change Jobs

- Workers Between Jobs. In America, nearly half of children who lose insurance do so because their parent lost or changed jobs. President Clinton's initiative will provide annual grants to states to cover health insurance premiums for these children and their parents for up to six months while they seek employment. This assistance may be used to purchase coverage from the worker's former employer (through COBRA) or other private plans, at states' discretion.

Children Whose Parents Earn Too Much For Medicaid But Too Little For Private Coverage

- State Partnership Grants. Many uninsured children have parents who earn too much for Medicaid but too little for private coverage. To help reduce the number of uninsured children, the President's initiative will provide annual grants to states to develop innovative approaches -- like those initiated in Florida, Vermont, and Pennsylvania -- to help working families purchase private insurance for their children. States will receive $3.8 billion over the next five years to support these efforts.

Children Eligible For Medicaid But Not Enrolled

- Medicaid Continuous Eligibility. Today, one million children have less than a year's worth of Medicaid coverage as their parents change jobs, move from welfare to work, or remarry. The President's plan allows states to extend one year of continuous Medicaid coverage to children who have been determined to be eligible for Medicaid. This would also reduce administrative burdens on states, families, and health care plans who now have to determine eligibility more frequently.

- Medicaid Outreach. There are an estimated three million poor children who are currently eligible for Medicaid, but are not enrolled. When these children become sick, their parents often end up taking them to hospital emergency rooms for care. HHS will work actively with the states, communities, advocacy groups, providers, and businesses to identify and enroll these children.

- Adolescents age 13-18. Current law expands Medicaid coverage to reach poor children between the ages of 13 and 18. In each of the next four years, an estimated 250,000 low-income teens will be added to Medicaid -- that's a total increase of 1 million insured children.

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THE PRESIDENT'S FY 1998 BUDGET: CHILDREN'S HEALTH INITIATIVE

BACKGROUND

Numbers and Trends

Who Are Uninsured Children and Why Are Children Uninsured

Challenges to Covering Children

THE PRESIDENT'S CHILDREN'S HEALTH INITIATIVE

Medicaid Improvements for Children

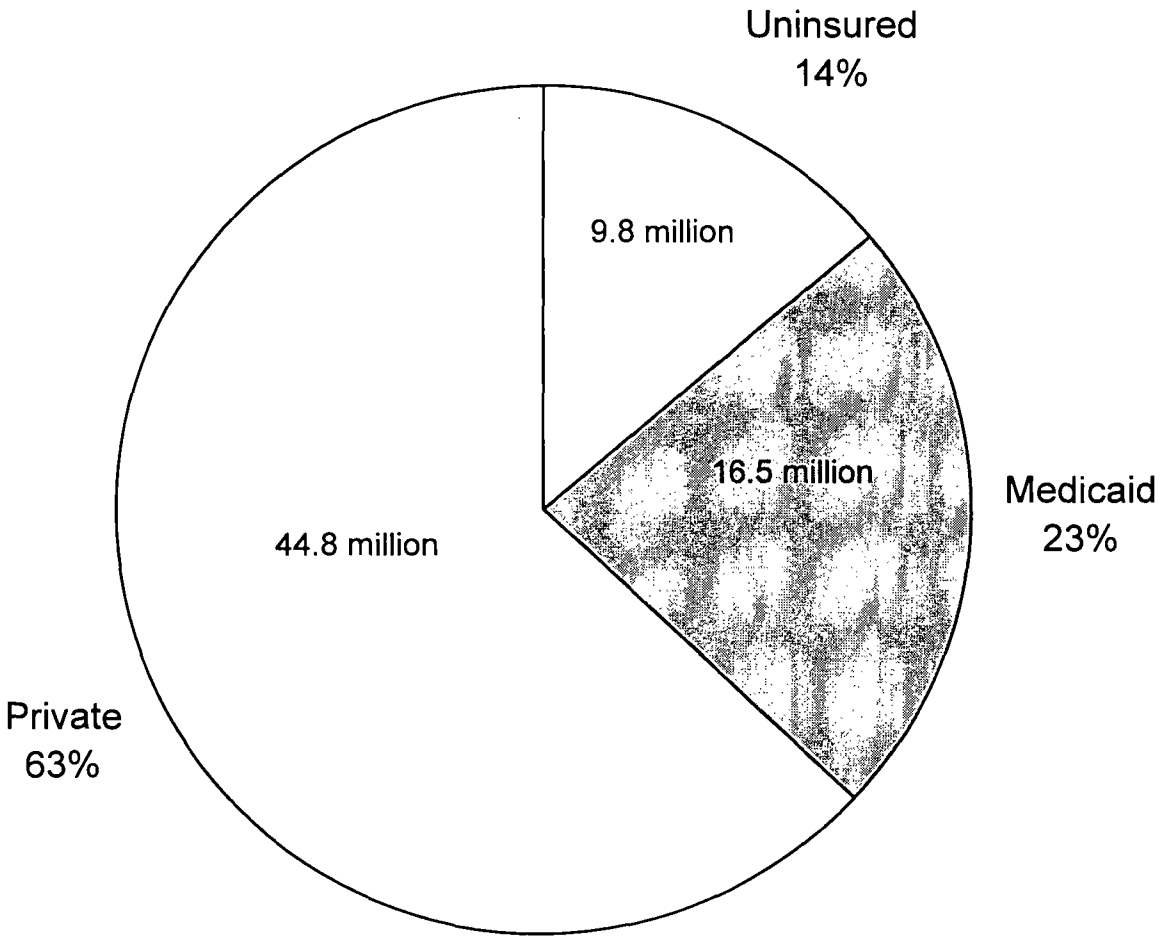
State Partnership Program for Children

Workers Between Jobs Initiative

BACKGROUND

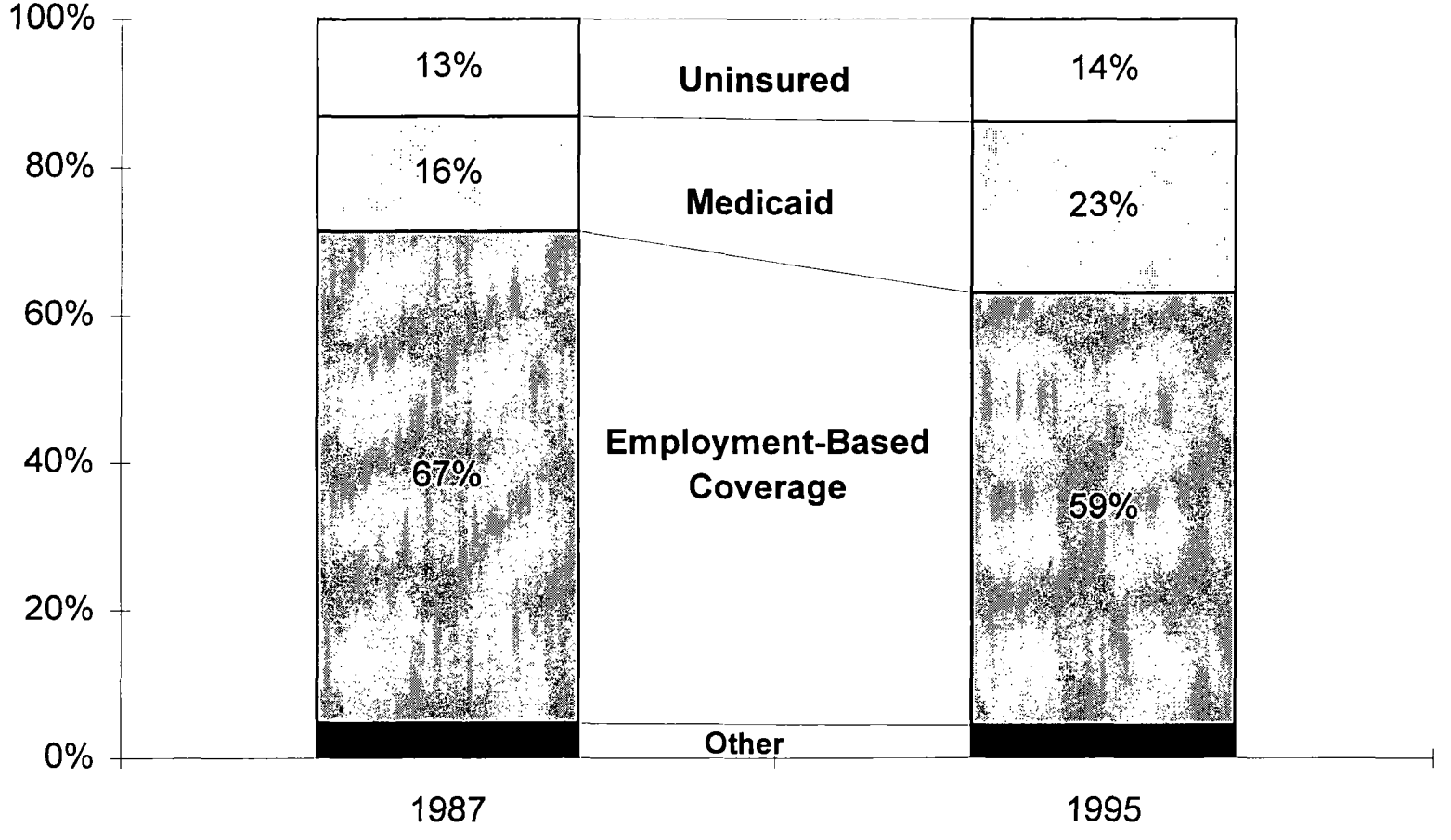
Numbers and Trends

One in Seven Children Are Uninsured



Source: March 1996 Current Population Survey. Children are less than 18 years old.

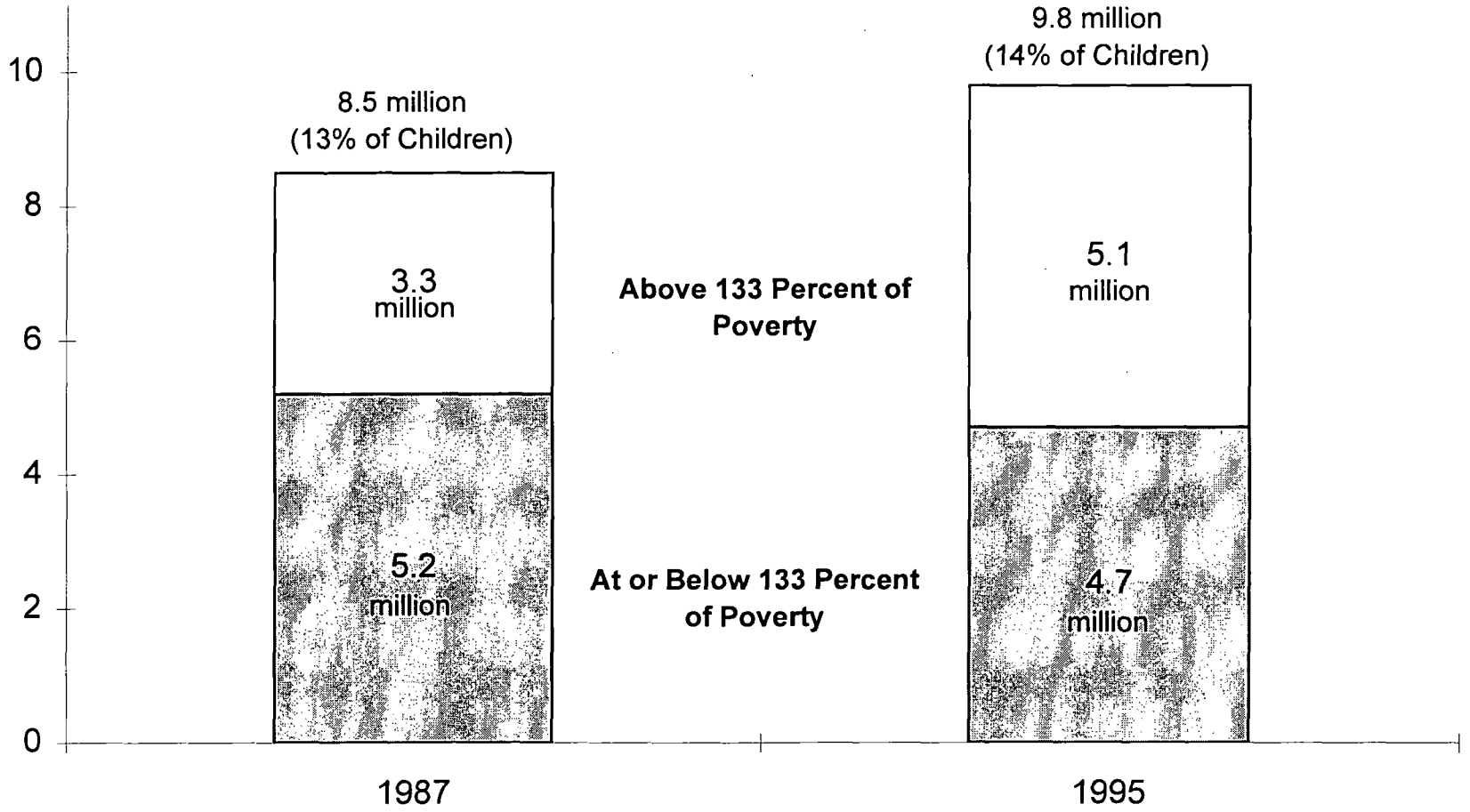
While the Proportion of Uninsured Children Remains Constant, Medicaid & Employer Coverage Have Changed



Note: While it appears that the children losing employer coverage gained Medicaid coverage, recent studies suggest that this is not the case. Medicaid increased coverage of poor children who do not have access to employer insurance.

Source: March 1996 Current Population Survey. Children are less than 18 years old.

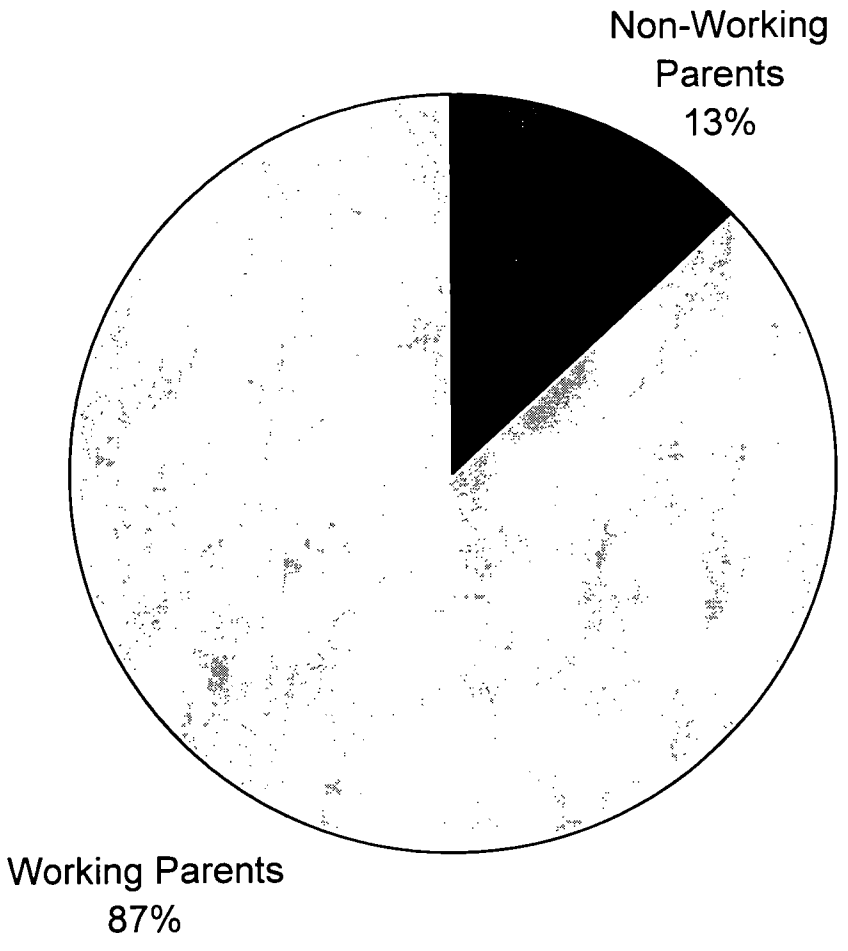
The Number of Uninsured Children Above Medicaid Eligibility Has Increased



Note: Beginning in 1990, states were required to cover children under 6 to 133% of poverty and phase in coverage for children 6 through 18 below poverty. In 1995, children up to age 13 were eligible for Medicaid. Many states have used options to cover children at higher incomes.
Source: EBRI, 1996

Who Are Uninsured Children and Why Are Children Uninsured

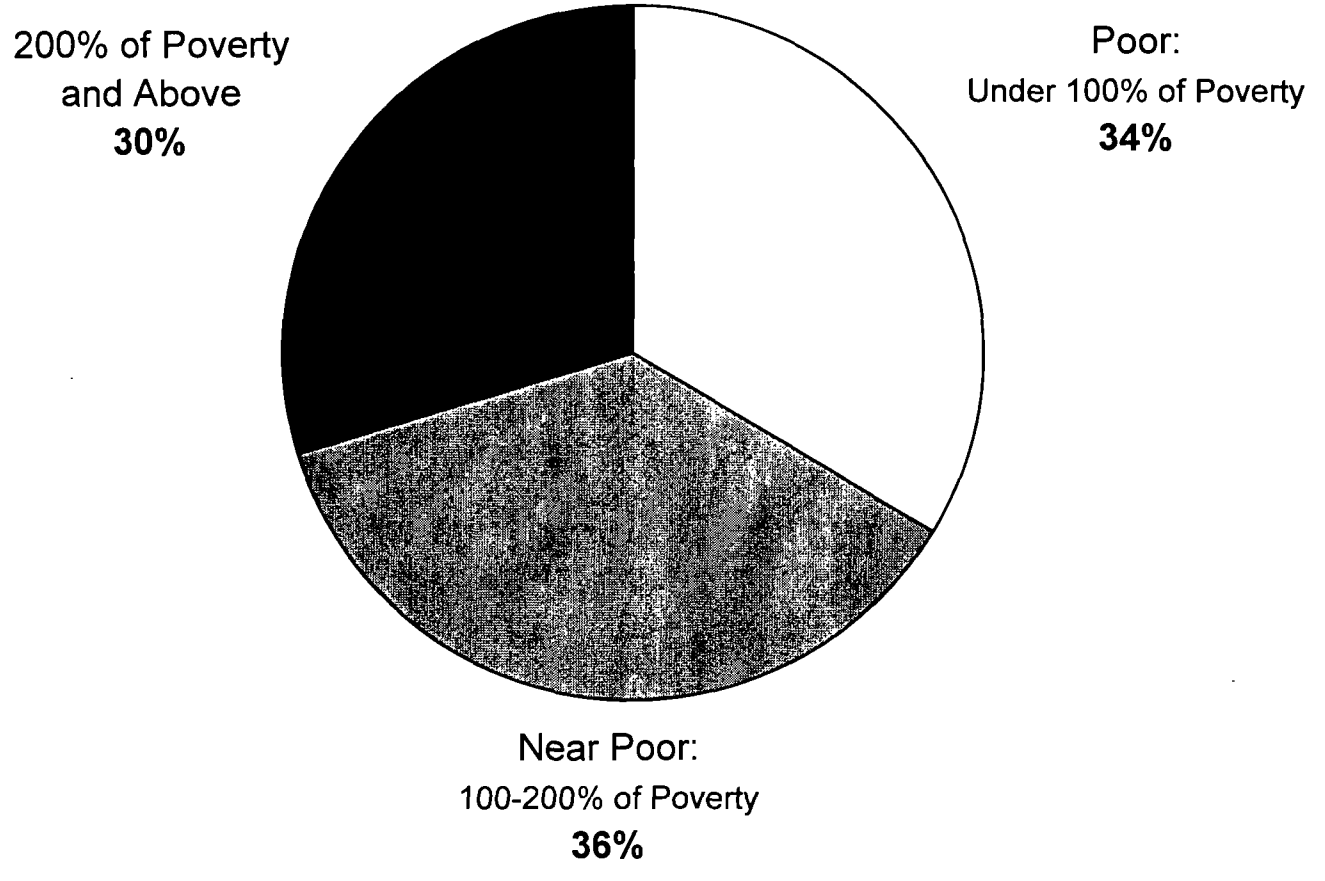
Uninsured Children Come From Working Families



Note: 62% of uninsured children have parents who work full year, full time
Source: March 1996 Current Population Survey. Children are less than 18 years old.

Not All Uninsured Children Are Poor

("Poverty" is about $16,000 for a family of four)



Source: March 1996 Current Population Survey. Children are less than 18 years old.

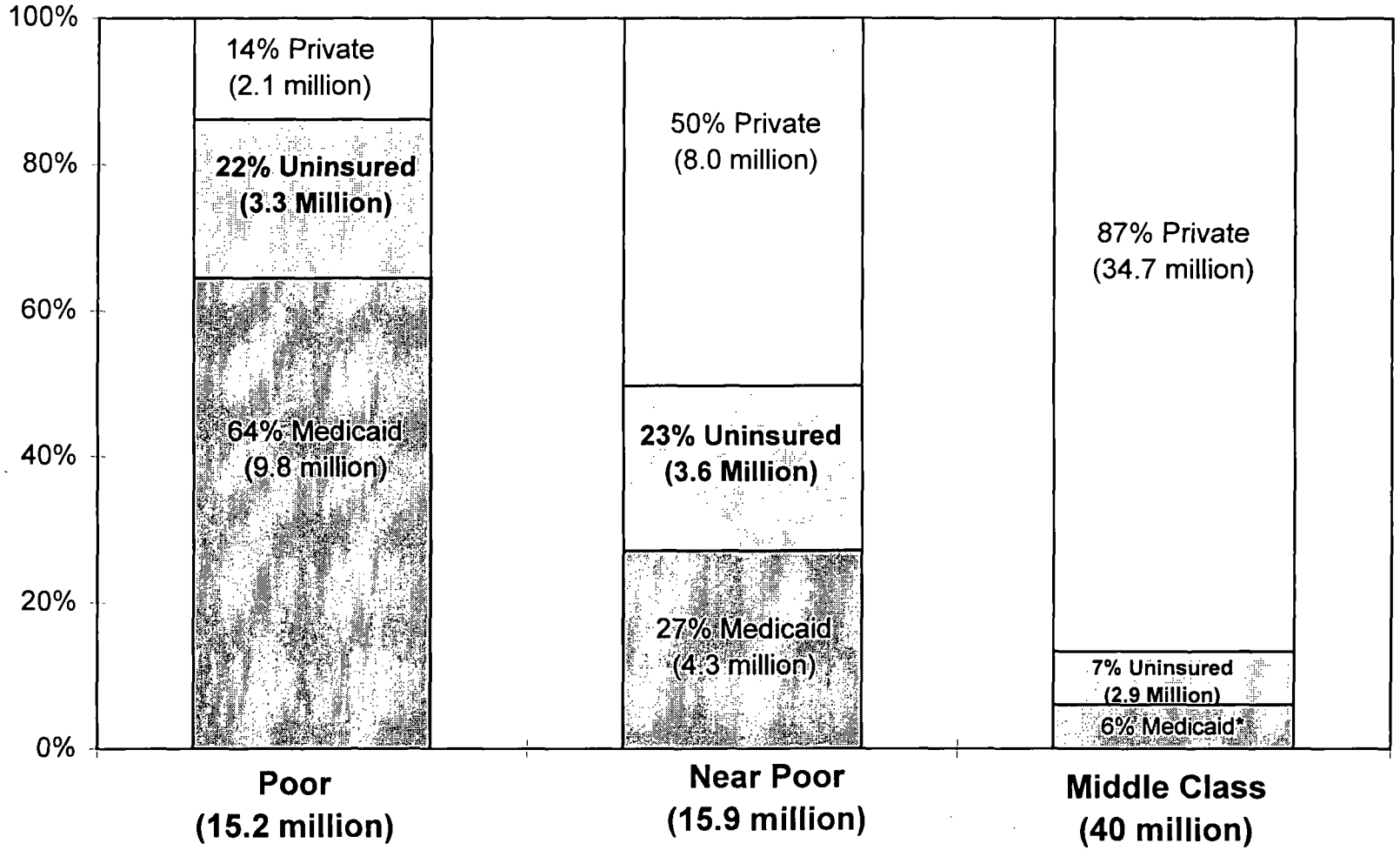
Why Are Children Uninsured

1. **Eligible but not enrolled in Medicaid.** According to the General Accounting Office, an estimated 3 million uninsured children are eligible but not enrolled in Medicaid.

2. **Parents earn too much for Medicaid but too little for private coverage.** When job-related insurance loss is put to the side, the most important reason why children lose insurance is that it is too expensive for the family. The highest rate of uninsured children is in families just above the poverty line.

3. **Parents change jobs.** Nearly half of all children who lose health insurance do so because their parents lose or change jobs

What Is the Distribution of Uninsured Children By Income



"Poor" means < 100% of poverty; "Near Poor" means 100-199% of poverty; "Middle Class" means > 200% of poverty. "Private" includes nongroup and other coverage. * 2.4 million.
Note: The number of children covered by Medicaid is less than 18 million due to under-reporting on this survey. Source: March 1996 Current Population Survey.

Challenges to Covering Children

- **Costs.** Although children are the least expensive population to insure, proposals to cover them can be expensive. This results from two major challenges:

- **Substitution or "crowd out".** Costs rise when a new program substitutes Federal dollars for employer or state contributions for kids' coverage.

- **Administration.** Proposals have to strike a balance between complex administrative rules and enforcement — which aim to limit crowd out — and the goals of simplicity and small government.

THE PRESIDENT'S CHILDREN'S HEALTH INITIATIVE

Medicaid Improvements for Children

- **The President's budget gives States the option to provide one year of continuous Medicaid coverage to children.** This will cost an estimated $3.7 billion between 1998 and 2002 and help an estimated one million children.

    - Currently, many children receive Medicaid protection for only part of the year. Medicaid eligibility is intermittent due to fluctuations in family income throughout the year.

    - This policy allows States to guarantee Medicaid coverage for up to one year even when a family's income changes. This means that children can remain with the same provider for up to a year, improving continuity of care.

- **The President will also work with Governors to enroll eligible Medicaid children.** The President also proposes to work with the Nation's Governors, communities, advocacy groups, providers and businesses to develop new ways to reach out to the 3 million children eligible but not enrolled in Medicaid.

- **The President's budget preserves and strengthens Medicaid's guaranteed coverage for low-income children.** In addition to protecting coverage for the 18 million children already on Medicaid, the President continues the current law expansion to children aged 13 to 18.

State Partnership Program for Children

- **The President proposes a grant program for States to develop innovative health coverage programs for children.** The President's budget provides $3.8 billion between 1998 and 2002 ($750 million a year) in grants to States. States will use these grants to provide insurance for children, leveraging State and private investments in children's coverage through a matching system.

- The Federal grants, in combination with State and private money, will target uninsured children whose families earn too much to qualify for Medicaid but too little to afford private coverage.

- States have flexibility in designing eligibility rules, benefits (subject to minimums set by the Secretary) and delivery systems. In return for this flexibility, States will provide annual evidence of positive outcomes of the grant money — including the number of previously uninsured children helped by the program.

- The program builds upon the successful efforts of States that have tailored programs to address the particular gaps in coverage for their children. For example, the Florida Healthy Kids program enlists schools to enroll and insure 40,000 previously uninsured children.

Workers Between Jobs Initiative

- **The President's budget will give States grants to temporarily cover workers between jobs, including their children, at a cost of $9.8 billion over the budget window.**

- The initiative will offer temporary assistance (up to 6 months) to families who would otherwise lose their coverage. This assistance may be used to purchase coverage from the worker's former employer (through COBRA) or other private plans, at States' discretion. State participation in this grants program is optional.

- Families are eligible for full premium assistance if their monthly income is below 100 percent of poverty, and partial premium assistance if their income is below 240 percent of poverty. This assistance is accessible for most middle class families since income drops for the months between jobs.

- This program, which is structured as a four-year demonstration, will help an estimated 3.3 million working Americans and their families, including 700,000 children, in any given year.

THE PRESIDENT'S FY 1998 BUDGET
CHILDREN'S HEALTH INITIATIVE

Significant gaps remain in children's health coverage. In 1995, 10 million children in America lacked health insurance. While there are many different reasons why children lack insurance, most uninsured children face at least one of three obstacles — each of which calls for a different policy solution.

- **Children at risk because their parents change jobs:** Because most children receive coverage through their parents' jobs, job changes disrupt the continuity of children's coverage. Nearly half of all children who lose health insurance do so because their parents lose or change jobs.

- **Children whose parents earn too much for Medicaid but too little for private coverage:** The highest rate of uninsured children is among families who earn too much to qualify for Medicaid but too little to afford coverage. Nearly one in four children in families with income just above poverty have no health insurance.

- **Children eligible but not enrolled in Medicaid:** Medicaid has not reached all the children who qualify for it. About 3 million children are eligible but not enrolled. In addition, enrolled children often lose Medicaid when their family income fluctuates.

The President's children's health initiative that addresses each of these groups will extend coverage to up to 5 million uninsured children by 2000.

Continuing Coverage for Children Whose Parents are Between Jobs

- The President's budget will give States grants to temporarily cover workers between jobs, including their children, at a cost of $9.8 billion over the budget window.

- The program, which is structured as a four-year demonstration, will offer temporary assistance (up to 6 months) to families who would otherwise lose their coverage. This assistance may be used to purchase coverage from the worker's former employer (through COBRA) or other private plans, at States' discretion. State participation in this grants program is optional.

- Families are eligible for full premium assistance if their monthly income is below 100 percent of poverty, and partial premium assistance if their income is below 240 percent of poverty. Only families who do not have access to Medicaid or insurance through a spouse's employer and are receiving unemployment compensation are eligible.

- This program will help an estimated 3.3 million working Americans and their families, including 700,000 children, in any given year.

- The President's budget also makes it easier for small businesses to establish voluntary purchasing cooperatives, increasing access to insurance for their workers' families.

Building Innovative State Programs for Children in Working Families

- The President's budget provides $3.8 billion between 1998 to 2002 ($750 million a year) in grants to States. States will use these grants to provide insurance for children, leveraging State and private investments in children's coverage through a matching system (using the same matching formula as in Medicaid).

- The Federal grants, in combination with State and private money, will target uninsured children whose families earn too much to qualify for Medicaid but too little to afford private coverage. The grant program will also improve Medicaid enrollment since some families interested in the new program will learn that their children are in fact eligible for Medicaid.

- States may use these grants to target the unique problems facing their children. States have flexibility in designing eligibility rules, benefits (subject to minimums set by the Secretary) and delivery systems. In return for this flexibility, States will provide annual evidence of positive outcomes of the grant money — including the number of uninsured children helped by the program.

- The program builds upon the successful efforts of States that have tailored programs to address the particular gaps in coverage for their children. For example, the Florida Healthy Kids program enlists schools to enroll and insure 40,000 uninsured children.

Strengthening Medicaid for Poor Children

- The President's budget gives States the option to provide one year of continuous Medicaid coverage to children. This will cost an estimated $3.7 billion between 1998 and 2002.

    - Currently, many children receive Medicaid protection for only part of the year. Medicaid eligibility is intermittent due to fluctuations in family income throughout the year.

    - This policy allows States to continue coverage when family's income changes by guaranteeing Medicaid coverage for up to one year. This benefits families who will have the security of knowing that their children will be covered by Medicaid for at least a full year. It also helps States by reducing administrative costs, and managed care plans by enabling them to better coordinate care.

- The President also proposes to work with the Nation's Governors, communities, advocacy groups, providers and businesses to develop new ways to reach out to the 3 million children eligible but not enrolled in Medicaid.

- The President's budget preserves and strengthens Medicaid's guaranteed coverage for low-income children. In addition to protecting coverage for the 18 million children already on Medicaid, the President continues the current law expansion to another one million children between the ages of 13 and 18.

DETAILED SUMMARY: FOR INTERNAL USE ONLY
Children's Health Initiative

The Children's Health Initiative includes five different parts:

1. State Grant Program
2. State Option for Medicaid Continuous Eligibility for Children
3. Initiative for Workers Between Jobs
4. Medicaid Outreach
5. Continuation of the Poverty-Related Coverage Expansion for Children 14 to 18 years old

The first three require legislative changes which have been drafted as part of the President's FY 1998 budget proposal. The initiative for workers between jobs includes both adults and children and is summarized separately. Medicaid outreach will either be a regulatory effort or a process set up with Governors and the private sector. The fifth — the mandatory expansion of Medicaid coverage to poor adolescents — is current law.

1. STATE GRANT PROGRAM

Intent: To enable states to "initiate and expand innovative programs extending health insurance assistance to eligible children."

Type of Program: New, mandatory grants program to states (not discretionary spending; contains authorization to appropriate funds)

State participation is optional

Federal funding available until expended (unexpended appropriated funds redistributed in 2001 and subsequent years)

Administered by Department of Health and Human Services, Health Care Financing Administration

Funding: $3.8 billion between FY 1998 - 2002 ($750 million for FY 1998 and each subsequent year)

State Allotment: States & DC: Minimum of $1 million plus a share of the remaining appropriated amount (after subtracting territories' funding and base $1 million for each state). This share is:

- For 1998, 1999, & 2000: each state's proportion of uninsured children under 19 in CY 1993-95 (on average)

- 2001 & subsequent years: each state with approved application's proportion of uninsured children under 19 in 1993-95 in all states with approved applications. In 2001 and subsequent years, all unexpended appropriations from previous years will be reallocate using this formula to states with approved applications.

Territories: 1.5% ($11.25 million) of the total appropriation

State allotments adjusted for geographic price variation

Two-year carry over: allotment remains available to state for two years

Matching payments required (using Medicaid matching rate, FMAP)
No rules on what constitutes state share except that states may not use spending on comparable programs in 1995 or earlier.

Use of Funds: Direct purchase of health insurance or cash or vouchers to families

Insurance must cover benefits, as determined by the state, meeting minimum standards established by the Secretary, including standards for quality and scope of coverage

Insurance must be provided by any entity licensed to provide health insurance in the state

Administrative costs and outreach (no more than 10% of allotment)

Eligibility for Assistance:

Child under age 21

Not eligible for Medicaid

Has no (or inadequate) health insurance; does not have access to adequate and affordable individual or family health insurance coverage

Premium Assistance Amount:

Defined by the state

State Application: Deadline: September 30, 2000

Must include description of:
- Current needs and efforts
- Program development process

- Program design including: service area, eligibility restrictions, health insurance coverage provided, ways to prevent substitution for employer coverage
- Budget
- Outreach and coordination
- Plan for data collection, records and reports

Plan approval: a plan is considered approved unless the Secretary notifies the state of disapproval or of the need for new information within 90-days

Reports & Evaluation:

Annual (or more frequent) amendments to initial application
Annual report including progress made in reducing uninsured children
States' evaluations of their own programs due on March 31, 2000

2. STATE OPTION FOR MEDICAID CONTINUOUS ELIGIBILITY FOR CHILDREN

Intent: To ensure that once a child is determined eligible for Medicaid, he or she maintains that coverage for a full year

Type of Program: Medicaid state option

Funding: An estimated $3.7 billion between FY 1998 - 2002

Provision: "1902(e)(12) At the option of the State, the plan may provide that an individual who is under the age specified by the State under 1905(a)(I) [upper age limit of 18-21 years] and who is determined to be eligible for benefits under a State plan approved under the title shall remain eligible for those benefits until the earlier of (A) the end of the 12 month period following the determination; or (B) the time that the individual exceeds that age."

3. INITIATIVE FOR WORKERS BETWEEN JOBS

[summarized separately]

4. MEDICAID OUTREACH

Intent: To increase enrollment of children currently eligible for Medicaid but not enrolled

Type of Program: No new program or funding: non-legislative approach; we will work with relevant parties on a process to identify and implement strategy

5. CONTINUATION OF THE POVERTY-RELATED COVERAGE EXPANSION FOR CHILDREN 14 TO 18 YEARS OLD

Intent: To phase in coverage for all poor children born after September 30, 1983 up to age 19 (currently states cover up to age 14 although 20 states have accelerated this coverage to older children).

Type of Program: No new program or funding: Medicaid spending in the baseline