Fact SHEET from Families USA

When One Size Doesn't Fit All: The Importance of State Flexibility in SCHIP Eligibility

As debate unfolds over the reauthorization of the State Children's Health Insurance Program (SCHIP), some members of Congress have expressed concern that several states use the flexibility built into SCHIP to provide health coverage to children in families with incomes above 200 percent of the federal poverty level. These concerns are misplaced, and they jeopardize the opportunity presented by SCHIP reauthorization to provide more children with access to high-quality, affordable health coverage.

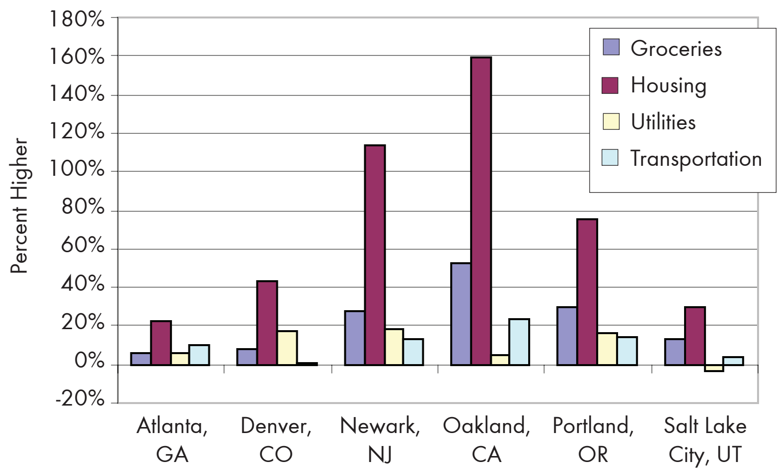
Why 200 Percent?

When SCHIP was created in 1997, it included a goal that states provide SCHIP coverage to children in families with incomes up to 200 percent of the federal poverty level ($32,100 for a family of four in 1997). At the time, setting the limit at twice the poverty level made some sense: The vast majority of uninsured children lived in families with incomes below 200 percent of the poverty level. Moreover, families with incomes this low were least likely to have an offer of employer-sponsored coverage. And when job-based coverage was available, these families would have the hardest time affording the costs associated with it.

Health Care Costs Have Risen

Since SCHIP was created 10 years ago, costs have gone up. Health care costs and insurance premiums have risen significantly faster than wages, making it more and more difficult for working families to afford health insurance coverage. At the same time, because of increasing costs, many employers have stopped offering health coverage to their employees. This leaves many working families without the option to buy coverage, even if they could afford it. Some states have responded to this crisis by increasing eligibility levels for SCHIP, a program that has proven to be a successful health care safety net for children.

Cost of Living, Compared to Fort Worth, Texas



The Cost of Living Varies from State to State

There is nothing magical about the 200 percent of poverty eligibility level. SCHIP's design, and indeed its very name, assumes that states have different populations with different needs and that states will make different decisions to meet the needs of their residents. While most states have embraced the 200 percent of poverty target for their SCHIP programs, some states have chosen not to go as high as 200 percent of poverty. Others have set their eligibility levels higher than 200 percent of poverty. There are many reasons for these differences, but one key reason is that the cost of living varies widely from state to state. Suggesting that children in families with incomes above an arbitrary "one-size-fits-all" eligibility level should not be eligible for SCHIP fails to recognize the diversity in living costs across the country.

In Newark, New Jersey, for example, a family of four earning $72,275 a year is at the upper limit of SCHIP eligibility in that state (350 percent of poverty). But the cost of living in New Jersey is higher than it is in many other states. The same family would have to make only $48,937 (or 237 percent of the federal poverty level) to maintain an equivalent standard of living in Fort Worth, Texas.

Cost of Living, Compared to Fort Worth, Texas

	Atlanta, GA	Denver, CO	Newark, NJ	Oakland, CA	Portland, OR	Salt Lake City, UT
Groceries	6% more	8% more	28% more	52% more	30% more	13% more
Housing	23% more	43% more	114% more	159% more	75% more	30% more
Utilities	6% more	17% more	18% more	5% more	16% more	3% less
Transportation	10% more	1% more	13% more	24% more	14% more	4% more

Source: CNNMoney.com cost of living calculator based on 2006 data from the Council for Community and Economic Research.

States Know Best

One of the cornerstones of SCHIP is that it gives every state the ability to decide what its program looks like and who it serves. Restricting SCHIP eligibility to children with family incomes below an arbitrary limit contradicts the very intent of this program. Many states—headed by both Republican and Democratic governors—recognize that it makes fiscal and moral sense to invest in children by increasing their access to health care. Rather than placing restrictions on states, the federal government should support state efforts to expand a successful and efficient program.

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