

# **SCHIP Funding for Employer-Sponsored Insurance: Federal Issues and Barriers Encountered**

## *Executive Summary*

Oregon, among many other states, has been active in implementing children's health coverage in order to reduce the number of uninsured children in the state. Experience with trying to enroll children without also covering parents/families for health insurance has shown that adults are hesitant to enroll in health care plans that do not include the entire family. This paper explored the following barriers and issues in seeking to use the State Children's Health Insurance Program (SCHIP) funds for health insurance coverage for children of families who are uninsured even though employer coverage is available.

- Administrative burden/Oregon's role
- Cost sharing requirements
- Minimum benefits
- Medicaid screen-enroll requirement
- Employer contribution
- Cost-effectiveness
- Crowd-out features
- Outreach requirements

According to the State Coverage Initiatives,<sup>1</sup> thirty-three states provide coverage to children in families with incomes up to 200% Federal Poverty Level (FPL). According to a Commonwealth Fund report<sup>2</sup> both Medicaid and SCHIP programs provide assistance with employee premium contributions, and they share two key provisions:

- Assistance must be cost-effective as defined at the federal level.
- If the employer plan does not provide all of the benefits available under the public program, the state must provide wraparound coverage. In addition, it must assure that cost-sharing amounts paid by the family do not exceed allowable cost sharing under the public programs.

There are currently three states that have received approval for Family Coverage and Employer Buy-Ins. Massachusetts is the only state that has implemented its waiver and is covering only 9,000 people, compared to their Medicaid enrollees of 900,000. Wisconsin has implemented an Employer Sponsored Insurance (ESI) program by using the Health Insurance Premium Payment (HIPP) program approach, but has only enrolled seven people (November 2000).

Other states have successfully used a hybrid, or combination approach to fund ESI coverage in their states. Currently Oregon's Family Health Insurance Assistance Program (FHIAP) provides

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<sup>1</sup> Academy for Health Services Research and Health Policy. State Coverage Initiatives: SCI State of the States (January 2001). Available: [www.statecoverage.net](http://www.statecoverage.net) (retrieved November, 2000).

<sup>2</sup> The Commonwealth Fund. (October 2000). Mark Merlis, Public Subsidies for Required Employee Contributions toward Employer-Sponsored Insurance: Strategies to Expand Health Insurance for Working Families. Institute for Health Policy Solutions. Available: [www.cmwf.org](http://www.cmwf.org)

a premium subsidy to uninsured employed families. FHIAP is funded in whole with state only revenue from a tobacco tax. Oregon could expand the number of families served under FHIAP if federal financial participation could be realized. However, this would require relief from existing identified federal constraints.

With the new regulations just published, there may be some opportunities for state, private insurance and employer groups to develop effective partnerships to increase access to health coverage for the working uninsured and their families. Oregon may consider these new opportunities offered by the Medicaid and SCHIP programs as possible avenues for federal waivers for family coverage through ESI.

In addition to the challenges created by federal requirements related to cost sharing, level of benefits and federal cost effectiveness criteria, Oregon must address the federal barriers related to burdensome Medicaid-SCHIP screen and enrollment procedures. These represent an administrative burden on employers and insurance carriers. Policies must be refined so that there is no disincentive for employers and insurance carriers to cover the eligible but uninsured population. A procedure for making SCHIP eligibility a “qualifying event” (NGA, 1998)<sup>3</sup> for enrollment could be helpful for both the state and employer. Reducing administrative burdens for all stakeholders in processing claims and eligibility is a high priority as the state reorganizes departments to a more customer-oriented environment.

The use of tax credits for employers who provide health coverage for low-wage workers is another incentive that could be explored in Oregon to increase participation from the private market. Undoubtedly, other options might be considered, especially those that can maximize the federal match rates with no increase on the state’s fiscal burden. The ESI concepts identified in Oregon’s proposal for SCHIP funds, however, are strategies worth considering in meeting the goal of increasing access to coverage for the uninsured working families of the state.

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<sup>3</sup> National Governors’ Association On Line. (1998). [Using SCHIP Funds for Health Insurance Premium Contributions: Policy Issues and Operational Challenges](http://www.nga.org/Pubs/IssuesBriefs/1998/981015SSCHIP.asp). Health Policy Studies Division. [www.nga.org/Pubs/IssuesBriefs/1998/981015SSCHIP.asp](http://www.nga.org/Pubs/IssuesBriefs/1998/981015SSCHIP.asp)