The SCHIP Shortfall Crisis

Ramifications for Minority Children

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Progressive Ideas for a Strong, Just, and Free America

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The State Children's Health Insurance Program has provided health coverage to many low- and moderate-income minority children since 1997. Out of nearly 27 million black and Hispanic children in the United States, more than 11 million had health coverage through SCHIP or Medicaid in 2005.[1] SCHIP is a jointly financed state and federal program, authorized with a 10-year funding level of $40 billion. The authorization will expire in September, and Congress will consider legislation to extend the program in the coming months.

Yet some states' federal funding is insufficient to last them until the end of September. The federal government allots funding to each state based on the state's share of low-income and uninsured children compared to national rates rather than the state's actual SCHIP enrollment. Fourteen states therefore face budget "shortfalls" in fiscal year 2007 totaling over $700 million.

Through SCHIP, many minority children have experienced increases in access to health care services—recent research shows that health insurance decreases barriers to accessing health care services for racial and ethnic minorities by one-third.[2] Yet, 5.5 million minority children still remained uninsured in 2005.

More than half of the uninsured child population in three of the 14 shortfall states*—Georgia, Illinois, and New Jersey—is comprised of racial and ethnic minority children. Yet if Congress does not immediately provide the supplemental funds states need to maintain their current SCHIP program, even more minority children will likely lack health insurance, further exacerbating racial and ethnic health care disparities.

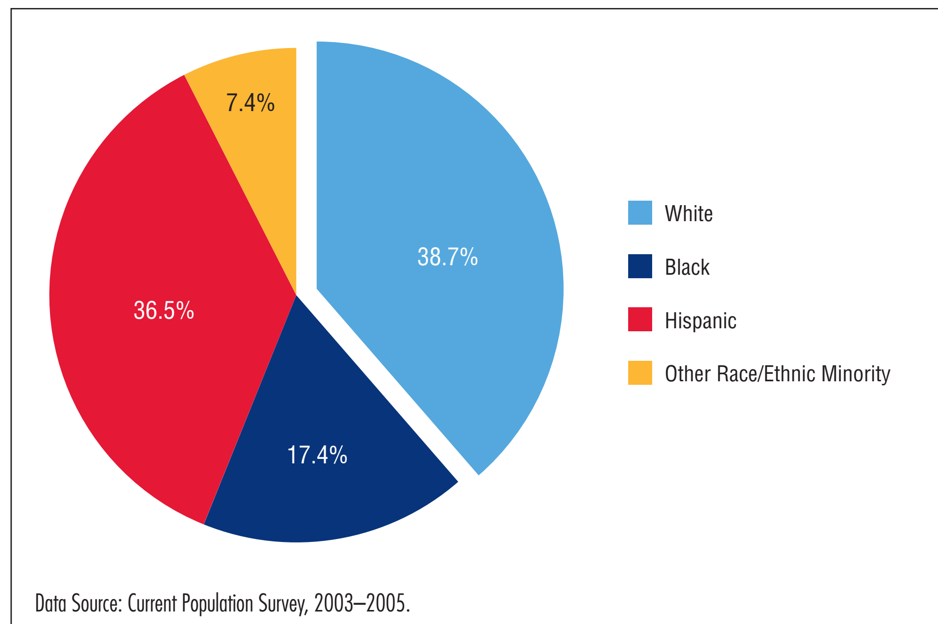
The Racial Makeup of Uninsured Children

More than 9 million children lacked health care coverage in 2005. This includes 3.5 million white children, 1.6 million black children, 3.3 million Hispanic children, and 670,000 children of other races or ethnicities.[3] Although more white children were uninsured in 2005 than any other particular group, ethnic and racial minority children made up more than 60 percent of the uninsured (Figure 1).

Nearly three-quarters, or 74.1 percent, of uninsured children were eligible for health coverage through SCHIP or Medicaid in 2004.[4] A disproportionate number of those eligible, but uninsured, were either black or Hispanic. More than 80 percent of uninsured black children and more than 70 percent of uninsured Hispanic children appeared to be eligible for SCHIP or Medicaid based on 2003 eligibility rules, while 60 percent of uninsured white children appeared to be eligible.[5]

* In the other shortfall states, either the majority of their uninsured child population was not comprised of minorities or complete racial and ethnic data was not available.

Figure 1: Composition of Uninsured Children by Race and Ethnicity



Data Source: Current Population Survey, 2003–2005.

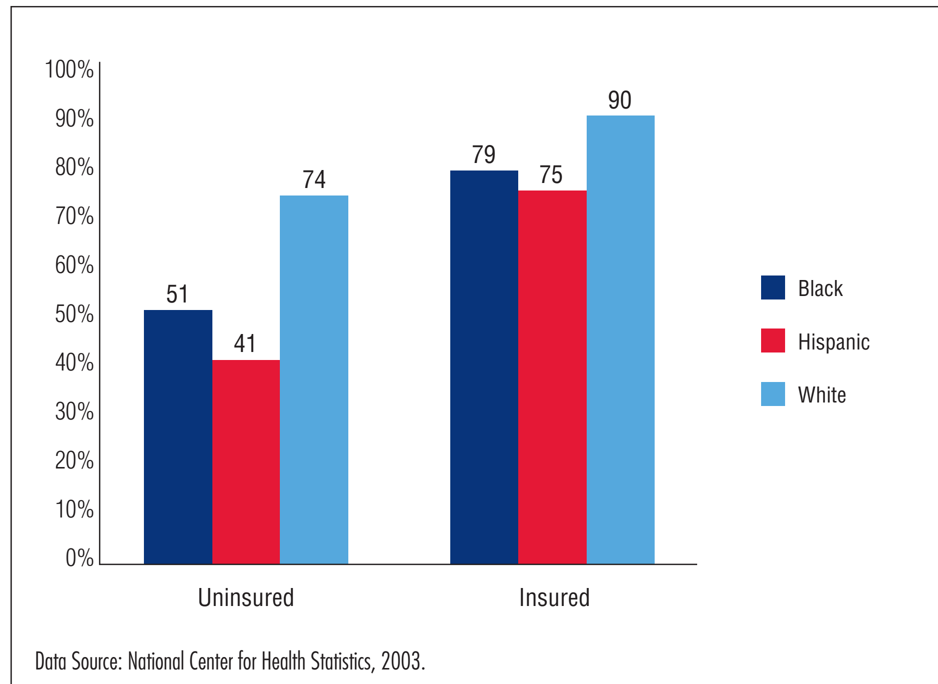
Consequences for Minority Children Without Health Insurance

Poverty and lack of health insurance contribute to racial and ethnic disparities in health care access.[6] Without insurance, children are more likely to lack a usual source of health care, delay or have unmet health care needs, use less preventive care, receive poorer quality care, and have poorer health compared to children with insurance.

Usual Source of Care: Uninsured children are significantly less likely to have a personal doctor or nurse than insured children regardless of race, yet the disparity is larger for black and Hispanic children. Uninsured black children in 2003 were 35 percent less likely to have a usual source of care than insured black children, and uninsured Hispanic children have an even larger disparity; they are more than 45 percent less likely to have a personal doctor or nurse than insured Hispanic children. But uninsured white children were only 18 percent less likely to have a usual source of care than insured white children. (Figure 2).[7] Having a usual source of care increases the chance that people receive adequate health services, such as preventive care. With adequate health care, health status disparities can be addressed.

Unmet Health Care Needs: Uninsured children are nearly 10 times as likely as insured children to go without needed medical care. Yet uninsured black children are 20 times more likely than insured black children to go without the medical care they need. Hispanic children do not experience this differential.[8] Uninsured Hispanic children are more likely to use the ER for health care needs than uninsured black children, which may explain why Hispanic children experience this disparity.

Figure 2: Percent of Uninsured and Insured Children With a Usual Source of Care, 2003



Data Source: National Center for Health Statistics, 2003.

Preventive Health Care: The American Academy of Pediatrics recommends that children receive preventive health services such as immunizations, screenings for signs of developmental or medical problems that pose long-term health risks, vision and hearing checks, and health education at regular preventive health care visits, or "well-child" visits. Yet only 47 percent of uninsured children received one of these visits last year compared to 75 percent of insured children.[9] And recent research shows, for example, that uninsured black and Hispanic children are less likely to have eye exams or vision correction than their insured counterparts.[10]

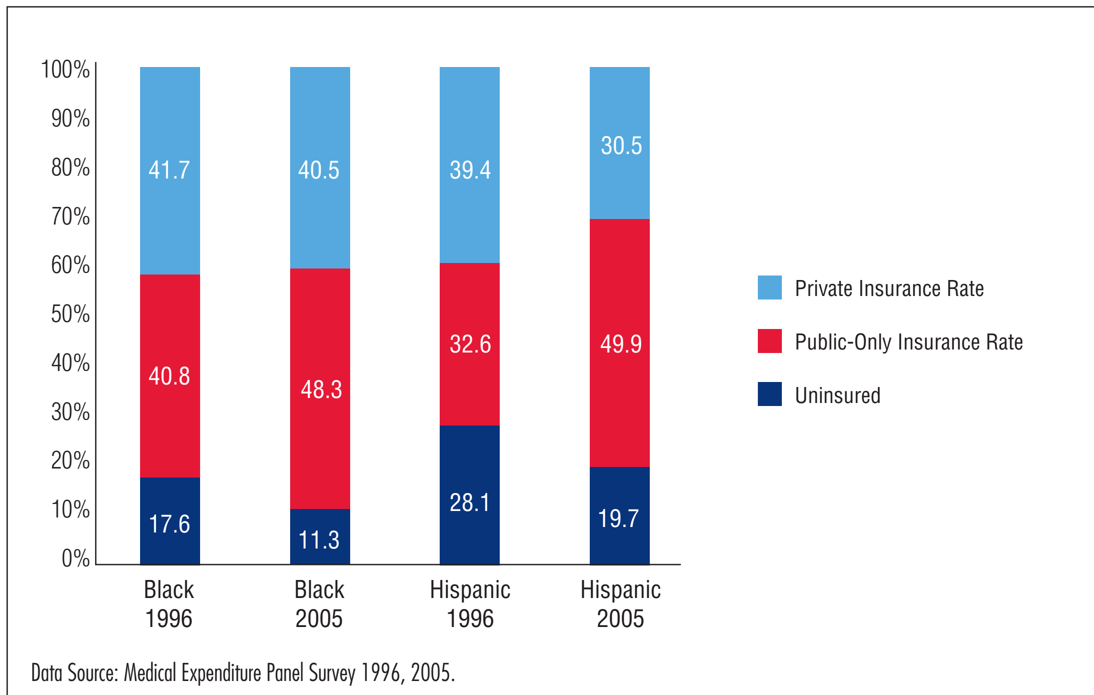
Health insurance increases access to health care services, but coverage alone does not explain and cannot address the disparities in quality of care and health status between racial and ethnic minorities and their white counterparts. Understanding other factors, such as cultural and language differences, and trust between patients and health providers, may suggest additional strategies for eliminating racial health disparities.

Coverage and Access Disparities Have Decreased Since SCHIP Began

Health insurance status is arguably the biggest access barrier to health care services. And SCHIP has steadily increased health coverage for minority children since its inception in 1997. From 1996 to 2005, the proportion of black children with health insurance rose from 82.4 percent to 88.7 percent in 2005—a 36 percent drop in the proportion of black children who are uninsured over this period. Hispanic children's experience was similar; from 1996 to 2005, the proportion of Hispanic children with health coverage rose from 71.9 percent to 80.3 percent—a 30 percent drop in the proportion of uninsured Hispanic children.[11]

During this period, private, typically employer-sponsored, health coverage for black and Hispanic children declined (see Figure 3). Clearly, public programs such as SCHIP were responsible for expanding health insurance coverage to these groups and prevented more minority children from becoming uninsured.

Figure 3: Insurance Status for Black and Hispanic Children Before and After SCHIP



Data Source: Medical Expenditure Panel Survey 1996, 2005.

Black and Hispanic children's access to health services improved after enrolling in SCHIP. Most notably, they were more likely to have a personal doctor or nurse and less likely to experience unmet health care needs. Hispanic adolescents were 14 percent more likely to have a personal doctor or nurse after enrolling in Florida's SCHIP program, Healthy Kids, for example. And black adolescents enrolled in New York's Child Health Plus program were 24 percent more likely to have a usual source of care after enrolling in the program. Unmet health care needs also decreased by nearly 80 percent for black children and by 36 percent for Hispanic children after enrolling in Kansas's SCHIP program, HealthWave.[12]

Black and Hispanic children used more preventive care, although changes were not as large as those in the other access measures. Child Health Plus increased preventive health care visits by 20 percent for black adolescents in New York, and Healthy Kids increased preventive health care visits by five percent for Hispanic adolescents in Florida. The gains for the Hispanic population in all three measures were not as high as those for the black population.[13] This may be explained by a lack of cultural competency factors such as language barriers in providing services to the Hispanic population in these three states.

SCHIP Budget Shortfall: Ramifications of a Lack of Action

SCHIP and Medicaid have made remarkable steps in decreasing health care disparities for minority children. Yet millions more remain without health insurance. The pending budget shortfalls in 14 states will have negative repercussions for all children with SCHIP coverage living in those states, and minority children in particular.[14]

Illinois is facing an estimated $247 million dollar shortfall in their SCHIP allotment.** More than 11 percent of Illinois children did not have health insurance in 2005, including nearly 20 percent of black and Hispanic children compared to only seven percent of white children.[15] And the SCHIP budget shortfall could put more children at risk of losing health coverage and increase the number—already more than 200,000—of uninsured black and Hispanic children in the state.

New Jersey has one of the largest proportions of uninsured minority children among the 14 shortfall states; nearly 70 percent of the uninsured child population is comprised of racial and ethnic minorities. Eighteen percent of black children, 22 percent of Hispanic children, and 12 percent of children of other racial or ethnic minority groups are uninsured compared to 6 percent of white children in the state.[16] New Jersey faces a $122.6 million shortfall, which threatens coverage for the 150,000 children who hold health insurance through SCHIP and places coverage further out of reach for the 180,000 minority children still uninsured.

Georgia's SCHIP program, PeachCare for Kids, faces a $124 million shortfall. It has already had to divert state money earmarked for Medicaid to keep the program running. And if Georgia does not receive the supplemental funding needed, it may be forced to freeze enrollment, preventing any additional eligible children from enrolling.[17] Since some percentage of children currently enrolled in PeachCare leave each month through cyclical changes in family income, "ageing out," temporary lapses during enrollment renewal, or other causes, a freeze would reduce the overall number of low-income children with health coverage and increase the number of Georgian children who are uninsured. An enrollment freeze would also likely increase the already high percentage of minority children—64 percent—who comprise the uninsured population in the state.

Data presented here suggest that black and Hispanic children could be the hardest hit in shortfall states, especially if states are forced to make eligibility standards more rigid and thereby increase the number of uninsured minority children. And without insurance, minority children are significantly less likely to have access to health care services.

** At this time, it is unknown whether Illinois' "All Kids" Initiative will offset the budget shortfall and ensure that eligible children do not lose their health coverage.

Conclusion

SCHIP's allotments to states have been complex and uncertain since the program's inception. During the 10-year authorization, FY 2004 and FY 2005 funds had to be redistributed in the hopes of preventing budget shortfalls in subsequent years.[18] Each time, states have had to consider reducing eligibility, shrinking enrollment, scaling back benefits, increasing cost-sharing and/or cutting payments to health care providers until congressional action provided relief.

We have already seen the impact of the budget shortfall in Georgia, where the state is having to redirect Medicaid funds to cover the shortage. If Congress does not fund the $750 million shortfall, the affected states will be forced to use state funds earmarked for other uses or scale back their SCHIP programs, placing several hundred thousand low-income children—a disproportionate number of whom are racial and ethnic minorities—at risk for losing health coverage.

Endnotes

1 The Kaiser Commission on Medicaid and the Uninsured, *Health Insurance Coverage of America's Children* (January 2007).

2 Marsha Lillie-Blanton et al., "The Role of Health Insurance Coverage in Reducing Racial/Ethnic Disparities in Health Care," *Health Affairs* 24 (2005).

3 Campaign for Children's Health Care, *America's Uninsured Children: Minority Children at Greater Risk*, (September 2006).

4 Lisa Dubay et al., "The Uninsured and the Affordability of Health Insurance Coverage," *Health Affairs* 26 (2006).

5 CPS 2003–2004 data analysis, the State Health Access Data Assistance and the Urban Institute. August 2005.

6 See Brian D. Smedley et al., *Unequal Treatment, Confronting Racal and Ethnic Disparities in Health Care* (Washington: The National Academies Press, 2002).

7 NSCH 2003 data analysis, State Health Access Data Assistance and the Urban Institute, August 2005.

8 Ibid.

9 Leighton Ku et al,. "Improving Children's Health: A Chartbook about the Roles of Medicaid and SCHIP," Center on Budget and Policy Priorities, February 2007.

10 See "Minority and Uninsured Children Are Far Less Likely to Get Eye Exams or Glasses," *The University Record*, University of Michigan (Updated March 8, 2004).

11 Jessica Vistnes et al., *Changes in Children's Health Insurance Status, 1996–2005: Estimates for the U.S. Civilian Noninstitutionalized Population under Age 18*, MEPS Data (September 2006).

12 Andrew Dick et al., "SCHIP's Impact in Three States: How Do The Most Vulnerable Children Fare?" *Health Affairs*, 23 (2004).

13 The Child Health Insurance Research Initiative, "Does SCHIP Benefit ALL Low-Income Children?" *Issue Brief*, No. 4 (December 2004).

14 Complete racial data for children is only available for twelve states. Of those twelve states, only four states—Georgia, Illinois, New Jersey, and North Carolina—are facing budget shortfalls for 2007.

15 Campaign for Children's Health Care, *America's Uninsured Children: Minority Children at Greater Risk* (September 2006).

16 Campaign for Children's Health Care, *America's Uninsured Children: Minority Children at Greater Risk* (September 2006).

17 Bill Hendrick, "Medicaid money to prop up PeachCare—for now," *The Atlanta Journal-Constitution*, March 14, 2007.

18 National Conference of State Legislators, "Delaying SCHIP Shortfalls," http://www.ncsl.org/statefed/health/schipad-mtm.htm (viewed 19 March 2007).

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