

EXECUTIVE COMMITTEE MEETING ON S.312, AVAILABILITY OF
SCHIP ALLOTMENTS FOR FISCAL YEARS 1998 THROUGH 2001
THURSDAY, JUNE 12, 2003

U.S. Senate,
Committee on Finance,
Washington, DC.

The meeting was convened, pursuant to notice, at
8:25 p.m., in room SH-216, Hart Senate Office Building,
Hon. Charles E. Grassley (chairman of the committee)
presiding.

Also present: Senators Hatch, Nickles, Snowe, Kyl,
Thomas, Frist, Smith, Bunning, Baucus, Daschle, Breaux,
Bingaman, and Lincoln.

Also present: Kolan Davis, Republican Staff
Director and Chief Counsel; Jeffrey Forbes, Democratic
Staff Director; Carla Martin, Chief Clerk.

1 The Chairman. We would move to the consideration
2 of the S-CHIP bill.

3 We would only have about two members--hopefully not
4 more--two members that would like to speak for just a
5 short period of time on this.

6 But as you may remember, on January, I committed to
7 Senators Nickles, Snowe, and Senator Rockefeller to
8 redistribute the unspent State Children's Health
9 Insurance Program funds through the regular order
10 process.

11 Today, I am going to uphold that commitment to my
12 colleagues until over 16,000 low income children enrolled
13 in the Hawkeye Program, which is the Iowa S-CHIP program.
14 This bill reflects bipartisan, bicameral agreement that
15 redistributes unspent S-CHIP dollars among States who
16 spent all of their allotment.

17 It also allows States a two-year window of
18 opportunity to cover kids with dollars that would have
19 otherwise have reverted to the Treasury. It is important
20 that this policy be enacted.

21 States may have to turn children in need of
22 healthcare away if we do not act. I would ask Senator
23 Snowe, who is very interested in this, to speak if she
24 has any additional comments.

25 Senator Snowe. Mr. Chairman, I just want to

1 congratulate you and the Senate Majority Leader and
2 Senator Nickles, who is Chair of the Budget Committee for
3 being so constructive in developing a redistribution
4 formula for the S-CHIP program so we can return the money
5 to the States and the unspent funds for fiscal years
6 1998, 1999, the year 2000 and 2001. And I think the
7 formula is going to work extremely well.

8 And Senator Rockefeller, I know, also should be
9 congratulated working with us on this issue to make sure
10 it becomes a reality because this program is critically
11 important to providing insurance to uninsured children.

12 And I know that many of the States will be fully
13 developing their programs. They had difficulties in the
14 initial development of this program, but clearly, I think
15 now they are well on track.

16 So I appreciate the efforts that you have made on
17 behalf of this legislation, as well as to Chairman
18 Nickles and the Senate Majority Leader, and I ask
19 unanimous consent to include my entire statement in the
20 record.

21 [The prepared statement of Senator Snowe appears in
22 the appendix.]

23 The Chairman. Senator Baucus?

24 Senator Baucus. I just want to say, Mr. Chairman,
25 I know in my State of Montana this is extremely

1 important. And it has made a big difference to a lot of
2 people. And I thank everybody that has worked so hard on
3 this. And I am glad we were able to get this legislation
4 passed.

5 The Chairman. I would put the question. Those in
6 favor of reporting the S-CHIP bill say, aye.

7 [A chorus of ayes]

8 The Chairman. Opposed, say no.

9 [No response]

10 The Chairman. The ayes have it. The S-CHIP bill
11 is reported to the Senate.

12 Thank you all very much for all your cooperation.

13 [Whereupon, at 8:33 p.m., the meeting was
14 concluded.]

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"Availability of SCHIP Allotments for Fiscal Years 1998 through 2001"

Chairman's Mark

Section 1. Extension Of Availability Of SCHIP Allotments For Fiscal Years 1998 Through 2001.

(a) Extending Availability of SCHIP Allotments for Fiscal Years 1998 through 2001.

Current Law

Funds for the State Children's Health Insurance Program (SCHIP) are authorized to be appropriated for FY1998 through FY2007. From each year's appropriation, each state is allotted an amount determined by a formula set in law. Federal funds not drawn from a state's allotment by the end of each fiscal year continue to be available to that state for two additional fiscal years. For example, FY2003 allotments are available until the end of FY2005. SCHIP law requires that allotments not used at the end of three years be redistributed by the Secretary of Health and Human Services (HHS) to states that have fully spent their original allotments for that year. Redistributed funds which are not used by the end of the fiscal year in which they are reallocated return to the Treasury.

The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA 2000), created a special rule for the redistribution and availability of unused FY1998 and FY1999 SCHIP allotments. This special rule decreased the amount available for redistribution to states that had used all of their original allotments for these two years and allowed states that had not spent all of their allotments to retain some of their unspent funds.

States that *did* fully expend their SCHIP allotments for each of those years by the three-year deadline received an amount equal to spending in excess of their original exhausted allotment. Each territory that used its original allotment for each of those years by the three-year deadline received an amount equal to 1.05% of the total amount available for redistribution to all states and territories multiplied by that territory's proportion of the allotments available for all territories.

States that did *not* fully expend their SCHIP allotments by the three-year deadline retained from remaining unspent funds an amount equal to their proportional contribution to the total pool of unspent funds. These states were able to use up to 10% of the retained FY1998 funds for outreach activities.

To calculate the amounts available for redistribution and retention in each formula described above, the Secretary used expenditures reported by states not later than December 15, 2000 for the FY1998 reallocation, and November 30, 2001 for the FY1999 reallocation.

Redistributed and retained funds from FY1998 and FY1999 were available through the end of FY2002. Not all states used their redistributed 1998 and 1999 funds.

On March 27, 2003, CMS published an interim policy for a partial redistribution of unused FY2000 allotments (available for redistribution after September 30, 2002). CMS intends to issue a final redistribution methodology (as determined by the Secretary) in the *Federal Register* by June 30, 2003 unless Congress passes legislation for the redistribution of unspent FY2000 allotments.

Committee Provision

The Committee's bill would extend the availability of FY1998 and FY1999 reallocated funds through the end of FY2004 and would establish a new method for redistributing unspent allotments for FY2000 and for FY2001. This new method is a modified version of the special redistribution rules for unspent FY1998 and FY1999 allotments.

For each of FY2000 and FY2001, no more than 50% of the total amount of unspent funds would be available for redistribution to states, commonwealths, and territories that exhausted their SCHIP allotments for each of those years by the applicable three-year deadline. Subject to this ceiling, each such state would receive an amount equal to 50% of the total amount of unspent funds for each of those years minus amounts redistributed to the territories, multiplied by the ratio of such state's spending by the applicable three-year deadline in excess of such state's original exhausted allotment for each of those years, to total spending by the applicable three-year deadline for all states that exhausted their SCHIP allotments for each of those years in excess of all such state's original exhausted allotments for each of those years. Each territory would receive an amount equal to 1.05% of the total amount available for redistribution for each of those years multiplied by that territory's proportion of the original allotment available for all territories.

The Committee's bill would make redistributed funds from the FY2000 reallocation available through the end of FY2004. Redistributed funds from the reallocations for FY2001 would be available through the end of fiscal year 2005.

For each of FY2000 and FY2001, the amount available for retention among those states that *did not* fully expend their SCHIP allotments by the applicable three-year deadline would be equal to 50% of such state's unspent funds for each of those years.

The Committee's bill would make retained funds for such jurisdictions from the FY2000 reallocation available through the end of FY2004. Retained funds from the reallocation for FY2001 would be available through the end of FY2005.

Similar to current law for FY1998 and FY1999, to calculate the amounts available for reallocation for FY2000 and FY2001, the Secretary would use expenditures reported by states not later than November 30 of the applicable calendar year.

Reason for Change

Under current law, a total of \$2.7 billion in SCHIP funds either expired September 30, 2002 or are projected to expire on September 30, 2003. These unspent funds are largely the result of timing conflicts between the initial implementation of SCHIP and the period of availability of the annual allotments. Funds from the early years of the SCHIP program accumulated while states worked through the start-up process and established functioning programs. Now that state SCHIP programs are fully operational and have enrolled more than five million children, they are threatened with the loss of funding necessary to keep those children enrolled.

This provision would prevent \$2.7 billion in unspent SCHIP funds from reverting to the Treasury and will help states to avert the projected national enrollment decline resulting from the decrease in SCHIP allotments.

Effective Date

This subsection, and the amendments made by this subsection, shall be effective as if this subsection had been enacted on September 30, 2002, and amendments under Title XXI of the Social Security Act for fiscal years 1998 through 2000 are available for expenditure on and after October 1, 2002, under the amendments made by this subsection as if this subsection had been enacted on September 30, 2002.

(b) Authority for Qualifying States to Use Certain Funds for Medicaid Expenditures

Current Law

No provision.

Committee Provision

For FY1998, FY1999, FY2000 and FY2001, the Committee's bill would allow "qualifying states" to use up to 20% of their original SCHIP allotment or their reallocated funds (for that fiscal year) for certain Medicaid medical assistance payments. Qualifying states would be eligible to receive, subject to availability of their SCHIP allotment or reallocated funds for the year, an amount equal to the difference between the enhanced SCHIP matching rate and the FMAP for Medicaid expenditures (in a given fiscal year) associated with children through age 18 with family incomes greater than 150% of the federal poverty level (FPL). Use of these funds for expenditures incurred under an approved Section 1115 waiver in the qualifying state would not impact the budget neutrality agreement for such states. For example, they may not be counted as an offset to ensure that the predicted "with waiver" costs do not exceed the "without waiver" costs as required by the budget neutrality agreement.

For a given fiscal year, "qualifying states" would include those who: (1) as of April 15,

1997, or under a Section 1115 waiver implemented on January 1, 1994, had a Medicaid income eligibility standard for at least one category of children (excluding infants) of at least 185% FPL; and (2) as of January 1, 2001 had a SCHIP eligibility standard of at least 200% FPL, or greater than 200% FPL if under a Section 1115 waiver targeted at uninsured children; (3) did not impose waiting lists or enrollment caps for children whose family income is at least 200% FPL; (4) provide statewide SCHIP coverage to all children who meet such state's income and other eligibility requirements; and (5) have implemented at least three of the following procedures for establishing children's eligibility for their Medicaid and SCHIP programs: (a) use the same uniform, simplified application form; (b) do not apply asset tests; (c) adopt 12-month continuous enrollment; (d) use same forms, verification policies, and frequency for initial eligibility determinations and eligibility redeterminations; and/or (e) initial eligibility determinations can be made by disproportionate share hospital (DSH) facilities as well as federally qualified health centers.

Reason for Change

In order for states to access their SCHIP allotments, current law requires states to expand income eligibility levels above the levels in effect under Medicaid on March 31, 1997. SCHIP funds may not be used to pay for children already eligible for Medicaid as of this date.

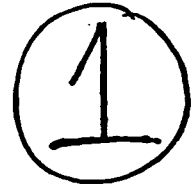
A small number of states have been unable to access a large portion of their SCHIP allotments because their Medicaid eligibility levels were significantly above the federal mandatory minimum levels for Medicaid when SCHIP was enacted. This provision would allow those states to use a limited amount of their SCHIP allocation to cover the costs of certain children who were already enrolled in Medicaid when SCHIP was enacted, provided that the states meet a number of criteria related to eligibility simplification and enrollment.

Effective Date

Effective upon enactment of this act.

Amendment List
SCHIP
June 12, 2003

Amendments Filed in Senate Finance Committee		
No.	Senator	Summary
1	Bingaman	Ensuring "Qualifying States" are Able to Use Certain Funds for Medicaid Expenditures in Future Years



**Bingaman Amendment # 1
To the Chairman's SCHIP Mark**

**Ensuring "Qualifying States" are Able to Use Certain Funds
for Medicaid Expenditures in Future Years**

Purpose

To improve equity in payments and expenditures by states within the State Children's Health Insurance Program (CHIP).

Explanation of Amendment

The amendment would extend the authority for "qualifying states" in the Chairman's mark to use up to 20% of their original CHIP allotment or their reallocation funds for certain Medicaid payments for children's health from fiscal years 1998 to 2001 through fiscal year 2004.

Reason for Change

The Chairman's mark allows qualifying states to use previous years' CHIP allotments for this purpose but eliminates the policy for funding after fiscal year 2001. This policy should be continued at least through the forthcoming fiscal year.

This Chairman's mark and this amendment address an inequity that was created during the establishment of the CHIP that unfairly penalized certain states that had done the right thing and had expanded Medicaid coverage to children prior to the enactment of the bill.

While the Congress recognized this fact for some states and "grandfathered" in their expansions so those states could use the new CHIP funding for the children of their respective states, the legislation failed to do so for others, including New Mexico, Vermont, Tennessee, and Washington, among others. This had the effect of penalizing a certain group of states for having done the right thing.

During the negotiations of the Balanced Budget Act (BBA) of 1997, Congress and the Administration properly recognized that certain states were already undertaking Medicaid or separate state-run expansions of coverage to children up to 185 percent of poverty or above and that they would be allowed to use the new CHIP funding for those purposes. The final bill specifically allowed the states of Florida, New York, Pennsylvania, and Rhode Island to convert their separate state-run programs into CHIP expansions and states that had expanded coverage to children through Medicaid after March 31, 1997, were also allowed to use CHIP funding for their expansions.

Unfortunately, New Mexico and other states that had enacted similar expansions prior to March 1997 were denied the use of CHIP funding for their expansions. This created an inequity among the states where some were allowed to have their prior programs "grandfathered" into CHIP and others were denied. Therefore, our bill addresses this inequity.

As the health policy statement by the National Governors' Association reads, "The Governors believe that it is critical that innovative states not be penalized for having expanded coverage to children before the enactment of S-CHIP, which provides enhanced funding to meet these goals. To this end, the Governors support providing additional funding flexibility to states that had already significantly expanded coverage to the majority of uninsured children in their states."

108TH CONGRESS
1ST SESSION

S. 312

To amend title XXI of the Social Security Act to extend the availability of allotments for fiscal years 1998 through 2001 under the State Children's Health Insurance Program.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 5, 2003

Mr. ROCKEFELLER (for himself, Mr. CHAFEE, Mr. KENNEDY, Ms. SNOWE, Mr. BAUCUS, Mr. GRASSLEY, Mr. CORZINE, Mr. WARNER, Mrs. CLINTON, Ms. COLLINS, Mr. BINGAMAN, Mr. MCCAIN, Mr. BAYH, Mr. DEWINE, Mrs. HUTCHISON, Mrs. LINCOLN, Mr. HATCH, Mr. LAUTENBERG, and Ms. MIKULSKI) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend title XXI of the Social Security Act to extend the availability of allotments for fiscal years 1998 through 2001 under the State Children's Health Insurance Program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. EXTENSION OF AVAILABILITY OF SCHIP ALLOT-**
2 **MENTS FOR FISCAL YEARS 1998 THROUGH**
3 **2001.**

4 (a) **EXTENDING AVAILABILITY OF SCHIP ALLOT-**
5 **MENTS FOR FISCAL YEARS 1998 THROUGH 2001.—**

6 (1) **RETAINED AND REDISTRIBUTED ALLOT-**
7 **MENTS FOR FISCAL YEARS 1998 AND 1999.—**Para-
8 graphs (2)(A)(i) and (2)(A)(ii) of section 2104(g) of
9 the Social Security Act (42 U.S.C. 1397dd(g)) are
10 each amended by striking “fiscal year 2002” and in-
11 sserting “fiscal year 2004”.

12 (2) **EXTENSION AND REVISION OF RETAINED**
13 **AND REDISTRIBUTED ALLOTMENTS FOR FISCAL**
14 **YEAR 2000.—**

15 (A) **PERMITTING AND EXTENDING RETEN-**
16 **TION OF PORTION OF FISCAL YEAR 2000 ALLOT-**
17 **MENT.—**Paragraph (2) of such section 2104(g)
18 is amended—

19 (i) in the heading, by striking “AND
20 1999” and inserting “THROUGH 2000”; and

21 (ii) by adding at the end of subpara-
22 graph (A) the following:

23 “(iii) **FISCAL YEAR 2000 ALLOT-**
24 **MENT.—**Of the amounts allotted to a State
25 pursuant to this section for fiscal year
26 2000 that were not expended by the State

1 by the end of fiscal year 2002, 50 percent
2 of that amount shall remain available for
3 expenditure by the State through the end
4 of fiscal year 2004.”.

5 (B) REDISTRIBUTED ALLOTMENTS.—Para-
6 graph (1) of such section 2104(g) is amended—

7 (i) in subparagraph (A), by inserting
8 “or for fiscal year 2000 by the end of fis-
9 cal year 2002,” after “fiscal year 2001,”;

10 (ii) in subparagraph (A), by striking
11 “1998 or 1999” and inserting “1998,
12 1999, or 2000”;

13 (iii) in subparagraph (A)(i)—

14 (I) by striking “or” at the end of
15 subclause (I),

16 (II) by striking the period at the
17 end of subclause (II) and inserting “;
18 or”; and

19 (III) by adding at the end the
20 following new subclause:

21 “(III) the fiscal year 2000 allot-
22 ment, the amount specified in sub-
23 paragraph (C)(i) (less the total of the
24 amounts under clause (ii) for such fis-
25 cal year), multiplied by the ratio of

1 the amount specified in subparagraph
2 (C)(ii) for the State to the amount
3 specified in subparagraph (C)(iii).”;

4 (iv) in subparagraph (A)(ii), by strik-
5 ing “or 1999” and inserting “, 1999, or
6 2000”;

7 (v) in subparagraph (B), by striking
8 “with respect to fiscal year 1998 or 1999”;

9 (vi) in subparagraph (B)(ii)—

10 (I) by inserting “with respect to
11 fiscal year 1998, 1999, or 2000,”
12 after “subsection (e),”; and

13 (II) by striking “2002” and in-
14 serting “2004”; and

15 (vii) by adding at the end the fol-
16 lowing new subparagraph:

17 “(C) AMOUNTS USED IN COMPUTING RE-
18 DISTRIBUTIONS FOR FISCAL YEAR 2000.—For
19 purposes of subparagraph (A)(i)(III)—

20 “(i) the amount specified in this
21 clause is the amount specified in para-
22 graph (2)(B)(i)(I) for fiscal year 2000, less
23 the total amount remaining available pur-
24 suant to paragraph (2)(A)(iii);

1 “(ii) the amount specified in this
2 clause for a State is the amount by which
3 the State’s expenditures under this title in
4 fiscal years 2000, 2001, and 2002 exceed
5 the State’s allotment for fiscal year 2000
6 under subsection (b); and

7 “(iii) the amount specified in this
8 clause is the sum, for all States entitled to
9 a redistribution under subparagraph (A)
10 from the allotments for fiscal year 2000, of
11 the amounts specified in clause (ii).”.

12 (C) CONFORMING AMENDMENTS.—Such
13 section 2104(g) is further amended—

14 (i) in its heading, by striking “AND
15 1999” and inserting “, 1999, AND 2000”;
16 and

17 (ii) in paragraph (3)—

18 (I) by striking “or fiscal year
19 1999” and inserting “, fiscal year
20 1999, or fiscal year 2000”; and

21 (II) by striking “or November
22 30, 2001” and inserting “November
23 30, 2001, or November 30, 2002”, re-
24 spectively.

1 (3) EXTENSION AND REVISION OF RETAINED
2 AND REDISTRIBUTED ALLOTMENTS FOR FISCAL
3 YEAR 2001.—

4 (A) PERMITTING AND EXTENDING RETEN-
5 TION OF PORTION OF FISCAL YEAR 2001 ALLOT-
6 MENT.—Paragraph (2) of such section 2104(g),
7 as amended in paragraph (2)(A)(ii), is further
8 amended—

9 (i) in the heading, by striking “2000”
10 and inserting “2001”; and

11 (ii) by adding at the end of subpara-
12 graph (A) the following:

13 “(iv) FISCAL YEAR 2001 ALLOT-
14 MENT.—Of the amounts allotted to a State
15 pursuant to this section for fiscal year
16 2001 that were not expended by the State
17 by the end of fiscal year 2003, 50 percent
18 of that amount shall remain available for
19 expenditure by the State through the end
20 of fiscal year 2005.”.

21 (B) REDISTRIBUTED ALLOTMENTS.—Para-
22 graph (1) of such section 2104(g), as amended
23 in paragraph (2)(B), is further amended—

1 (i) in subparagraph (A), by inserting
2 “or for fiscal year 2001 by the end of fis-
3 cal year 2003,” after “fiscal year 2002,”;

4 (ii) in subparagraph (A), by striking
5 “1999, or 2000” and inserting “1999,
6 2000, or 2001”;

7 (iii) in subparagraph (A)(i)—

8 (I) by striking “or” at the end of
9 subclause (II),

10 (II) by striking the period at the
11 end of subclause (III) and inserting “;
12 or”; and

13 (III) by adding at the end the
14 following new subclause:

15 “(IV) the fiscal year 2001 allot-
16 ment, the amount specified in sub-
17 paragraph (D)(i) (less the total of the
18 amounts under clause (ii) for such fis-
19 cal year), multiplied by the ratio of
20 the amount specified in subparagraph
21 (D)(ii) for the State to the amount
22 specified in subparagraph (D)(iii).”;

23 (iv) in subparagraph (A)(ii), by strik-
24 ing “or 2000” and inserting “2000, or
25 2001”;

1 (v) in subparagraph (B)—

2 (I) by striking “and” at the end
3 of clause (ii);

4 (II) by redesignating clause (iii)
5 as clause (iv); and

6 (III) by inserting after clause (ii)
7 the following new clause:

8 “(iii) notwithstanding subsection (e),
9 with respect to fiscal year 2001, shall re-
10 main available for expenditure by the State
11 through the end of fiscal year 2005; and”;
12 and

13 (vi) by adding at the end the following
14 new subparagraph:

15 “(D) AMOUNTS USED IN COMPUTING RE-
16 DISTRIBUTIONS FOR FISCAL YEAR 2001.—For
17 purposes of subparagraph (A)(i)(IV)—

18 “(i) the amount specified in this
19 clause is the amount specified in para-
20 graph (2)(B)(i)(I) for fiscal year 2001, less
21 the total amount remaining available pur-
22 suant to paragraph (2)(A)(iv);

23 “(ii) the amount specified in this
24 clause for a State is the amount by which
25 the State’s expenditures under this title in

1 fiscal years 2001, 2002, and 2003 exceed
2 the State's allotment for fiscal year 2001
3 under subsection (b); and

4 "(iii) the amount specified in this
5 clause is the sum, for all States entitled to
6 a redistribution under subparagraph (A)
7 from the allotments for fiscal year 2001, of
8 the amounts specified in clause (ii).".

9 (C) CONFORMING AMENDMENTS.—Such
10 section 2104(g) is further amended—

11 (i) in its heading, by striking "AND
12 2000" and inserting "2000, AND 2001";
13 and

14 (ii) in paragraph (3)—

15 (I) by striking "or fiscal year
16 2000" and inserting "fiscal year
17 2000, or fiscal year 2001"; and

18 (II) by striking "or November
19 30, 2002," and inserting "November
20 30, 2002, or November 30, 2003,"
21 respectively.

22 (4) EFFECTIVE DATE.—This subsection, and
23 the amendments made by this subsection, shall be
24 effective as if this subsection had been enacted on
25 September 30, 2002, and amounts under title XXI

1 of the Social Security Act (42 U.S.C. 1397aa et
2 seq.) from allotments for fiscal years 1998 through
3 2000 are available for expenditure on and after Oc-
4 tober 1, 2002, under the amendments made by this
5 subsection as if this subsection had been enacted on
6 September 30, 2002.

7 (b) AUTHORITY FOR QUALIFYING STATES TO USE
8 PORTION OF SCHIP FUNDS FOR MEDICAID EXPENDI-
9 TURES.—Section 2105 of the Social Security Act (42
10 U.S.C. 1397ee) is amended by adding at the end the fol-
11 lowing:

12 “(g) AUTHORITY FOR QUALIFYING STATES TO USE
13 CERTAIN FUNDS FOR MEDICAID EXPENDITURES.—

14 “(1) STATE OPTION.—

15 “(A) IN GENERAL.—Notwithstanding any
16 other provision of law, with respect to allot-
17 ments for fiscal years 1998, 1999, 2000, 2001,
18 for fiscal years in which such allotments are
19 available under subsections (e) and (g) of sec-
20 tion 2104, a qualifying State (as defined in
21 paragraph (2)) may elect to use not more than
22 20 percent of such allotments (instead of for
23 expenditures under this title) for payments for
24 such fiscal year under title XIX in accordance
25 with subparagraph (B).

1 “(B) PAYMENTS TO STATES.—

2 “(i) IN GENERAL.—In the case of a
3 qualifying State that has elected the option
4 described in subparagraph (A), subject to
5 the total amount of funds described with
6 respect to the State in subparagraph (A),
7 the Secretary shall pay the State an
8 amount each quarter equal to the addi-
9 tional amount that would have been paid
10 to the State under title XIX for expendi-
11 tures of the State for the fiscal year de-
12 scribed in clause (ii) if the enhanced
13 FMAP (as determined under subsection
14 (b)) had been substituted for the Federal
15 medical assistance percentage (as defined
16 in section 1905(b)) of such expenditures.

17 “(ii) EXPENDITURES DESCRIBED.—

18 For purposes of clause (i), the expendi-
19 tures described in this clause are expendi-
20 tures for such fiscal years for providing
21 medical assistance under title XIX to indi-
22 viduals who have not attained age 19 and
23 whose family income exceeds 150 percent
24 of the poverty line.

1 “(iii) NO IMPACT ON DETERMINATION
2 OF BUDGET NEUTRALITY FOR WAIVERS.—

3 In the case of a qualifying State that uses
4 amounts paid under this subsection for ex-
5 penditures described in clause (ii) that are
6 incurred under a waiver approved for the
7 State, any budget neutrality determina-
8 tions with respect to such waiver shall be
9 determined without regard to such
10 amounts paid.

11 “(2) QUALIFYING STATE.—In this subsection,
12 the term ‘qualifying State’ means a State that—

13 “(A) as of April 15, 1997, has an income
14 eligibility standard with respect to any 1 or
15 more categories of children (other than infants)
16 who are eligible for medical assistance under
17 section 1902(a)(10)(A) or under a waiver under
18 section 1115 implemented on January 1, 1994,
19 that is up to 185 percent of the poverty line or
20 above; and

21 “(B) satisfies the requirements described
22 in paragraph (3).

23 “(3) REQUIREMENTS.—The requirements de-
24 scribed in this paragraph are the following:

1 “(A) SCHIP INCOME ELIGIBILITY.—The
2 State has a State child health plan that (wheth-
3 er implemented under title XIX or this title)—

4 “(i) as of January 1, 2001, has an in-
5 come eligibility standard that is at least
6 200 percent of the poverty line or has an
7 income eligibility standard that exceeds
8 200 percent of the poverty line under a
9 waiver under section 1115 that is based on
10 a child’s lack of health insurance;

11 “(ii) subject to subparagraph (B),
12 does not limit the acceptance of applica-
13 tions for children; and

14 “(iii) provides benefits to all children
15 in the State who apply for and meet eligi-
16 bility standards on a statewide basis.

17 “(B) NO WAITING LIST IMPOSED.—With
18 respect to children whose family income is at or
19 below 200 percent of the poverty line, the State
20 does not impose any numerical limitation, wait-
21 ing list, or similar limitation on the eligibility of
22 such children for child health assistance under
23 such State plan.

24 “(C) ADDITIONAL REQUIREMENTS.—The
25 State has implemented at least 3 of the fol-

1 lowing policies and procedures (relating to cov-
2 erage of children under title XIX and this title):

3 “(i) UNIFORM, SIMPLIFIED APPLICA-
4 TION FORM.—With respect to children who
5 are eligible for medical assistance under
6 section 1902(a)(10)(A), the State uses the
7 same uniform, simplified application form
8 (including, if applicable, permitting appli-
9 cation other than in person) for purposes
10 of establishing eligibility for benefits under
11 title XIX and this title.

12 “(ii) ELIMINATION OF ASSET TEST.—
13 The State does not apply any asset test for
14 eligibility under section 1902(l) or this title
15 with respect to children.

16 “(iii) ADOPTION OF 12-MONTH CON-
17 TINUOUS ENROLLMENT.—The State pro-
18 vides that eligibility shall not be regularly
19 redetermined more often than once every
20 year under this title or for children de-
21 scribed in section 1902(a)(10)(A).

22 “(iv) SAME VERIFICATION AND REDE-
23 TERMINATION POLICIES; AUTOMATIC REAS-
24 SESSMENT OF ELIGIBILITY.—With respect
25 to children who are eligible for medical as-

1 sistance under section 1902(a)(10)(A), the
2 State provides for initial eligibility deter-
3 minations and redeterminations of eligi-
4 bility using the same verification policies
5 (including with respect to face-to-face
6 interviews), forms, and frequency as the
7 State uses for such purposes under this
8 title, and, as part of such redetermina-
9 tions, provides for the automatic reassess-
10 ment of the eligibility of such children for
11 assistance under title XIX and this title.

12 “(v) OUTSTATIONING ENROLLMENT
13 STAFF.—The State provides for the receipt
14 and initial processing of applications for
15 benefits under this title and for children
16 under title XIX at facilities defined as dis-
17 proportionate share hospitals under section
18 1923(a)(1)(A) and Federally-qualified
19 health centers described in section
20 1905(l)(2)(B) consistent with section
21 1902(a)(55).”

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Statement of Senator Olympia Snowe on
SCHIP Funding Reallocation Bill
June 12, 2003

Thank you Mr. Chairman. And, I want to thank the Chairman as well as several colleagues on this Committee – Majority Leader Frist and Budget Committee Chairman Nickles – for your willingness to work to develop this agreement with me, Senator Rockefeller and Senator Chafee. It is because of your collective leadership and commitment that we are able to move forward with this proposal that will address the reallocation of funding for the State Children's Health Insurance Program – or SCHIP.

This past January, I worked with Chairman Nickles, Chairman Grassley, Majority Leader Frist and my good friend from West Virginia, Senator Rockefeller, during the debate on the Omnibus Appropriations bill to secure an agreement to restore \$2.7 billion in expired – or soon to be expired – SCHIP funds so these dollars can be used for their original purpose, health care for our nation's children. SCHIP, just six years old, provided coverage for 5.3 million children in 2002 – a 15 percent increase from 2001. Despite this considerable progress, according to a Kaiser Family Foundation estimate, there remain nearly 1.34 million children who are eligible for this coverage but are still not enrolled. This bill allows us to use the recaptured money to further expand the SCHIP rolls.

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Bill

As enacted, SCHIP permits states to have three years to spend their allocation – at the end of the third year, any remaining unspent funding would revert to the federal Treasury to be redistributed by HHS among the states – however the law doesn't provide HHS with a formula to do so. This bill sets that formula. Currently, there are 21 states that have lost a total of nearly \$1.2 billion from Fiscal Years 1998 and 1999. This includes seven states represented

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on this Committee that already forfeited \$250 million to the Treasury (Arkansas, Kentucky, Maine, Massachusetts, New Mexico, Oklahoma, Tennessee, and Wyoming). Additionally, there's another \$1.5 billion of unspent FY00 and FY01 funds that will go back to the Treasury and remain there until Congress clarifies the SCHIP statute. That's why the bill before us is pressing.

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Our proposal allows the 21 states that lost their FY 98 and 99 funding to reclaim this money and gives them through the end of the next fiscal year to utilize it by plowing it back into SCHIP. It also strikes a compromise between the 36 states that have spent all of their FY00 and FY01 allotments, and the 14 that have not, by dividing the funding evenly between them, ensuring that those states that had spent all of their funding and were counting on receiving a portion of the reallocated funds are not shortchanged.

21
states

Of course the question that we must ask is if the states knew that if they didn't spend their money they would lose it, then why are we giving it back? The reality is that many states were faced with challenges that were not envisioned when SCHIP was created by my good friends and colleagues, Senator Hatch and Senator Kennedy.

Some states had to design and implement programs in order to use these funds, others had to amend existing programs...but all were faced with the universal challenge of enrolling eligible children. That's why those 21 states were unable to draw down all of their funding in FY98 and FY99, and 14 others (Alaska, Kansas, Kentucky, Maine, Maryland, Massachusetts, Mississippi, Montana, New Jersey, New York, Rhode Island, South Carolina, West Virginia, and Wisconsin), six of which are represented on this committee, were still having trouble in FY00 and FY01. But it wasn't for a lack of effort - and that's why it's critical we lay out a clear redistribution formula now, so they can put the funds to the use for which they were intended - our children.

In my home State of Maine this legislation would allow the state to keep, until the end of FY04, \$13.24 million in unspent SCHIP funding from FY00 and FY01. And Maine would be able to *regain* the \$15.4 million it did not spend in FY98 and FY99. This means a total of \$28.64 million to provide health care assistance to children who otherwise would not have access to immunizations, well-baby visits and yearly check-ups.

While some may say that money isn't everything, it is of crucial importance to the nearly one million children that might lose their health care without our actions here, and those 1.3 million children who are eligible but not yet enrolled in SCHIP. That being said, I know that there are some who will attempt to broaden the scope of this legislation to include changes to the underlying SCHIP policy. And, while I support many of these changes, I do not believe this funding should be stalled as this Committee – or the Congress – debates the types of expansions my colleagues and I support.

What this mark is about is highlighted by what Secretary Thompson said when HHS released new data earlier this year on the level of health insurance for children in our country – "More and more children are getting the health care they need," he said, "thanks in large measure to our success in working with states to expand health coverage through the SCHIP program. We are giving governors the flexibility they need to continue to expand coverage to more children, and our strategy is paying off for children and parents alike."

This statement is not only a strong endorsement of SCHIP – but also our actions here today – and should be an impetus to getting this policy enacted in a timely fashion. This reallocation formula has the endorsement of the National Governors Association as well as bipartisan support in the House of Representatives...it's the right thing to do and, again, I appreciate the support of my colleagues and thank you Chairman Grassley for recognizing me to make this statement.