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BTC Brief

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KEEPING KIDS INSURED: NC Health Choice is a lifeline for desperate families, bolsters economy

With a staggering budget shortfall, lawmakers are facing tough decisions and numerous critical programs in health, human services, and education will be harmed by the time the final budget proposal passes. Budget conferees are now working in the NC General Assembly to hammer out a compromise budget proposal amidst one of the worst economic downturns in generations.

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Across the country, states facing similar budget and economic challenges like North Carolina have recognized the importance of preserving and expanding investments in certain programs that are key to economic recovery. One of these programs is the SCHIP program, or State Children's Health Insurance Program. North Carolina's version is called NC Health Choice and lawmakers are currently debating whether to cut, freeze, or expand enrollment in the program. Budget conferees should take into consideration the economic impact of investing in NC Health Choice and its incredible importance to families and their children during this economic downturn.

Responding to record unemployment and aiding North Carolina families

In May, North Carolina's unemployment rate jumped to 11.1%, the highest rate on record for the state and the seventh highest jobless rate in the country.¹ In economic downturns, state services offer critical supports to aid laid off workers and their families. For many parents, affordable health care coverage for their children is one of their most vital lifelines.

Laid off workers lose their health coverage at work and turn to programs like NC Health Choice to fill in the health insurance gap for their children without risking a lapse in preventative care. Even for working families, many parents make too much to qualify for Medicaid but lack coverage for their dependents at work. NC Health Choice helps reach those parents and allows them to access affordable, quality health insurance for their children.

Access to NC Health Choice helps families avoid financial crises from having to pay out-of-pocket for expensive medical treatments and procedures and even can help them avoid bankruptcy due to medical bills. Providing NC Health Choice to all eligible children would result in long-term savings to the state of North Carolina and parents by preventing chronic diseases, higher costs of illness, and emergency care.

Investing in NC Health Choice a boon for local economy

A relatively small investment to expand NC Health Choice will have tremendous ripple effects across North Carolina's economy by leveraging significant federal dollars and preserving jobs in local health clinics and doctor's offices.

As a result of the recent SCHIP reauthorization, federal match dollars for state children's health insurance programs have increased significantly. The average federal match for state investments in NC Health Choice is now nearly 3 to 1.² For every \$1 that North Carolina spends to maintain or

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expand enrollment in its children’s health insurance program, the state stands to receive nearly \$3 in health care dollars from the federal government. Or put another way, every \$1 cut from NC Health Choice leaves \$3 in federal matching money on the table.

Health care spending is a proven and strong economic recovery tool and the federal CHIP match dollars would be spent across North Carolina to keep health care professionals employed and the health care industry thriving amidst the downturn. During the last recession, a study focused on Medicaid found that \$1 million of state health care spending resulted in \$3.4 million in new state business activity.³ With children’s health insurance programs leveraging even more federal matching dollars than Medicaid, the economic impact can be assumed to be even greater.

Following the lead of other states

Despite severe budget deficits, a number of states around the country have recognized the value of children’s health insurance programs to their economy and families in this economic downturn. As state legislatures conclude their legislative sessions, at least eleven states have already taken steps to either expand coverage for their children’s health insurance programs and/or enact measures to simplify enrollment and eligibility procedures (see Figures 1 and 2).

The states that have chosen to expand coverage for their CHIP program have done so by increasing eligibility to children in families with incomes in excess of 200% of the federal poverty level (FPL), with some expanding coverage to families with incomes at 300% FPL. NC Health Choice currently only applies to children in families at or below 200% of the federal poverty level.

Other states have chosen to take advantage of the new incentives provided by the federal SCHIP reauthorization that reward states for improving eligibility and enrollment procedures, such as implementing “Express Lane Eligibility” or 12 month continuous coverage.⁴ Enacting such procedures de facto expands their children’s health insurance programs as more children will enroll under simplified applications and increased outreach.

Fortunately North Carolina has been a step ahead in some areas and has long had 12 month continuous coverage and a simplified application and lawmakers have been working this session to make improvements in this area. But the state cannot fully implement the other federal options offered by the SCHIP reauthorization without allotting more budget dollars for NC Health Choice to take into account expected enrollment increases.

Conclusion

The NC Senate showed leadership in passing a budget proposal that would allot funding for a 12% increase in NC Health Choice enrollment in FY 09-10 and FY 10-11. The NC House unfortunately took the short-sighted route of cutting more than 30,000 kids off of NC Health Choice in its recently-passed budget.⁵

As North Carolina lawmakers craft their final budget proposal in the coming days, they should consider not only maintaining current fiscal year investments in NC Health Choice but also following the lead of other states and expanding enrollment, if not coverage, in NC Health Choice. So far lawmakers have had the foresight to provide some relief to jobless workers by expanding enrollment funding in the community colleges. It is prudent to apply the same wisdom to the NC Health Choice program. Doing so would leverage millions of federal matching dollars that would flow directly into communities across North Carolina and provide a vital safety net to recently laid-off workers and their children.

FIGURE 1: States that have enacted expanded coverage to CHIP program in 2009

State	Eligibility Expansion Level
Alabama	From 200% FPL to 300% FPL
Arkansas	From 200% FPL to 250% FPL
Colorado	From 200% FPL to 250% FPL
Iowa	From 200% FPL to 300% FPL
Kansas	From 200% FPL to 250% FPL
Montana	From 175% FPL to 250% FPL

FIGURE 2: States that have enacted simplified enrollment and eligibility procedures

State	Description
Alaska	12 month continuous enrollment
Colorado	12 month continuous enrollment
Iowa	Simplified enrollment, presumptive eligibility
New Jersey	Simplified application
Washington	Express Lane, administrative renewal

Notes: Both figures were compiled with data from the Kaiser Family Foundation, the National Conference of State Legislatures, and Georgetown University’s Center on Children and Families. This is an informal survey of legislative activity and may inadvertently exclude some states that have recently passed new legislation after June 19, 2009. In Figure 2, it should be noted that North Carolina already has 12 month continuous enrollment and a simplified application.

¹ NC Employment Security Commission: http://www.ncesc1.com/pmi/rates/PressReleases/State/NR_May09_StRate.pdf

² Families USA Factsheet on CHIPRA: <http://www.familiesusa.org/assets/pdfs/chipra/chipra-101-overview.pdf>

³ “Medicaid: Good Medicine for State Economies”, *Families USA*. January 2003. <http://www.familiesusa.org/assets/pdfs/GoodMedicineReport5a53.pdf>

⁴ For an explanation of these incentives, see Families USA Factsheet on CHIPRA: <http://www.familiesusa.org/assets/pdfs/chipra/chipra-101-overview.pdf>

⁵ See www.ncleg.net for copies of the NC Senate and House budgets.