CHIP DIP
(This is not a party food)

Rose M. Naff, Executive Director
Florida Healthy Kids Corporation
Presentation to the Board of Directors

October 10, 2002
SCHIP Funding Conundrum
Adapted from presentation by the Urban Institute 9/02

• $11 billion unspent SCHIP funds, yet 18 states are projected by CBPP model to have funding shortfalls between FY ’03 and FY ’07 and OMB projects enrollment decline of 1 million children

• With no action, an estimated $3 billion will revert to treasury by end of FY ’03

Why?
• National SCHIP funding dip for ’02 through ’05
• Three year window for spending an allotment
• SCHIP funds covering parents and other childless adults
SCHIP Federal Allotment*
(The CHIP Dip)

*Federal Law Establishes Allotment Amounts
Federal Allotment and Federal Spending

FIGURE 1. Federal SCHIP Spending versus Federal Allotment, by Fiscal Year

Note: FY 2002 federal spending data is projected spending.
From: Families USA Special Report

• SCHIP enrollment will drop by 900,000 between FFY 2003 and FFY 2006
  Reasons: CHIP DIP, Loss of Previously Allocated Federal Funds and State Budget Cuts

• State will have $6 Billion less money for SCHIP

• 32 States will Receive Lower Allocations than the Federal Share of their Expenditures
  (Yes, Florida is one of the 32)
States Are Responding

- Closed Enrollments (NC, UT, MT)
- Reduce Outreach (AL, CA, MA, MN, MS, NJ, WA)
- Reduce Income Eligibility
- Increased Cost Sharing (RI, UT, MA, NJ, TX, WA)
- Benefit Reductions (UT, WI)
- Administrative Barriers (KY, AL, MA, NJ, WA)
- Provider Rates (MN)
- Cancel Coverage
FLORIDA
Allotments and Expenditures
Florida’s Share of Federal Allotment
(The CHIP Dip)

*2004-2007 are estimates
Florida’s SCHIP Expenditures
(Federal Share)

*FFY '02 estimated after 11 mos.
FFY '03 estimate based on approp
## Allotment and the 3-Year Spending Window

<table>
<thead>
<tr>
<th>FFY</th>
<th>Unspent after 3 years</th>
<th>Retained</th>
<th>Redistributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>$ 87.2 million</td>
<td>$ 56.3 million</td>
<td>$ 30.9 million</td>
</tr>
<tr>
<td>1999</td>
<td>$130.0 million</td>
<td>$ 54.5 million</td>
<td>$ 75.5 million</td>
</tr>
<tr>
<td>2000</td>
<td>$ 28.8 million*</td>
<td>TBA</td>
<td>TBA</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$246.0 million</td>
<td>$110.8 million</td>
<td>$217.2 million</td>
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*2002 unspent is an estimate
KidCare Spending on Services
Federal Share: SFY 2002-03: $288 Million
KidCare Spending on Administration
Federal Share: SFY 2002-03: $24.2 Million

Pie chart showing spending distribution:
- Blue for FHKC
- Green for DOH
- Yellow for DCF
- Purple for AHCA
- Blue with yellow for DOH School Health
Florida’s Match Rate Rising

*2004 Estimate prepared by FFIS
Florida’s Allotment Balance by Year Before Spending

Millions

- 2007
- 2006
- 2005
- 2004
- 2003
- 2002
- 2001
- 2000
- 1999
- 1998

Retained
Comparing Florida’s Allotment to Expenditures

*FFY '02, '03 Spending are estimates
Florida’s Balance Compared to Spending at FFYE

*FFY 2003 spending is an estimate
Reality Check

• Florida Expenditures in FFY 2001
  – exceed allotments in 2002, 2003 and 2004

• Florida Expenditures in FFY 2002

• Florida Expenditures in FFY 2003
  – exceed all allotments awarded or estimated

• Federal Match Rate Rising to 71.81% in FFY ’04
  – Florida will draw faster from a smaller allotment

• Retained/Redistributed Funds Dwindling
  – Can’t rely on rollover funds to cover shortfalls
Reality Check:
Looking Forward

**CAUTION:** The estimates which follow assume:

- No annualization of current year enrollment
- No increase in utilization by enrollees
- No increase in medical/pharmacy costs
- No increases in physician payment
- No increases in insurance premium rates
- No new enrollment
- No increase in FMAP
Reality Check:
Spending at Current State Fiscal Year Level
Reality Check:
Affected Programs/Policies

• KidCare Coverage
  – Florida Healthy Kids
  – MediKids
  – Children’s Medical Services Network
  – Bnet
  – Medicaid Expansion Groups

• Outreach

• School Health Services

• Fund Shifts in Administration
Addressing the Issue: Options and Triggers

- Increase Federal Allotments
- Increase State Spending to Cover Shortfalls
- Reduce State and Federal Spending
- Sunset Provisions in KidCare Act
Addressing the Issue:
Increase Federal Allotments

• S. 2860
  – Retains $3 Billion in unspent SCHIP funds
  – Limited relief for FFY 2003 and 2004
  – Delays Florida deficit to 2007

• Increase Federal Allotment
  – Requires Congressional Action by 2005
  – Continued retention of unspent SCHIP $ delays impact
  – New funding required (in Billions)
S. 2860 Proposed Allotment Increase
(Addressing the CHIP Dip)

*FFY '04-07 Allotments estimated by AHCA
Addressing the Issue:
Increase State Spending to Cover Shortfalls

<table>
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<tr>
<th>Federal Fiscal Year</th>
<th>State Funds Required</th>
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<tbody>
<tr>
<td>2005-2006</td>
<td>$82,124,822</td>
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<tr>
<td>2006-2007</td>
<td>$40,184,777</td>
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<tr>
<td>TOTAL</td>
<td>$122,309,599</td>
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Addressing the Issue:

Reduce State and Federal Spending

- Close Enrollment (Administrative)
- Reduce Outreach (Administrative)
- Reduce Income Eligibility (Administrative: with federal limits)
- Increase Cost Sharing (Administrative: with federal limits)
- Benefit Reductions (Statutory: with federal limits (1997))
- Administrative Barriers (Administrative)
- Provider Rates
  - Physician/Facility (Administrative: AHCA/FHKC)
  - Insurer Rates (Administrative: AHCA/FHKC)
- Cancel Coverage (Administrative)
- Reduce administration and/or reverse administrative fund shifts
Addressing the Issue: Sunset Provisions in KidCare Act

• Section 57, ch. 98-288 provides that:
Sections 409.810 through 409.820, Florida Statues, as created...are repealed, subject to prior legislative review, on the first July 1 occurring at least 1 year after the effective date of an act of... Congress or [CMS] which:

(1) Reduces Florida federal matching rate under Title XXI of the Social Security Act to less than 65 percent federal match; or

(2) Reduces the federal funds allotted to Florida under Title XXI of the Social Security Act to less than $250 million annually
Addressing the Issue:
Sunset Provisions in KidCare Act

(2) Reduces the federal funds allotted to Florida under Title XXI of the Social Security Act to less than $250 million annually.

Someone Needs to Clarify the Definition of: Allotted

Annual Allotment <$250 million in FFY 2000
  (sunset July 1, 2001?)
Allotment Balance <$250 million in FFY 2006
  (sunset July 1, 2007?)
Allotment Balance <$250 million at FFYE 2003
  (sunset July 1, 2004?)
Chip Dip:
With current year annualized, premium increases, enrollment growth