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6-1-2009

Date

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SJR

1

Alaska State Legislature

Interim: (May - Dec.)
716 W. 4th Ave
Anchorage, AK 99501
Phone: (907) 269-0144
Fax: (907) 269-0148

Session: (Jan. - May)
State Capitol, Suite 7
Juneau, AK 99801-1182
Phone: (907) 465-3822
Fax: (907) 465-3756
Toll free: (800) 770-3822

Senator_Bettye_Davis@legis.state.ak.us
http://www.akdemocrats.org

Senator Bettye Davis

SJR 1 " Relating to reauthorization of federal funding for children's health insurance; and encouraging the Governor to support additional funding for and access to children's health insurance."

Sponsor Statement

SJR 1 Medical Assistance for Children, states that the Alaska State Legislature urges our Congressional delegation to work diligently to achieve a timely reauthorization of the State Children's Health Insurance Program and to continue federal medical assistance percentages (or FMAP) for the Denali KidCare program.

Denali KidCare is Alaska's version of the State Children's Health Insurance program or SCHIP which was created in 1997 and is slated for reauthorization this year. It has been and continues to be a successful federal-state partnership, now covering over 4 million low-income children and enjoying bipartisan support. However, in the upcoming federal fiscal year, 17-18 states, among them Alaska, are projected to have insufficient federal SCHIP funding to sustain their existing SCHIP programs.

According to various estimates by the Centers for Medicare and Medicaid Services, the Congressional Research Service and other independent analysts, these states will face an estimated $800 to $950 million in total funding shortfalls in 2007. Here in Alaska that shortfall could total over $12 Million.

Without additional federal funding to avert these shortfalls, Alaska, along with other states may have to reduce their SCHIP enrollment, placing health insurance coverage nationally for over *500,000* low-income children at risk. States may also be forced to enact harmful changes to their SCHIP programs, such as curtailing benefits, increasing beneficiary cost-sharing or reducing provider payments.

Congress has acted in the past to address SCHIP shortfalls successfully and can do so again.

To that end, just this last Friday, February 23rd, a bipartisan group of lawmakers announced their proposal to extend health insurance to an additional 9 million children in the US. Backed by a broad consumer and industry coalition, the Healthy Kids Act of 2007 would authorize $50 billion over five years to expand the SCHIP and Medicaid program. The proposal would also provide $10 billon for refundable tax credits to help families with annual incomes of up to 350 percent of the federal poverty level (FPL) purchase health insurance that covers children if they are not eligible for SCHIP.

We ask your support of SJR 1 to add the Alaska State Legislature to the many voices urging our delegation and the rest of Congress to enact legislation immediately that provides additional funding to ensure that all states have sufficient federal funding to sustain their existing SCHIP programs in FY 2007.

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: SJR 1
() Publish Date:

Revision Date/Time (Note if correction):
Dept. Affected:
Title: SJR 1Medical Assistance for Children
RDU
Component
Sponsor: Senator Davis
Requester: (S) Health, Education & Social Services Committee
Component No.

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: (S) HEALTH, EDUCATION & SOCIAL SERVICES COMMITTEE
Phone 465-3822
Division
Date/Time
Approved by: /s/ Senator Bettye Davis, Chair
Date 2/25/2007
Agency

(Revised 9/18/2006 OMB)

Center on Budget and Policy Priorities

820 First Street NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

Revised February 22, 2007

FOURTEEN STATES FACE SCHIP SHORTFALLS THIS YEAR TOTALING OVER $700 MILLION

By Edwin Park and Matt Broaddus

New estimates, based on the latest available data, show that 14 states face federal funding shortfalls this year in the State Children's Health Insurance Program. These states lack sufficient federal funding to maintain current enrollment levels through the end of fiscal year 2007. The shortfalls in these states total more than $700 million. (The Congressional Research Service has produced very similar estimates.)

The 14 states are Alaska, Georgia, Illinois, Iowa, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, Rhode Island and Wisconsin.

These figures reflect the shortfalls that remain after the effect of a provision enacted in December 2006 is taken into account. Shortly before adjourning in December, Congress approved legislation (H.R. 6164) that contained a modest provision to delay the onset of the shortfalls. Under the SCHIP provision of H.R. 6164, some unspent federal SCHIP funds from prior fiscal years will be distributed to seven of the 14 states and will delay the shortfalls until early May.

Congress will need to act expeditiously to enact further SCHIP legislation that provides additional funding to address the substantial shortfalls that remain. Otherwise, the affected states will be forced to scale back their SCHIP programs, placing several hundred thousand low-income children at risk of losing health care coverage, unless these states can come up with sufficient new state funds to fully plug the holes.

In fact, the state of Georgia, which faces an estimated shortfall of $124 million, has already announced that effectiv March 11, it will bar any new children from enrolling in the program Georgia will thereby cut the number of children that it insures through the program, since children who leave the program (as their families' incomes rise or when children exceed the program's age limit) will no longer be replaced with newly participating children.

The SCHIP Provision Enacted in December 2006

The SCHIP provision of H.R. 6164 was intended to partially address the fiscal year 2007 SCHIP funding shortfalls. It altered the scheduled redistribution of unspent fiscal year 2004 SCHIP funds, and targeted those unspent funds entirely on states that face shortfalls in 2007. These unspent 2004 funds will be redistributed among the shortfall states on a monthly basis, with the funds being allocated among these states in the order in which the states otherwise would encounter shortfalls.

H.R. 6164 Would Restrict Use of SCHIP Funds for Parents by Shortfall States In 2007

H.R. 6164 includes a restriction on the use of the unspent fiscal year 2004 and 2005 funds that will be redistributed to shortfall states. Shortfall states that cover low-income parents through SCHIP and that receive some of the reallocated 2004 and 2005 funds will be able to use those funds for coverage of parents only at the regular federal Medicaid matching rate, which is about 13 percentage points lower, on average, than the SCHIP matching rate. This will have the effect of artificially reducing the size of the shortfall in these states — by reducing their projected need for *federal* SCHIP by about $24.7 million and increasing the amount of *state* funds that these states will have to provide by the same amount.

If this restriction were *not* applied, three of the seven states that are projected to face shortfalls first — Illinois, New Jersey and Rhode Island — would still face shortfalls of $24.7 million through early May. To the extent these three states address those shortfalls by reducing coverage of parents, the loss of coverage is likely not only to cause many of the parents losing coverage to become uninsured but also to affect children's coverage. An extensive body of research demonstrates that covering low-income parents increases enrollment in public programs among eligible children. Scaling-back SCHIP coverage of parents consequently would be likely also to result in reduced coverage for low-income children in these states.*

* See Leighton Ku and Matthew Broaddus, "Coverage of Parents Helps Childr Too," Center on Budget and Policy Priorities, October 20, 2006.

Under H.R. 6164, a portion of the SCHIP funds originally allocated in *fiscal year 2005* that remain unspent after March 31, 2007 also will be redistributed to shortfall states (again, in the order in which these states encounter shortfalls). Here, too, the funds will be redistributed on a monthly basis, until they are depleted.

The SCHIP provision of H.R. 6164 will provide an mated $271.3 million to the seven shortfall states that are expected to face shortfalls first — Alaska, Georgia, Illinois, Maryland, Massachusetts, New Jersey and Rhode Island.[1] (The other shortfall states will *not* receive any funds under H.R. 6164.) This should postpone the onset of shortfalls in these seven states til early May 2007.[2] The total amount of funds made available to shortfall states under H.R. 6164 will, however, be only about one-fourth of the amount needed to fully close the 2007 shortfalls, and a projected shortfall of $744.4 million will remain among the 14 shortfall states.[3] (See Table 1 for the estimated remaining fiscal year 2007 shortfalls in each of the 14 states.) The Congressional Research Service has issued nearly identical estimates.[4] This remaining shortfall is equivalent to the annual, average cost of covering approximately 510,000 children under SCHIP in 2007.

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[1] Our estimates are derived from the Center on Budget and Policy Priorities' SCHIP financing model and incorporate states' final SCHIP spending estimates from November 2006. The $271.3 million figure includes a projected $146.9 million in unspent 2004 funds and a projected $124.4 million in unspent 2005 funds.

[2] Shortfall states that provide SCHIP coverage to parents are likely to experience limited shortfalls *prior* to early May, see the box on this page.

[3] Taking into account the restriction in H.R. 6164 on parents' coverage, which artificially reduces the size of the shortfall by $24.7 million (see the box on page 2), the remaining shortfall will be reduced from $744.4 million to $719.7 million.

[4] See Chris Peterson, "SCHIP Provisions of H.R. 6164 (NIH Reform Act of 2006)," Congressional Research Service, Updated December 13, 2006 and Chris Peterson, "Funding Projections and State Redistribution Issues," Congressional Research Service, Updated January 30, 2007. CRS estimates that H.R. 6164 will provide $271.3 million to six shortfall states, leaving a remaining shortfall of $744.5 million in fiscal year 2007. Both the $271.3 million figure and the $744.5 million figure are virtually identical to our estimates. CRS, however, has somewhat different estimates then we do of the effect of the restriction on the use by shortfall states of redistributed SCHIP funds for parents.

A Stop-Gap Measure

Passage of the SCHIP provision of H.R. 6164 in December 2006 was a welcome development, but H.R. 6164 is only a stop-gap measure. To close the remaining shortfall, Congress will need to act.

If Congress does not do so, the 14 shortfall states will have to cut their SCHIP programs — by reducing eligibility, shrinking enrollment, scaling back benefits, increasing cost-sharing and/or cutting payments to health care providers — unless these states can come up with the additional funds themselves. One of the shortfall states, Georgia, has already announced an enrollment freeze.

As noted, effective March 11, the Georgia SCHIP program (known as PeachCare for Kids) will no longer enroll any additional eligible children.[5] Since some portion of the children currently on the SCHIP program leave it each month (because their family income rises or they "age out" of the program), the effect of the freeze will be to reduce the overall number of low-income children that the program insures and, correspondingly, to increase the number of children in the state who are uninsured. Georgia also may consider reducing the income eligibility limit for children and eliminating coverage for services such as dental care.[6] In shortfall states that cut their programs, significant numbers of SCHIP beneficiaries will be at risk of losing some or all of their coverage unless Congress acts swiftly to ensure no state faces a SCHIP funding shortfall this fiscal year.

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[5] Bill Hendrick, "PeachCare to halt new sign-ups," *Atlanta Journal-Constitution*, February 9, 2007.

[6] Bill Hendrick, "Legislature 2007: Tightened PeachCare eligibility proposed," *Atlanta Journal-Constitution*, February 10, 2007.

TABLE 1

14 States Projected to Face Federal SCHIP Financing Shortfalls in 2007

STATE	Federal SCHIP Funding Shortfall Not Counting H.R. 6164	Remaining Shortfall After H.R. 6164 Redistribution*
Nation	$1,015,763,000	$744,448,000
Alaska	$13,475,000	$12,130,000
Georgia	$128,473,000	$124,163,000
Illinois	$365,460,000	$247,253,000
Iowa	$15,047,000	$15,047,000
Maine**	$539,000	$539,000
Maryland	$79,446,000	$60,744,000
Massachusetts	$139,145,000	$85,409,000
Minnesota	$15,763,000	$15,763,000
Mississippi	$23,713,000	$23,713,000
Missouri	$3,339,000	$3,339,000
Nebraska	$80,000	$80,000
New Jersey	$178,595,000	$122,620,000
Rhode Island	$49,851,000	$30,811,000
Wisconsin	$2,837,000	$2,837,000

* Includes both the regular redistribution of unspent federal SCHIP funds from states' 2004 SCHIP allotments and the accelerated redistribution of a portion of states' unspent federal SCHIP funds from their 2005 SCHIP allotments. States receive redistributed funds as they experience shortfalls.

Shortfalls are further reduced artificially by an additional $24.7 million because, if states use the redistributed funds for coverage of parents, they will receive only the lower Medicaid matching rate as opposed to the enhanced SCHIP matching rate. The following states are affected: Illinois ($14.7 million), New Jersey ($7.5 million), and Rhode Island ($2.5 million). This additional $24.7 million reduction is not reflected in this table.

** State officials have indicated to CBPP staff that Maine's SCHIP spending in fiscal year 2007 could be significantly higher than under the state's most recent estimates submitted to the Centers for Medicare and Medicaid Services. Maine's shortfall could be as high as $6.5 million in 2007.

Source: Center on Budget and Policy Priorities' SCHIP financing model, based on a model created by the Office of the Actuary at the Centers for Medicare and Medicaid Services. The model incorporates SCHIP provisions of the Deficit Reduction Act, states' November 2006 estimates of federal SCHIP funding needs for federal fiscal year 2007, and the fiscal year 2007 state allotments announced by CMS in August 2006.

State Policy Blog

Friday February 16, 2007

States Spend Funds Meant for Children on Adults

10 Percent of Enrollees in "Children's" Program are Adults

Filed Under: Health Care

The upcoming debate over health insurance for children will send a strong signal about the direction that the health policy debate will take in the new Congress.

The State Children's Health Insurance Program must be reauthorized this year or it will expire. And some states are running out of money and have their hands out to Washington for more.

When Congress created SCHIP 10 years ago, it set up the program in a new way. Instead of making it an open-ended entitlement to benefits for recipients, like Medicare and Medicaid, it created block grants to the states, capping expenditures at $40 billion over the last decade.

The states are not accustomed to this discipline. Several of them ran over their allotments last year, and the Republican Congress appropriated another $283 million. So far this year, 14 states have over-committed and face shortfalls of a total of $745 million. The Democratic Congress is ready to appropriate the money.

"You have to wonder what kind of parents they would be. 'I've run out of allowance money, Dad.' 'Oh that's okay, son. Here's some more.'"

The new congressional leadership signaled early on that they would like to expand SCHIP to cover every eligible child, but the price tag is a whopping $60 billion over the next five years.

Senate Finance Committee Chairman Max Baucus must figure out where to get the extra money, and in the meantime will try to tack the shortfall appropriation onto another bill this spring.

Would it surprise you that six of the nine states that GAO surveyed which have overspent their allotments were states that cover adults through their State Children's Health Insurance programs? In Minnesota, 87% of total SCHIP enrollees in 2005 were adults, and 66% in Wisconsin. In Arizona, 56% of those enrolled in SCHIP were adults, yet the state has one of the highest rates of uninsured children in the nation at 15%. Where is the outrage?

Of the 6.7 million people enrolled in SCHIP in 2005, more than 10 percent (659,000) were adults, according to the Government Accountability Office. And those 659,000 were from just nine states where GAO was able to get data.

"Adults accounted for an average of 55 percent of enrollees in the shortfall states, compared with 24 percent in the nonshortfall states," according to GAO.

It seems that Congress could benefit from a few guidelines before moving forward.

* Cover Kids First. As the GAO points out, covering adults is not the point

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of SCHIP, and it means that funds are being "diverted from the needs of low-income children." The Congress tried last year to put the brakes on more states adding adults to the program, but it needs to make a firm statement that the program is for kids.

* Cover low-income kids first. Fourteen states use SCHIP to cover kids who live in families with incomes above 200% of poverty, or annual incomes of $41,300. New Jersey covers kids up to 350% of poverty - which means taxpayer subsidized health care for kids whose parents make more than $72,000 a year!

New Jersey is a shortfall state.

* Don't crowd out private coverage. A National Bureau of Economic Research Study looked at the first five years of experience with SCHIP in 2002 and found that "perhaps as much as half of the new SCHIP enrollment was offset by declining private coverage." In other words, a free or mostly-free government program was taking the place of private coverage. And that leads to

* Give parents the option to put their kids on their own policies. If a parent has the option of a policy at work that could cover dependents for relatively little, why leave this money on the table? The original SCHIP legislation made it an option to turn the SCHIP benefit into a premium assistance stipend, but the administrative process is so cumbersome that only a few states have been able to succeed in doing this. Lightening the administrative burden is essential. It's inexpensive to add children to family policies, but by making the process too difficult, private money is left on the table, and the taxpayer picks up the full tab.

* Create new purchasing pool options for families. Congress could take President Bush up on his offer to use some of the money that is currently being sent to the states for uncompensated care to create new state purchasing pools. This could make it much simpler for states to administer a premium assistance program, and could allow working families without other sources of coverage to buy in as well.

Private competing plans that meet the benefits test could compete to offer coverage to families, paid for by SCHIP's premium assistance, employer contributions, and worker payments. The structure of the Federal Employees Health Benefits Program (and the vision, but not the reality, of the Massachusetts Connector) could be a model.

* Get the subsidies right. States have an incentive to add more of their citizens to SCHIP because they are paid more by the federal government for doing so. That's because the funding formulas for SCHIP are upside down. SCHIP was designed to cover kids whose families make too much to qualify for Medicaid but not enough to afford private coverage. But the federal government matches state spending at a higher percentage for higher-income SCHIP kids than for lower-income Medicaid children. What is wrong with this picture?

The federal government pays an average of 70% of SCHIP costs but only 59% of Medicaid costs. This is bad policy. The federal government should provide a higher match rate for covering kids in the poorest families, and the match should scale back as their family's income rises.

It makes no sense, for example, for New Jersey to get an SCHIP match rate of 65% for adding adults to SCHIP but only 50% for adding kids into Medicaid. Is it any wonder that New Jersey is expanding its SCHIP program? It's all about incentives.

To protect the ability of SCHIP to serve needy low-income children and to

preserve the program's core purpose of covering children, states should receive a Federal match rate that reimburses them at a higher rate for adding lower-income children to the program, with the match scaling back as they expand the program to higher-income children. And adults should not be on the children's program.

It's up to Congress now to decide whether this program will run out of control or inject real discipline and bring it back to its core purpose.

posted by Grace-Marie Turner | 15:50 PM | 0 comment