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Three Years into SCHIP: What States Are and Are Not Spending

Genevieve M. Kenney, Frank C. Ullman, and Alan Weil

Overall, states project that SCHIP spending will more than double from FY 1999 to FY 2000.

Introduction

The State Children's Health Insurance Program (SCHIP), Title XXI of the Social Security Act enacted as part of the Balanced Budget Act of 1997, is often referred to as the largest expansion of the federal commitment to health insurance since the enactment of Medicare and Medicaid in 1965. The new program, designed to provide health insurance coverage to low-income children ages 18 and under, makes approximately $4 billion available to states each year, beginning in fiscal year 1998. To obtain these federal funds, states must contribute matching funds at rates that are 70 percent of their state share under Medicaid. Under SCHIP, states can expand their existing Medicaid programs, establish a program separate from Medicaid, or combine the two approaches.

All states and the District of Columbia have received approval from the Department of Health and Human Services (HHS) to implement expansions of coverage under SCHIP. While states were authorized to begin drawing their federal allotments in October 1997, less than two months after SCHIP's enactment, they had to first develop and submit a plan and have it approved by HHS. As of April 1, 1998, only six states had approved SCHIP plans. The number of states with approved plans increased to 35 by October 1, 1998, and reached 49 a year later.

While states have responded to the SCHIP legislation by substantially expanding eligibility to children (Ullman, Hill, and Almeida 1999), concerns have been raised because overall spending on SCHIP has fallen short of the federal funds that are available (Pear 1999; White House 1999). This report examines spending on SCHIP programs relative to federal allotments to states in the early years following the enactment of SCHIP and discusses the pros and cons of different options for reallocating unspent SCHIP funds.

SCHIP Allotments

The legislation that established SCHIP made available approximately $40 billion in federal funds to states for fiscal years 1998 through 2007.[1] During the first four years of the program (FY 1998 through FY 2001), states have access to slightly more than $4 billion per year. For FY 2002–2004, the allotment to states drops by roughly 25 percent, resulting in federal allotments of slightly more than $3 billion per year. Federal funding is then scheduled to rise to approximately $4 billion in the eighth and ninth years of the program (FY 2005 and 2006), and to $5 billion in the tenth year (FY 2007).

This U-shaped funding is unusual. The typical spending pattern for new programs is lower levels in early years, when programs are just getting started, and higher levels in later years.[2] The SCHIP statute seemingly provides funding for a fully mature program at the outset but anticipates the need for time to start new programs by giving states three years to spend a given year's allotment. The reduced funding levels for FY 2002–2004 were not a reflection of the projected rates of program growth; they were a result of overall federal budget constraints associated with balancing the federal budget.

Allotments to states are based primarily on two factors. One is the number of low-income uninsured children.[3] The other is health care costs in the state relative to other states. In addition, states that exceed their given year's allotments are able to draw on unspent funds from other states' allotments.

The data presented here on state allotments for FY 1998, 1999, and 2000 were published in the *Federal Register* on May 24, 2000.[4] State-specific expenditure data on SCHIP for FY 1998 and 1999 and state projections for FY 2000 and 2001 expenditures were provided by the Health Care Financing Administration (HCFA), a unit of HHS.

SCHIP Allotments and Expenditures for FY 1998 through 2000

Table 1 reports SCHIP allotments and expenditures for FY 1998 and 1999 nationally and by state. In FY 1998, states spent approximately $121 million, or 3 percent, of the $4.2 billion available to states that year. Only 19 states had any SCHIP outlays, and just two states—New York and South Carolina—expended more than 10 percent of their FY 1998 allotment that year (table 2). New York based its SCHIP program on its existing Child Health Plus Program, which began in 1991. The state reached agreement with HCFA on modifications of the existing program to conform to federal SCHIP requirements and was able to begin drawing on its SCHIP allotment halfway through the fiscal year.[5] South Carolina had been in the process of expanding its own program before the federal SCHIP legislation was enacted, so it was one of the few programs that could immediately spend against its allotment when the SCHIP program began. Because SCHIP dollars cannot be spent on children who are eligible for Medicaid, states that had expanded Medicaid eligibility before SCHIP was enacted, such as Minnesota and Washington, were not in a position to use much of their federal allotment.

As more states implemented their SCHIP programs, expenditures increased accordingly (table 2). FY 1999 spending was seven times that in the previous year, and 46 states had spending. Overall, states had spending in FY 1999 equal to approximately 21 percent of their FY 1999 allotment. In comparison with FY 1998, when only two states had spending that was more than 10 percent of their allotments, 31 states had spending in FY 1999 that was greater than 10 percent of their allotments for that year.

Table 1 shows state-level projections of FY 2000 spending in comparison with the projected allotment for that year. Overall, states project that SCHIP spending will more than double from FY 1999 to FY 2000, rising 129 percent to $2.1 billion. Four states project that they will spend their FY 2000 allotment, or more, while five states are still projected to spend less than 10 percent of their allotments in that year.

Spending against FY 1998 and 1999 Allotments

The data presented thus far compare states' spending during a fiscal year with their allotment for that year. However, a state has until the end of FY 2000 to spend its FY 1998 allotment. Based on the projections described above, table 1 shows that, at the end of FY 2000, four-fifths of the states will have unexpended funds (a total of $1.9 billion) from their FY 1998 allotments. Roughly half of all unexpended funds are expected to come from the California and Texas allotments ($590.6 million and $449.4 million, respectively).[6] Just one-fifth of the states—10 states—are projected to expend their entire FY 1998 allotment during the period FY 1998 through FY 2000, and only Alaska is projecting that its FY 1998–2000 spending will outstrip its combined allotments for the three years. At the end of FY 2000, these 10 states will have drawn a combined $759.4 million from their FY 1999 and FY 2000 allocations. More than half of this amount is attributable to New York.

Policymakers should prepare for an anomaly in spending patterns as a result of the design of the SCHIP program. Despite continued program growth, states are projected to spend a larger portion of their FY 1998 allocations than they will spend of their FY 1999 allocations, and the number of states using their entire FY 1999 allocations will likely be smaller than the number using their entire FY 1998 allocations. This is because most states will charge all of their FY 1998, 1999, and 2000 spending to FY 1998, leaving only one year's worth of spending (FY 2001) to be charged against FY 1999.

A simple descriptive regression model indicates that, all else being equal, states that implemented their SCHIP expansions later or that had

TABLE 1. *SCHIP Allotments and Expenditures by State for FY98 through FY00*

	FY98			FY99			FY00			FY98	FY98–FY00	FY98–FY00	
	Allotment ($ millions)	Expend. ($ millions)	Expend. as a % of FY98 allot.	Allotment ($ millions)	Expend. ($ millions)	Expend. as a % of FY99 allot.	Allotment ($ millions)	Projected expend. ($ millions)	Expend. as a % of FY00 allot.	Unexpected allotment ($ millions)	Expend. in excess of FY98 allot. ($ millions)	Expend. as a % of FY98 allot.	Expend. as a % of FY98–FY00 allotments
Alabama	86.0	2.4	3%	85.6	22.9	27%	77.0	53.5	70%	7.1		92%	32%
Alaska	6.9	-	0%	6.9	3.8	56%	7.7	27.2	**352%**		24.1	**450%**	**145%**
Arizona	116.8	-	0%	116.2	8.8	8%	130.2	30.3	23%	77.6		34%	11%
Arkansas	47.9	-	0%	47.7	0.7	1%	53.8	2.7	5%	44.6		7%	2%
California	854.6	2.0	0%	850.6	67.7	8%	765.5	194.3	25%	590.6		31%	11%
Colorado	41.8	1.0	2%	41.6	9.0	22%	46.9	17.3	37%	14.5		65%	21%
Connecticut	35.0	-	0%	34.8	12.3	35%	39.2	13.1	33%	9.6		73%	23%
Delaware	8.1	-	0%	8.0	0.7	9%	9.0	1.4	15%	5.9		26%	8%
D.C.	12.1	-	0%	12.0	0.5	4%	10.8	9.1	84%	2.4		80%	28%
Florida	270.2	6.4	2%	268.9	51.0	19%	242.0	174.5	72%	38.3		86%	30%
Georgia	124.7	-	0%	124.1	7.4	6%	132.4	40.6	31%	76.7		39%	13%
Hawaii	8.9	-	0%	8.9	-	0%	10.0	0.9	9%	8.0		10%	3%
Idaho	15.9	1.4	9%	15.8	3.9	25%	17.8	6.5	37%	4.1		74%	24%
Illinois	122.5	6.1	5%	122.0	14.7	12%	137.5	31.8	23%	69.9		43%	14%
Indiana	70.5	-	0%	70.2	61.7	88%	63.2	53.8	85%		45.0	**164%**	57%
Iowa	32.5	0.3	1%	32.3	10.6	33%	32.4	18.6	58%	3.0		91%	30%
Kansas	30.7	-	0%	30.5	8.8	29%	30.3	19.3	64%	2.6		92%	31%
Kentucky	49.9	-	0%	49.7	17.8	36%	56.0	93.0	**166%**		60.9	**222%**	71%
Louisiana	101.7	-	0%	101.3	10.4	10%	91.1	17.4	19%	74.0		27%	9%
Maine	12.5	-	0%	12.4	5.6	45%	14.0	9.3	67%		2.5	**120%**	38%
Maryland	61.6	0.7	1%	61.4	13.6	22%	56.9	25.5	45%	21.8		65%	22%
Massachusetts	42.8	-	0%	42.6	35.4	83%	48.1	55.3	**115%**		47.8	**212%**	68%
Michigan	91.6	0.7	1%	91.2	14.9	16%	102.8	33.3	32%	42.7		53%	17%
Minnesota	28.4	-	0%	28.3	0.0[a]	0%	31.9	0.0[a]	0%	28.4		0%	0%
Mississippi	56.0	-	0%	55.8	8.1	15%	58.0	43.5	75%	4.4		92%	30%
Missouri	51.7	-	0%	51.4	19.7	38%	58.0	52.5	91%		20.6	**140%**	45%
Montana	11.7	-	0%	11.7	0.6	5%	13.2	6.5	50%	4.6		61%	20%
Nebraska	14.9	0.0[a]	0%	14.8	3.8	25%	16.6	8.1	49%	3.0		80%	26%
Nevada	30.4	-	0%	30.3	4.1	14%	30.5	7.8	25%	18.5		39%	13%
New Hampshire	11.5	-	0%	11.4	0.9	8%	10.3	2.0	20%	8.5		25%	9%
New Jersey	88.4	3.5	4%	88.0	19.6	22%	96.9	63.2	65%	2.0		98%	32%
New Mexico	63.0	-	0%	62.7	0.8	1%	56.4	4.5	8%	57.7		8%	3%
New York	255.6	50.1	20%	254.4	239.4	94%	286.8	448.4	**156%**		482.2	**289%**	93%
North Carolina	79.5	-	0%	79.1	34.9	44%	89.2	68.3	77%		23.7	**130%**	42%
North Dakota	5.0	-	0%	5.0	0.1	2%	5.7	2.0	36%	2.9		42%	14%
Ohio	115.7	8.6	7%	115.2	35.9	31%	129.9	56.2	43%	15.0		87%	28%
Oklahoma	85.7	-	0%	85.3	-	0%	76.8	48.6	63%	37.1		57%	20%
Oregon	39.1	0.4	1%	38.9	7.2	19%	43.9	13.3	30%	18.2		53%	17%
Pennsylvania	117.5	10.1	9%	116.9	38.6	33%	129.0	68.4	53%	0.4		**100%**	32%
Rhode Island	10.7	-	0%	10.6	2.3	22%	9.6	3.8	40%	4.6		57%	20%
South Carolina	63.6	26.3	41%	63.3	43.2	68%	71.3	46.6	65%		52.5	**183%**	59%
South Dakota	8.5	0.1	1%	8.5	1.5	18%	8.0	3.8	48%	3.2		63%	21%
Tennessee	66.2	-	0%	65.8	-	0%	74.2	39.7	54%	26.4		60%	19%
Texas	561.3	1.3	0%	558.7	38.5	7%	502.8	72.1	14%	449.4		20%	7%
Utah	24.2	-	0%	24.1	8.0	33%	27.2	14.2	52%	2.0		92%	29%
Vermont	3.5	-	0%	3.5	0.5	15%	4.0	1.6	39%	1.5		59%	19%
Virginia	68.3	-	0%	68.0	5.0	7%	73.6	19.2	26%	44.1		35%	12%
Washington	46.7	-	0%	46.4	-	0%	52.4	0.9	2%	45.8		2%	1%
West Virginia	23.6	0.0[a]	0%	23.5	1.1	5%	21.1	10.9	52%	11.6		51%	18%
Wisconsin	40.6	-	0%	40.4	2.1	5%	45.6	21.1	46%	17.5		57%	18%
Wyoming	7.7	-	0%	7.7	-	0%	7.1	0.8	12%	6.9		11%	4%
United States*	4,224.3	121.2	3%	4,204.3	898.2	21%	4,204.3	2,057.0	49%	1,907.2	759.4	73%	24%

Source: Allotments were published in the *Federal Register*, Vol. 65, No. 101, May 24, 2000. State expenditure data were provided by the Health Care Financing Administration and based on state-submitted actual expenditures through FY99 and state-submitted estimates for FY00.

a. These states had small nonzero expenditures that round to zero. A dash signifies no reported spending whatsoever in that fiscal year.

*United States figures exclude allotments and expenditures for Commonwealths and Territories, not shown.

TABLE 2. SCHIP Spending: Patterns across States for FY98 to FY01

	States with spending	State spending relative to allotment ≥10%	State spending relative to allotment >100%	Share of allotment spent in that year	Expenditure growth rate over prior year
FY98	19	2	0	3%	n/a
FY99	46	31	0	21%	641%
FY00	51	46	4	49%	129%
FY01	50	47	9	65%	33%

Source: State expenditure data were provided by the Health Care Financing Administration and based on state-submitted actual expenditures through FY99 and state-submitted estimates for FY00 and FY01. Allotments for FY98–FY00 were published in the *Federal Register,* Vol. 65, No. 101, May 24, 2000. Allotments for FY01 are based on Urban Institute projections using the allotment methodology published in the *Federal Register,* Vol. 65, No. 101, May 24, 2000.

higher Medicaid eligibility thresholds for children before the start of SCHIP spent a smaller share of their FY 1998 allotment.[7] States that phased in expansions appeared to spend less of their FY 1998 allotments, but the finding was not statistically significant at the 0.10 level.

Allocating Unspent Funds

An important outstanding issue is how unspent funds will be reallocated. The SCHIP statute provides little guidance. It says that the only states eligible to receive these funds are those that have spent all of their allocation for a given year, and that funds must be spent in the year they are reallocated.[8] Behind these simple statements are some complex options. Three possible mechanisms for reallocation are described here.

One option that HCFA said it would follow shortly after SCHIP's enactment[9] is to take all unspent funds, redistribute them immediately, and allow recipient states to use these as their "first dollars" spent in the reallocated year. The reallocated funds could be charged against expenditures incurred during the year of redistribution and previously unmatched expenditures. For example, the $1.9 billion of projected unspent FY 1998 funds would be distributed to the eligible states in FY 2001. States would charge their spending during FY 2001 to these reallocated funds, allowing them to make few or no charges against open fiscal years (the three most recent years against which these expenditures would be charged but for reallocation), thereby carrying forward larger spending authority into future years.[10] A second option is to permit states to draw from unallocated funds any amount they spent beyond their own allocation during the three years the fiscal year was open. In this option, the amount reallocated in FY 2001 would be the $759 million the 10 states spent beyond their FY 1998 allocation. These charges would offset amounts that otherwise would have been charged to open fiscal years, giving these states additional time to spend their allotments for FY 1999 and beyond.

A final option is to allow states to draw reallocated funds only after they have spent all of their allocations for all open years. Under this scenario, only Alaska, Kentucky, and New York would become eligible for reallocated funds in FY 2001, because only these states' expenditures in FY 2001 are projected to exhaust all open allocations, including their FY 2001 allocation. For example, based on current projections, New York would be eligible for $113 million in FY 2001—enough to cover all of its costs but much less than it would receive under other options.[11]

Reasonable arguments can be made for each of these options. The first option maximizes reallocations and quickly rewards fast-acting states. Knowing that they can draw a large portion of their expenses from the reallocated funds, these states can expand their programs and continue to carry forward sizable balances of their own funds into future years. However, permitting a state to avoid making any charges against its FY 2001 allotment simply because it spent all of its FY 1998 funds over a three-year period could be viewed as a windfall. Only a few states were ready to implement new SCHIP programs quickly because they already had similar programs running or planned.

The second option is designed to reallocate funds consistent with the extent to which each state has expanded its program beyond the base allocation. Calculating the eligible amount based on a three-year spending total is somewhat arbitrary, but it avoids the windfall of option one. The third option ensures that excess funds go to states that absolutely need them. It avoids the possibility that a state will draw reserve funds that other states might need one year and then leave unspent funds in a new reallocation pool in a subsequent year. However, the third option reallocates only a small share of the unspent funds.

The relative desirability of each of these options is strongly affected by the current presumption that unspent funds, once the base period and the year of reallocation end, revert to the federal Treasury and cannot be rolled forward to a future year (Congressional Budget Office 2000). That is, the $1.9 billion of unspent FY 1998 funds, minus the amount the 10 states eligible to receive those funds spend during FY 2001 (the year they receive them), will revert. The reallocation method that maximizes the amount that will be spent seems consistent with the federal intent that these funds be used to expand insurance for children.

The relative desirability of the options is also affected by whether unspent funds are plentiful. For FY

TABLE 3. National SCHIP Allotment and Spending: FY98–FY01

	FY98	FY99	FY00	FY01
Allotment	4.2	4.2	4.2	4.2
Carry-over funds*		4.1	7.4	9.6
Total available at beginning of year	**4.2**	**8.3**	**11.6**	**13.8**
Outlays	0.1	0.9	2.1	2.7
Total available at end of year**	**4.1**	**7.4**	**9.6**	**

Source: State expenditure data were provided by the Health Care Financing Administration and based on state-submitted actual expenditures through FY99 and state-submitted estimates for FY00 & FY01. Excludes allotments and expenditures for Commonwealths and Territories.

*Carry-over funds represent unexpended amounts from previous years' allotments. Carry-over funds in FY01 include unspent allotments from FY98 that are assumed to be redistributed in FY01.

** Total dollars available at the end of FY01 will be dependent on amounts of unspent reallocations from FY98 that are redistributed and expended in FY01.

1998, where the $1.9 billion available exceeds the projected total spending by the 10 states eligible to receive these funds in FY 2001, maximum reallocation should have few detractors. In future years, as state programs mature, waivers potentially lead to higher enrollment levels, and the total federal allocation declines, the demand for unallocated funds could outstrip their supply. At that time, a more conservative option, such as the third option outlined above, may be the fairest way to balance the competing needs of states whose programs grew at different rates and to different sizes.

Effects of Declining Allotments between FY 2002 and FY 2004

Federal funding drops by a quarter during FY 2002–2004. Heading into FY 2001, states are projected to have more than $9 billion carried over from unused allotments from FY 1998–2000, and they are projected to spend only $2.7 billion in that year (table 3). Thus, it is unlikely that the drop in the federal allotment will constrain spending in FY 2002 or 2003. However, depending on actual spending patterns and the mechanism for reallocating unspent funds, a sizable share of states could use all of their allotments in FY 2005 or 2006. In fact, the Congressional Budget Office projects that the amount of funds reallocated to other states will drop in FY 2005 and that no SCHIP funds will be returned to the Treasury in that year (Congressional Budget Office 2000). States with SCHIP spending that exceeds their allotment may not have unused funds to draw on from other states in that period.

Policy Implications

Spending on SCHIP programs began slowly but has been expanding rapidly. It increased sevenfold between FY 1998 and 1999. It is expected to more than double between FY 1999 and 2000, and to increase by one-third between FY 2000 and 2001. It appears that states that implemented full-scale SCHIP programs quickly or that had low levels of Medicaid coverage before SCHIP have used up more of their allotments than have other states.

Many state SCHIP programs have not yet reached their full maturity and are likely to continue to see steep increases in spending. More than half of the total allotment is for states that were phasing in coverage in 1999 and 2000, the effects of which have not yet been fully felt. Thus, large expenditure growth in these states could dramatically affect future spending patterns at the national level.

Only 10 states project that they will exhaust their first year's allotment, and because of SCHIP's design it is likely that even fewer states will exhaust their FY 1999 allotment. SCHIP spending over the three-year period (between 1998 and 2000) in the other states is expected to fall $1.9 billion short of the FY 1998 allotment, with Texas and California accounting for more than half of this. Heading into FY 2001, states are projecting that they will have accumulated more than $9 billion in unspent allotments. The formula for redistributing unspent SCHIP allotments has not been determined, and the relative merit of different options is likely to shift as the SCHIP program evolves. In light of the 25 percent drop in the federal allotment during FY 2002–2004, over time, more states are likely to need to draw on unspent funds from other states to cover SCHIP expenditures. At the end of that period, and possibly later, some states are likely to have more spending than can be reimbursed through the federal allotment.

A number of proposals have been made that would alter the federal allotments available to states.[12] In July, Senator Edward M. Kennedy (D-Mass.) introduced a bill, the Family Care Act of 2000, that is designed primarily to expand health insurance coverage for adults but that would also increase the SCHIP allotment for each of fiscal years 2002 through 2004 from $3.15 billion to $4.15 billion.[13] In April 2000, bills were introduced that would give states two more years to spend their first two years' allotments. This would have the effect of preventing any state from gaining access to unused FY 1998 allotments until FY 2003, a move that generated some opposition.[14]

Alaska, Kentucky, and New York would be particularly affected if states had more time to spend their initial allotment, because they are projected to exhaust their FY 1998–2001 allotment sometime during FY 2001 (Alaska projects that it will exhaust its allotment in FY 2000). Because New York (and, to a lesser degree, Kentucky) largely has a non-Medicaid SCHIP program, it has limited ability to receive federal matching dollars beyond its federal allotment. However, there may be scope for increasing Medicaid funding in New York, given that some of the children in New York's Child Health Plus program may actually qualify for Medicaid. An audit of that program, performed in 1997 when it was funded without federal dollars, indicated that about 40 percent of enrollees had incomes that made them eligible for Medicaid (State of New York 1998). Since the program was made part of SCHIP, more efforts have been made to enroll these children in Medicaid because Medicaid-eligible children are prohibited from enrolling in SCHIP programs, but it is not clear how effective these policies have been.

Some states have proposed using their unspent federal allotment to cover parents, an area where coverage has been expanding (Krebs-Carter and Holahan 2000). On July 31, 2000, HHS issued guidance to state officials on using waivers to provide health insurance coverage to low-income parents of children who are enrolled in Medicaid and SCHIP, which may stimulate more expansion to parents.[15]

While SCHIP spending levels have fallen below the total funds made available at the federal level, it would be premature to judge the SCHIP program on that basis. It is still a work in progress, because many states are in the process of further expanding coverage and trying to improve their outreach and enrollment processes. Moreover, it is not clear that a given state's program should be judged on the basis of how well spending tracks with the federal allotment. This is especially true in the early years, given the large initial allotments and the strong economy. What needs to be examined is how well SCHIP and Medicaid programs are reaching their target populations and the extent to which mature SCHIP programs reduce uninsurance among eligible children.

Endnotes

1. Balanced Budget Act of 1997, PL 105-33.

2. For example, the average annual expenditure growth rates in the first five years were 52 percent for the Aid to Families with Dependent Children program, 31 percent for Medicaid, and 25 percent for Medicare (U.S. Congress 1998).

3. For FY 1998 and FY 1999, the allotment was based on a weighted average of the estimated number of low-income uninsured children and the total number of low-income children (weighted 100% and 0%, respectively). Beginning in FY 2000, the formula shifted to the 75/25 split between low-income uninsured and low-income children; beginning in FY 2001, the 50/50 split will be used.

4. *Federal Register*, vol. 65, no. 101, May 24, 2000.

5. Letter from Nancy-Ann Min DeParle, Health Care Financing Administration, to Barbara DeBuono, M.D., M.P.H., Commissioner of the State of New York Department of Health, April 1, 1998. Accessed at http://www.hcfa.gov/init/chpdisny.htm.

6. Texas is expected to expend only a small portion of its FY 1998 allotment because it initially put in place a relatively modest expansion (extending Medicaid coverage for 14- to 18-year-olds in families with income up to 100 percent of the federal poverty level [FPL]) and only undertook a larger expansion in May 2000. The reasons California has spent such a small share of its FY 1998 allotment are less clear. Relative to Texas, California undertook a broader expansion initially, extending coverage to children in families with incomes up to 200 percent of the FPL by the summer of 1998 and further expanding coverage in 1999 to 250 percent of the FPL. Part of the issue in California may be that many low-income uninsured children, all of whom were counted in drawing up California's allotment, are already eligible for Medicaid and thus cannot qualify for the Title XXI program or are from immigrant families who might have been reluctant to enroll in SCHIP during this period.

7. Findings were consistent for different formulations of the spending variable including FY 1998–2000 spending as a fraction of the combined allotments for FY 1998–2000. The explanatory variables in the regressions (which are available from the authors on request) were the number of months since the initial SCHIP expansion in a state, a binary variable that took the value of 1 if the state phased in its SCHIP expansion, and the average Medicaid eligibility threshold in July 1997 for children ages 0 through 18 in a state. State-specific Medicaid eligibility thresholds are calculated as a weighted average of each age-specific threshold.

8. PL 105-100, Sec. 2104 Allotments, subsection (e) 3-Year Availability of Amounts Allotted says: "Amounts allotted to a state pursuant to this section for a fiscal year shall remain available for expenditure by the State through the end of the second succeeding fiscal year; except that amounts reallocated to a State under subsection (f) shall be available for expenditure by the State through the end of the fiscal year in which they are reallocated." PL 105-100, Sec. 2104 Allotments, subsection (f) Procedure for Redistribution of Unused Allotments says: "The Secretary shall determine an appropriate procedure for redistribution of allotments from States that were provided allotments under this section for a fiscal year but that do not expend all of the amount of such allotments during the period in which such allotments are available for expenditure under subsection (e), to States that have fully expended the amount of their allotments under this section."

9. HCFA State Children's Health Insurance Program, Answers to Frequently Asked Questions, September 11, 1997, http://www.hcfa.gov/init/qa/q&a9-11.htm.

10. Total spending by these 10 states is projected to be only $1.07 billion in FY 2001.

11. New York's expenditures in FY 2001, $494 million, are projected to exceed the amount of the state's allocation remaining from previous years ($59 million) and its projected FY 2001 allocation ($322 million) by a total of $113 million.

12. One proposal, subsequently dropped, would have cut the FY 1998 allotment by $1.9 billion and reallocated these funds to FY 2003. Advocates criticized this move, arguing that it would have adverse effects and lead to a retrenchment in SCHIP programs (Guyer 2000).

13. S. 2923, the Family Care Act of 2000, introduced by Senator Edward M. Kennedy (D-Mass.), July 26, 2000.

14. Gifford 2000.

15. "Guidance on Proposed Demonstration Projects under Section 1115 Authority," let-

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About the Authors

Genevieve M. Kenney is a principal research associate in the Urban Institute's Health Policy Center. Her research focuses on how public policies affect access to care and insurance coverage for pregnant women and children. Dr. Kenney is a codirector of the Urban Institute's evaluation of the Children's Health Insurance Program.

Frank C. Ullman is a research associate with the Urban Institute's Health Policy Center, where he focuses on implementation of state children's health insurance programs.

Alan Weil is director of the Urban Institute's *Assessing the New Federalism* project. His research focuses on state health policy and federalism. He was the executive director of the Colorado Department of Health Care Policy and Financing.

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2100 M Street, N.W.
Washington, DC 20037

Phone: 202-833-7200
Fax: 202-293-1918
E-mail: pubs@ui.urban.org

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