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NEW BIPARTISAN SCHIP LEGISLATION WOULD PROVIDE HEALTH INSURANCE TO 3.9 MILLION UNINSURED CHILDREN Bill Focuses Heavily on Lowest-Income Children without Health Insurance

by Edwin Park and Judith Solomon

Today, the House is expected to consider a new version (H.R. 3963) of bipartisan SCHIP reauthorization legislation (H.R. 976) passed by the House and the Senate and vetoed by the President. The new bill includes substantial revisions that directly address a number of concerns raised by the original bipartisan bill's opponents.

According to the Congressional Budget Office, the new version of the bill would continue to cover nearly 4 million uninsured children by 2012, at a cost of about \$35 billion over five years, fully offset by an increase in federal tobacco taxes.¹ Key changes in the new bill include:

1. The new bill would further increase the focus on covering the lowest-income uninsured children.

Opponents of the original bipartisan SCHIP reauthorization bill (H.R. 976) passed by the House and Senate have argued that the legislation should “cover poor kids first” and have incorrectly claimed that the original bill would primarily cover middle-class children.² CBO estimates clearly indicated that the vast majority of the uninsured children under the original SCHIP bill would have been children in families with low incomes.³

Nevertheless, the new version of the bill (H.R. 3963) makes two significant changes to further target the increased coverage on the lowest-income uninsured children.

- The new bill would prohibit any SCHIP coverage above 300 percent of the poverty line (except

¹ Congressional Budget Office, “CBO’s Estimate of Changes in SCHIP and Medicaid Enrollment of Children Under the Children’s Health Insurance Program Reauthorization Act of 2007,” October 24, 2007 and Congressional Budget Office, “CBO’s Estimate of the Effects on Direct Spending and Revenues of the Children’s Health Insurance Program Reauthorization Act of 2007,” October 24, 2007.

² See Robert Greenstein, “Poor Children First — Or Last?,” Center on Budget and Policy Priorities, October 17, 2007.

³ See Edwin Park, “CBO Estimates Show SCHIP Agreement Would Provide Health Insurance to 3.8 Million Uninsured Children,” Center on Budget and Policy Priorities and Congressional Budget Office, “CBO’s Estimate of Changes in SCHIP and Medicaid Enrollment of Children Under the House Amendments to the Senate Amendments to H.R. 976, the Children’s Health Insurance Program Reauthorization Act of 2007,” September 24, 2007. See also Genevieve Kenney et al., “SCHIP Reauthorization: How Will Low-income Children Benefit Under the House and Senate Bills?” Urban Institute, as updated on October 4, 2007 at <http://www.urban.org/publications/411545.html>.

for the one state that already covers children above that income level; that state, New Jersey, covers a tiny number of children — about 3,000 — between 300 percent and 350 percent of the poverty line).⁴ This is significantly more restrictive than under the original bipartisan bill. The original bill would have allowed states to continue to expand SCHIP above 300 percent of the poverty line, as under current law, although at a reduced federal matching rate and only if the state met new requirements for participation in Medicaid and SCHIP among eligible low-income children.

- Also of considerable significance, the new bill further targets the financial incentives for enrolling eligible but uninsured children on those with the lowest incomes. The new bill would provide incentives to states *only* for enrolling uninsured children who are eligible for Medicaid and would increase the size of those incentives. It would *drop* the incentives for enrolling somewhat higher-income children eligible for SCHIP that were included in the original bipartisan bill.

According to CBO estimates, the result of these changes is as follows:

- By 2012, the new bill would cover a total of 3.9 million children who would otherwise be uninsured, a 100,000 increase over the original bill.
- Of these 3.9 million children, 3.4 million — or 87 percent — would be children who have incomes below the current eligibility limits that states have already set. (This is 200,000 more than under the original bill.)
- 1.9 million — or essentially half — of these children would be Medicaid-eligible children, most of whom are poor. (This is a 200,000 increase in coverage among the lowest-income uninsured children compared to the original bill.)
- Only 500,000 children of the 3.9 million children who otherwise would be uninsured are children who would gain eligibility as a result of actions their states would take to broaden their SCHIP eligibility criteria, 100,000 less than under the original bill. All of these 500,000 children would be below 300 percent of the poverty line.

2. The new bill would tighten the citizenship documentation option; it would ensure that ineligible undocumented immigrants are not enrolled in Medicaid and SCHIP, without reducing enrollment among eligible citizen children.

Oponents of the original bipartisan SCHIP bill (H.R. 976) falsely claimed that the bill would somehow extend Medicaid and SCHIP to undocumented immigrants or otherwise allow many ineligible undocumented immigrants to enroll.⁵ The Deficit Reduction Act of 2005 included a new citizenship documentation requirement for citizens eligible for Medicaid. In its current form, the requirement has proved onerous and caused many fewer Medicaid-eligible poor citizen children who are eligible for Medicare to enroll. (For example, a recent survey conducted for the Kaiser

⁴ Jocelyn Guyer, “Coverage of Uninsured Children in Moderate-Income Families under SCHIP,” Center for Children and Families, Georgetown University Health Policy Institute, October 2007.

⁵ See “Charge that Bipartisan SCHIP Compromise Bill Aids Undocumented Immigrants Is False,” Center on Budget and Policy Priorities, September 25, 2007.

Commission on Medicaid and the Uninsured determined that the citizenship documentation requirement was a key factor in the first overall Medicaid enrollment decline in nearly a decade.⁶) The original SCHIP bill provided states with a new option to comply with the requirement. For individuals who have already signed a sworn declaration that they are U.S. citizens, state Medicaid agencies could match individuals' names and Social Security numbers with information in the Social Security Administration (SSA) database to ensure that the name and Social Security number were accurate. The bill also extended the citizenship documentation requirement to SCHIP for the first time.

The new bill includes changes that fully address opponents' charges in this area:

- Opponents claimed that some people who aren't citizens can have Social Security numbers and that proving the numbers are valid doesn't prove these people are citizens. In response, the new bill tightens the matching option by requiring that states not only verify names and Social Security numbers but also verify *citizenship* with information in the SSA database. States that choose to use the new data matching option to document citizenship will have to submit the names and Social Security numbers of all applicants for Medicaid who declare they are U.S. citizens to SSA. SSA will check the information received from the states against the SSA database and determine not only whether the name and Social Security number match but also whether the SSA database shows that the applicant is a citizen.
- If SSA cannot confirm the accuracy of the applicant's name, number *and citizenship*, the individual will have to provide the state with original documents, such as a birth certificate or passport, to prove his or her citizenship, as is required under the citizenship documentation requirement now in place.

3. The new bill would accelerate the elimination of SCHIP coverage of childless adults.

Opponents of the original bipartisan bill have criticized the legislation for covering adults through waivers.⁷ Opponents have ignored the fact that the original bill would significantly curtail existing SCHIP coverage of adults. The original bipartisan bill would have limited SCHIP coverage of parents by barring any new waivers from being granted to states to cover parents, moving existing coverage outside of SCHIP after two years, and reducing the federal matching rate for such coverage. It also would have entirely eliminated existing coverage of adults without children after two years.

- The new bill would take a further step and eliminate existing SCHIP coverage of childless adults by the end of calendar year 2008, nine months earlier than under the original bipartisan SCHIP

⁶ Vernon Smith et al., "As Tough Times Wane, States Act to Improve Medicaid Coverage and Quality," Kaiser Commission on Medicaid and the Uninsured, October 2007. See also Government Accountability Office, "States Reported That Citizenship Documentation Requirement Resulted in Enrollment Declines for Eligible Citizens and Posed Administrative Burdens," June 2007; "Medicaid Citizenship Documentation Requirements Deny Coverage to Citizens And Cost Taxpayers Millions," Majority Staff, Committee on Oversight and Government Reform, July 24, 2007; Donna Cohen Ross, "Medicaid Requirement Disproportionately Harms Non-Hispanics, State Data Show," Center On Budget and Policy Priorities, July 10, 2007, and "New Medicaid Citizenship Documentation Requirement Is Taking A Toll," Center on Budget and Policy Priorities, March 13, 2007.

⁷ See, for example, White House, "Press Briefing Via Conference Call by Senior Administration Officials on SCHIP Reauthorization," October 17, 2007.

bill.

4. The new bill would take additional steps to limit “crowd-out”.

Opponents of the original bill have incorrectly claimed that the bill would not produce much true gain in coverage and instead would primarily lead to children now on private insurance switching to public programs.⁸ CBO’s analysis of the original bipartisan SCHIP bill show this change was incorrect, because nearly two-thirds of the children who would gain SCHIP or Medicaid coverage under the bill (3.8 million out of 5.8 million) would be children who otherwise would be uninsured in 2012. Only slightly more than one-third (more than 34 percent) would be children who otherwise would have some form of private coverage.⁹

(Moreover, as CBO director Peter Orszag and other leading health experts have explained, virtually *any* effort to cover more of the uninsured — including efforts that rely on tax deductions or credits for the purchase of insurance in the private market — would result in some “crowd-out.” In describing the crowd-out levels under the original House-passed SCHIP bill, which also had a crowd-out effect of about one-third, Orszag noted that he “has not seen another plan that adds 5 million kids to SCHIP with a 33 percent crowd-out rate. This is pretty much as good as it is going to get” (except for approaches that would impose mandates on employers, individuals, or states).¹⁰

The new SCHIP bill includes changes to further reduce the risk of substitution.

- The new bill requires *all* states to adopt best practices developed by the Secretary of Health and Human Services, in consultation with states, on limiting substitution. The original bill only required states expanding coverage above 300 percent of the poverty line to adopt such practices.
- As discussed above, the new bill further increases the focus on the lowest-income children. Because such children are highly unlikely to have other access to health insurance, there is less risk of substitution at those income levels.
- The new bill also encourages states to take up an existing “premium assistance” option under which states enroll SCHIP-eligible uninsured children in employer-sponsored health insurance — if their families have access to such coverage — by using SCHIP funds to help families pay the required premiums. The original bill included provisions to make it easier for states to implement premium assistance. The new bill goes farther, adding a fiscal inducement for states

⁸ See “The President’s Comments on Congress’ SCHIP Plan,” Center on Budget and Policy Priorities, September 20, 2007 and Robert Greenstein, “The Administration’s Dubious Claims about the Emerging Children’s Health Insurance Legislation: Myths and Realities,” Revised July 20, 2007.

⁹ It is also important to note that this CBO estimate is widely misunderstood. A large share of the SCHIP “crowd-out,” as estimated by CBO, involves children who are uninsured now but who eventually would obtain private coverage if SCHIP coverage were not available. These are *not* children who had private insurance which their families voluntarily dropped for public program coverage. See Leighton Ku, “Crowd-Out’ Is Not the Same as Voluntarily Dropping Private Health Insurance for Public Program Coverage,” Center on Budget and Policy Priorities, September 27, 2007.

¹⁰ “SCHIP: Governors, Health Officials, Seek Withdrawal of CMS Rules Targeting ‘Crowd-Out’ by SCHIP,” *BNH Health Care Daily*, August 31, 2007.

to institute the premium assistance option.¹¹

CBO estimates indicate that the new bill produces a slightly lower substitution rate of just under 33 percent.

¹¹ To qualify for incentive payments for enrolling more of the eligible but uninsured children, states would have to adopt for their Medicaid and SCHIP programs at least five of eight enrollment and retention strategies listed in the bill, one of which is premium assistance. This should result in more states implementing premium assistance programs.