

## EYE ON WASHINGTON

Gail R. Wilensky

healthcare financial management association [www.hfma.org](http://www.hfma.org)

## the SCHIP debate raises fundamental questions

Reauthorization of the State Children's Health Insurance Program (SCHIP) is one of the "must-do" pieces of legislation during the current congressional cycle.

SCHIP has had a known expiration date of Sept. 30, 2007, since its enactment in 1997. As of mid-September, the choices moving forward include either the Senate or the House bills passed in August, a compromise bill coming out of conference, or a short-term continuation of the current legislation. But whatever the resolution, the issues being raised will not go away.

### The Senate Bill

The Senate bill is the more modest of the two bills (but substantially more than the Bush administration wants), with an estimated spend of \$35 billion over five years and \$71 billion over 10 years, financed by a large increase in cigarette taxes. The Congressional Budget Office estimates the bill would cover an additional 4 million uninsured children but that 2 million of those children would switch from private insurance to SCHIP or Medicaid. The bill prohibits new waivers, an issue that has stirred much debate, and moves childless adults from SCHIP to Medicaid.

### The House Bill

The estimated spend for the SCHIP portion of the House bill is \$48 billion over five years, and \$129 billion over 10 years. To pay for the program and some Medicare changes (primarily eliminating some scheduled cuts in the physician fee schedule), the bill reduces payments to Medicare Advantage plans by \$50 billion over five years, and \$157 billion

over 10 years, while also increasing cigarette taxes. The House bill is estimated to cover an additional 5 million children, but like the Senate bill, it would displace almost half that many from private insurance to SCHIP or Medicaid. Existing waivers for childless adults and parents could continue, but new ones would be granted only for states with no waiting lists for eligible children.

### The Issues

In the emotionally charged environment that Washington has become—because of Iraq, the upcoming elections, and frustrations about our healthcare system—it is often overlooked that the debate about the reauthorization of SCHIP raises serious issues.

When initially passed, SCHIP was intended to cover children whose family income was no higher than twice the poverty line. These children's families were not poor enough to qualify for Medicaid, but they were too poor to be able to buy private insurance. Over the past decade, with waivers from both the Clinton and Bush administrations, states have been allowed to extend coverage to many others—children from families with much higher incomes, parents, and childless adults.

The Bush administration has attempted to restrict further coverage extensions by issuing new requirements for waivers during the August recess. Under these new rules, states must show they have enrolled 95 percent of children below 200 percent of the poverty line before they can extend coverage to those above 250 percent of the

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poverty line, and children from higher-income families must be uninsured for a full year before they can be enrolled in SCHIP. Several states—New York and New Jersey, in particular—indicate they intend to challenge the new rules.

At the heart of this debate are three fundamental questions: How much should we subsidize the currently uninsured? How should we extend coverage to the currently uninsured? And how concerned should we be about displacing existing private insurance with public insurance?

There is a peculiarity under current law that makes no sense. States receive a higher federal match under SCHIP to support lower middle and middle income children than they receive under Medicaid to support poor children. Do we mean for the federal government to provide more support for the non-poor uninsured than it does for the poor?

About one-third of the currently uninsured are below the poverty line and another one-third are from the poverty line to twice that level. Do we mean to publicly fund coverage for *all* below twice the poverty line or at least for those who do not have or choose employer-sponsored insurance? Are we willing to make the same commitment to those at three or four times the poverty line? And if half of the children covered under Medicaid or SCHIP are switched from private coverage to Medicaid or SCHIP as are newly covered, how concerned should we be about this “crowding out” of private insurance by public programs? How do we reconcile the answers to these questions with the trillions of dollars of unfunded liabilities currently facing Medicare?

## What Next?

The reconciliation of the two SCHIP bills and the politics of sustaining the threatened presidential veto, if anything like either bill is sent forward, may be an interesting predictor of what legislation could be passed into law over the next 18 months. The House needs funding from Medicare Advantage both to “fix” the physician fee schedule and to help pay for the increased spending under SCHIP. Whether it will be willing to accede to the Senate bill to get something passed is unclear. Several Republicans in the Senate indicated they would not support any expansion over what was already in the Senate bill. The Senate bill had a veto-proof majority when it passed, but whether it can sustain that depends on what comes out of conference and whether the members who supported the previous bill will support the new one.

A possible short-term solution might be a 30- or 90-day extension of current law, but that obviously doesn’t resolve the matter. The administration has proposed extending tax deductions for those who lack employer-sponsored insurance and has signaled a willingness to use credits instead of deductions. Earlier on, it had proposed refundable credits for lower and middle income persons without insurance. But as yet, none of these proposals has been seriously considered as an alternative to the legislation being considered by Congress. With an aggressive push by the administration for alternative ways to cover uninsured children and their families, the Republicans in Congress might begin to feel that they have realistic alternatives to what is being proposed.

Once again, it is becoming clear how hard it is to “fight something with nothing.” Stay tuned. More to come. ●

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Gail R. Wilensky, PhD, is a senior fellow at Project HOPE, a commissioner on the World Health Organization’s Commission on the Social Determinants of Health, and co-chair of the Department of Defense task force on the Future of Military Health Care. She was the HCFA administrator from 1990 to 1992 (gwilensky@projecthope.org).