



## Center for Public Policy Priorities

### HOW THE BIPARTISAN CHIP REAUTHORIZATION ACT OF 2007 HELPS TEXAS AND HOW THE MCCONNELL-LOTT-CORNYN ALTERNATIVE HURTS TEXAS

On October 18, Congress will vote on whether to override the President’s veto of the bipartisan Children’s Health Insurance Program Reauthorization Act of 2007. Anticipating the vote, America is engaged in a major public debate about children’s health insurance. The Texas Congressional Delegation is split. Senator Hutchison and 12 Texas representatives voted for the bipartisan bill. Senator Cornyn and 18 Texas representatives voted against the bipartisan bill. Senator Cornyn is a co-sponsor of an alternative called McConnell-Lott. This paper analyzes how the bipartisan bill would help our state and how the alternative would hurt. Based upon this analysis, CPPP urges our Texas congressional delegation to vote to override the President’s veto.

#### HOW THE BIPARTISAN BILL HELPS TEXAS

Texas benefits when all Texas children have regular health care. Healthy children grow into healthy adults better able to contribute to our economy and participate in our democracy. To reap this return, however, we have to make an up-front public investment in healthy children—just as we do to ensure their education. Of course, if we don’t make an upfront investment, then when unhealthy children grow into unhealthy adults, we will pay for the after-the-fact social consequences of an unhealthy population.

Beyond opportunity costs and social consequences, we also pay very directly for the uninsured. Our large uninsured population strains our emergency rooms. We pay for their emergency care through local taxes for our public hospitals and higher premiums for our personal health insurance. Ironically, while emergency room care is expensive, it is not nearly as good for children as routine preventive care. The smart thing would be to design a system that provides all children in America with health insurance. Instead, what we have is a system failure.

In 2006, in Texas, 1.5 million children under 19 were uninsured. 505,000 of these children lived in families below the poverty line; 510,000 of these children lived in families between one and two times the poverty line; 279,000 of these children lived in families between two and three times the poverty line; and, 208,000 of these children lived in families above three times the poverty line.

The number of uninsured children is growing because a declining share of Texas employers provides health insurance for their employees. Even those who sponsor a plan rarely pay even a portion of the cost of covering children.

2007 Federal Poverty Guidelines			
Family Size	Annual Income*	Monthly	Hourly**
1	\$10,210	\$850	\$4.90
2	13,690	1,140	6.58
3	17,170	1,430	8.25
4	20,650	1,720	9.92
5	24,130	2,010	11.60
6	27,610	2,300	13.27
*For each additional person, add \$3,480			
**Calculation based on 52 weeks at 40 hours per week			
Source: <i>Federal Register</i> , Vol. 72, No. 15, January 24, 2007.			

Hundreds of thousands of Texas children live in families that simply earn too little to pay for private health insurance. (The Texas Department of Insurance reports that family group coverage in Texas now costs about \$12,000 a year). No one in America has a way to make private health insurance inexpensive enough that people earning as little as 200% of poverty or even 300% of poverty can afford it without some help. Without public support, Texas children in low-income families won't have regular, routine health care.

When an individual family is in trouble, Texans look to our churches and charities to help. But when Texans see a system failure, we figure out how to fix it. Certainly, Texas churches and charities cannot provide private health care to 1.5 million children. Even if they could, the very idea misunderstands the role of faith and generosity. The Benedictine Sisters who founded CPPP spent their lives providing health care to the poor. Certainly the Sisters believed in charity. But they also believed that a faithful nation has an obligation to create a just society with public and private systems that work for the people.

As a step in that direction, ten years ago Congress created the Children's Health Insurance Program (called SCHIP nationally and CHIP in Texas) to provide health insurance for children in families earning too much to qualify for Medicaid (a publicly funded program for poor children) but too little to afford private health insurance. CHIP is a block grant, meaning that Congress gives each state a fixed amount of money to use in a state-designed and administered program. For every dollar Texas puts into CHIP, it draws down \$2.64 dollars from the federal government to reduce the number of uninsured children by enrolling children in private insurance plans that pay for private health care providers. Undocumented children are not eligible.

CHIP has been particularly important to Texas because we have 1.5 million uninsured kids (1 out of every 5 Texas children), the highest percentage of uninsured children in the country. Among the states, Texas receives the second largest federal CHIP allocation. Not only do these federal dollars help us reduce our number of uninsured children, these dollars flow into the important health sector of our state economy.

CHIP has been a tremendous success. One flaw though has been that Congress did not provide enough money to cover all the uninsured low-income children. And, health care costs have gone up dramatically, the child population has grown, and the share of families that can afford health insurance has continued to fall.

Now that CHIP is ten years old, Congress must reauthorize the program. After much study and negotiation, Congress passed the bipartisan Children's Health Insurance Program Reauthorization Act of 2007. In doing so, Congress acted responsibly and faithfully to who we are as Americans. The bipartisan bill provides an additional \$35 billion for CHIP, paid for by increasing the cigarette tax, to reduce the number of otherwise uninsured children by 3.8 million by 2012.

As the Georgetown University Center for Children and Families explains, "If the number of uninsured children grows this year at the same rate as last year, nearly 2,000 additional children will become uninsured every day." Congress has worked across party lines to meet every objection that President Bush expressed. Even though the President has no plan of his own to cover anywhere near 3.8 million uninsured children — in fact, his SCHIP proposal would not even provide enough funds to maintain current SCHIP programs among the states and thus would add to the ranks of uninsured children — the President vetoed the bill. While President Bush has expressed willingness in recent days to spend some additional money, he has made it clear that doing much more is not an option.

Senator Cornyn also opposes the bipartisan bill. On October 5, he again signed on to co-sponsor an alternative authored by Senators McConnell and Lott, which they call the “Kids First Act,” a bill which was already soundly rejected by the Senate on a 61-35 vote in August. Having presided over many jury trials, Senator Cornyn knows that Texans love a good story. So, in his press release explaining his position, Senator Cornyn tells an entertaining tall tale about the bipartisan bill in which Texans pay for extravagant health care for grown-up, middle-class Yankees.

While Texans love a good story, when it comes to children, they want straight talk: The Children’s Health Insurance Program Reauthorization Act of 2007 increases spending over five years to dramatically reduce the number of uninsured children. This bipartisan bill is overwhelmingly supported by both Republicans and Democrats in Congress and the vast majority of Americans across the political spectrum.

The bill targets low-income children, particularly those children who are already eligible but not enrolled. The bill’s new cap of 300% of poverty is just under \$62,000 in gross pre-tax income (not net income) for a family of four, which is about \$50,000 in take-home pay. CHIP is a block grant, not an entitlement, meaning that Congress gives each state a fixed amount of money, not an open account. Because CHIP is a block grant, states couldn’t cover the middle class even if they wanted because the grants are too small. But Congress went even further to make sure the program stays focused on low-income children by a series of provisions to restrict state expansions above 300% of poverty. According to the Congressional Budget Office, 84% of the children who would gain coverage under the bill are either on the program now (but without the increased funding would have to be cut from the program because of higher costs) or are eligible now but not enrolled. More than half of these already eligible children are those with incomes at or below the poverty line, because the bill provides larger incentives for enrolling the lowest income children than for those with somewhat higher incomes.

The bill cuts out new adult coverage and cuts back support for parents already enrolled. While current law allows waivers to cover low-income parents under CHIP, the new bipartisan bill actually prohibits new waivers to cover parents under CHIP. States that have received special permission in the past to cover low-income parents under CHIP must terminate them or transition them to a separate program under which they do qualify but at a lower federal match. The bipartisan bill phases out CHIP entirely for adults without children.

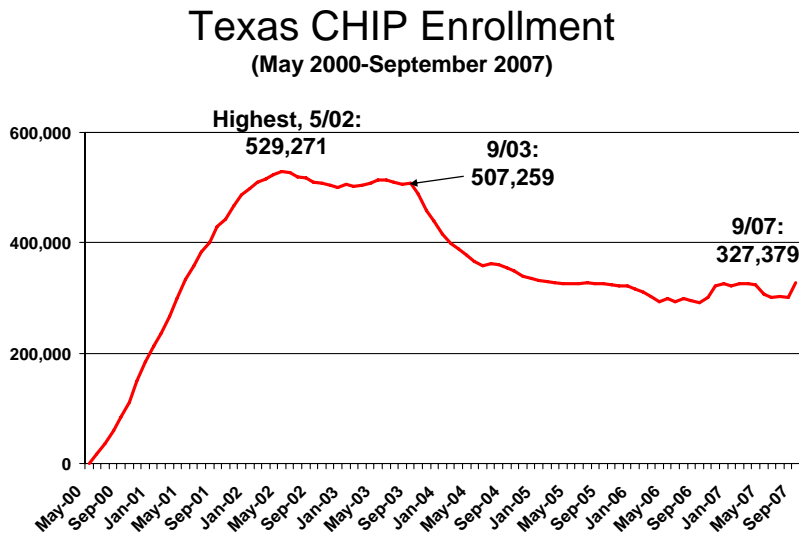
On September 27, on the Senate floor, Senator Grassley (R-Iowa), the Ranking Member of the Senate Finance Committee with jurisdiction over CHIP, talked straight: *“This is a bipartisan compromise. It has broad support from Republicans and Democrats. It will help as many as 4 million low income uninsured children. . . . It puts the lowest income children first in line. . . . Here’s what it’s not: It’s not a government takeover of the health system. It does not undermine immigration policy. It’s not expanding the program to cover high income kids. It’s a good bill. I urge my colleagues to support this important bill for children.”*

### **How the McConnell-Lott-Cornyn Alternative Hurts Texas**

Nevertheless, Senator Cornyn argues that Texas is better off with the McConnell-Lott bill. Determining how many dollars Texas would get under either bill is speculative because allocations are dynamic based upon what a state does from year to year. Using Senator Cornyn’s own projections, McConnell-Lott allocates about 50% *less* to Texas than the bipartisan bill (\$3.6 billion versus \$5.5 billion). Senator Cornyn says McConnell-Lott gives Texas all the money it needs, but in making this argument, 1) he fails to account for the cost of fully implementing state law; 2) he uses inaccurate spending projections; and 3) he assumes Texas will choose to slide backward instead of move forward in both the 2009 and 2011 legislative sessions.

## 1) Fails to account for fully implementing state law

After Texas launched its CHIP program, enrollment grew rapidly, reaching almost 530,000 children by 2002. Then, in response to a state revenue shortfall in 2003, the Texas Legislature cut the program. Over 200,000 children lost CHIP coverage. The public was outraged.



Source: All figures from Texas Health and Human Services Commission;  
Compares most recent month with September 2003

In response, in 2007, the Legislature passed HB 109 to remove barriers to enrolling all uninsured children in eligible families making less than 200% of poverty.

Using round numbers, Senator Cornyn reasons that Texas has 300,000 children on CHIP and needs to add 200,000 more to get back to the 2002 high of 500,000. He then concludes that McConnell-Lott provides sufficient funding to meet that goal. The state's goal in HB 109, however, is not to move CHIP enrollment to some specific number. Rather, HB 109 is designed to reduce barriers to enrollment to ensure that all eligible uninsured children in families below 200% of poverty enroll in CHIP. Right now, Texas has about 500,000 uninsured children between 100% and 200% of poverty, and it is likely that two-thirds of them (330,000) qualify for CHIP, meaning Texas CHIP needs to cover closer to 630,000 than the 500,000 Senator Cornyn says McConnell-Lott might cover. Moreover, between now and 2012, Texas will have higher costs, more kids, and a smaller share of families covered by private health insurance. Texas will need an increasing amount of money to achieve and maintain enrollment of all eligible children through 2012. McConnell-Lott would simply not provide sufficient funding.

## 2) Uses inaccurate spending projections

Senator Cornyn has released two charts that he says show that the bipartisan bill has too much money and that the McConnell-Lott alternative has enough. For his projected spending in both charts, however, he does not use the latest available state data. The Texas Health and Human Services Commission already projects much higher spending than Senator Cornyn assumes.

Texas CHIP Spending (In Billions )	FY 08	FY 09	FY 10	FY 11	FY 12
Cornyn's Projected Spending	0.794	0.848	0.890	0.935	0.982
TX HHSC's Projected Spending	0.795	0.937	0.984	1.033	1.085

HHSC assumes only 5% annual cost growth. Since HHSC's caseload projections for CHIP are conservative, and health care costs continue to escalate, these spending projections may well be too low.

### 3) Assumes Texas will slide backward rather than move forward

By not providing sufficient funding to allow for a growing Texas' CHIP program, McConnell-Lott would tie the hands of the Texas Legislature, making it impossible for the Legislature to take further steps to reduce the number of uninsured children in 2009 or 2011. Senator Cornyn seems to be arguing that Texas doesn't need more federal money because the Legislature won't spend any more state money. Keep in mind, however, that the Legislature only needs to spend \$1.00 in state dollars for each \$2.64 it wants from the federal government. And, in fact, in both 2007 and 2005, the conservative Texas Legislature *increased* CHIP spending. For example, as already discussed, in 2007, the Legislature funded the caseload projections associated with HB 109. As another example, in 2005, the Legislature added a new perinatal program to CHIP, which state officials project will cover nearly 100,000 low-income pregnant women and infants by 2009.

An example of what could be done under the bipartisan bill that couldn't be done under McConnell-Lott is the creation of a voluntary CHIP buy-in for parents between 200% and 300% of poverty. Texas now provides CHIP only up to 200% of poverty, but under the bipartisan bill Texas could use the flexibility to help insure Texas kids between 200% of poverty and 300% of poverty. The way such a program would work is to divide the cost between the state and families. Families between 200% and 300% of poverty would pay a premium out of their own pockets to participate in CHIP. The cost of the premium would be based upon a sliding scale with families earning more paying more. Using state dollars, Texas would draw down federal matching dollars (\$2.64 federal for \$1.00 state) to fund the public share. For families to be able to afford to buy-in, the state would have to provide some public subsidy. Otherwise, the cost would be prohibitive. Without a public subsidy, the cost of CHIP for a family would jump from \$50 a year for a family under 200% of poverty to \$150 to \$250 a month for a family over 200% of poverty.

### The Challenge for the Texas Congressional Delegation

When Congress votes on overriding President Bush's veto, the Texas congressional delegation will have a new opportunity to do what is best for Texas by voting to override. Whatever happens with regard to the veto, Congress needs to pass a strong bill reauthorizing CHIP, not only to ensure that children don't lose coverage, but to improve coverage for kids already enrolled and to reach more uninsured children. Merely voting for something along the lines of McConnell-Lott or for a straight extension of CHIP would be a terrible lost opportunity for the country and for Texas.

F. Scott McCown  
Executive Director

Anne Dunkelberg  
Associate Director

October 10, 2007