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UNDERSTANDING THE CHIP BATTLE IN CONGRESS

What Makes a Good CHIP Bill?

In two recent policy alerts,¹ we explained that funding for the Children's Health Insurance Program (CHIP) is in jeopardy in Congress. You may have followed the battle over CHIP in the Texas legislature and thought that CHIP had been fully funded. CHIP, however, is a federal and state program. Unless Congress passes a new bill to fund CHIP, and the President signs it into law, authorization for CHIP expires in September 2007. Congress is in recess now, but will return September 4. Just before the recess, both the House and Senate passed bipartisan CHIP bills. After the recess, the House and Senate will have to compromise on a final bill. The President is threatening a veto. In this policy page, we explain why passing either the bipartisan House or Senate bill is critical if Texas is to rebuild our CHIP enrollment. While they are back at home in Texas, please let our U.S. Senators and Representatives know you want them to support full funding of CHIP. Texas needs no less than the Senate funding level. The House bill would do even more to ensure that we can re-build Texas CHIP and enroll every eligible child. Senator Hutchison voted in favor and Senator Cornyn against the Senate bill. To learn how your congressional representative voted, go to: <http://clerk.house.gov/evs/2007/roll787.xml>.

What Makes a Good CHIP Bill?

To evaluate whether Congress passes a good CHIP bill, you have to answer three questions:

- 1) Is Congress providing enough increased funding so that states can maintain current enrollment in CHIP? Increased funding is required to maintain current enrollment because of increased costs.
- 2) Is Congress providing enough increased funding so that states can maintain current programs, meaning maintaining the same eligibility rules and the same benefit packages? Increased funding is required to maintain current programs because of a) increased costs; b) increased child population; and c) continued erosion of private coverage.

- 3) Is Congress providing enough increased funding to significantly reduce the number of uninsured children?

Answering these three questions about any potential compromise among the House, Senate, and President will help you evaluate whether the compromise would be a good CHIP bill.

Using McConnell-Lott as an Example

Before the recess, Congress considered five plans for increased funding:

- Bipartisan House Bill at \$50 billion²
- Bipartisan Senate Bill at \$35 billion
- Texas Congressman Joe Barton's Proposal at \$11.5 billion
- Senators McConnell's and Lott's proposal at \$9 billion

- President Bush’s Proposal at \$5 billion

Analyzing the \$9 billion McConnell-Lott proposal is a good exercise to learn how to evaluate a CHIP bill. To answer our three questions with regard to McConnell-Lott, we look to two Congressional Budget Office tables—one from March and one from August.³

Would McConnell-Lott Have Maintained Current Enrollment?

Under McConnell-Lott would enrollment have been more or less than enrollment today? Under McConnell-Lott, the CBO projected average monthly enrollment in 2012 to be 4.5 million, which is roughly 100,000 below average monthly enrollment in 2007, but with a difference this small between numbers this big, it is too close to call. The bill might have maintained current enrollment. Significantly, however, even though McConnell-Lott provided increased funding, because of increased costs, it would not have added any “more” or “new” children to CHIP.

Would McConnell-Lott Have Maintained Current Programs?

Maintaining current programs means keeping the same eligibility rules and the same benefit packages you have now. Maintaining current programs requires enough new money to keep up with 1) increased costs; 2) increased child population; and 3) continued erosion of private coverage.

Without any increased funding, CBO estimates that average monthly enrollment in 2012 would be 3.2 million children. If Congress provided enough money for states to maintain current programs, CBO estimates that average monthly enrollment in 2012 would be 5.1 million children. Under McConnell-Lott, CBO assumes that average monthly enrollment in 2012 would have been

4.5 million children, or 1.3 million children more than the 3.2 million enrolled without any new money. In other words, McConnell-Lott would cover roughly 600,000 fewer children than would be covered by maintaining current programs.

A Special Texas Problem—Rebuilding Our Program

McConnell-Lott was particularly problematic for Texas, however, because Texas must have enough money not merely to maintain the number of children enrolled in SCHIP today, but to rebuild our CHIP rolls, which lost 200,000 children (40% of total enrollment) mostly due to the 2003 legislative cuts to eligibility and benefits but also from the privatization debacle. McConnell-Lott would not have provided this increased funding, leaving Texas unable to rebuild its rolls.

Another Special Texas Problem—Lapsed Funding

Texas has not spent all the money Congress provided us for CHIP, in part because our rolls have been reduced by 200,000. McConnell-Lott offered Texas the opportunity to “keep the change” so to speak by letting us spend these lapsed funds. Undoubtedly the issue of lapsed funds will continue to be important to Texas as the debate moves forward.

Because the legislation to reauthorize CHIP determines spending for the next five years, however, you must look at the total amount Texas would get over five years. Letting Texas “keep the change” doesn’t do Texas any good unless Congress provides substantially increased funding for the next five years. For example, Texas would be far better off under the House plan that spends \$50 billion more or the Senate plan that spends \$35 billion more, than the McConnell-Lott plan that would have left us with lapsed funds but spent only \$9 billion more.

Reducing the Number of Uninsured Children

We must all keep your eyes on the prize—reducing the number of uninsured children.

CBO estimates that compared to no increased funding:

- McConnell-Lott reduces the number of uninsured children by 700,000.
- Maintaining current programs reduces the number of uninsured children by 800,000.
- The bipartisan Senate bill reduces the number of uninsured children by about 4 million.
- The bipartisan House bill reduces the number of uninsured children by about 5 million.

Serving Low-Income Children

Some analysts have raised concerns about whether CHIP eligibility has become too generous. Much can be said on this point, but the bottom line is that the money in either the bipartisan House bill or bipartisan Senate bill goes overwhelming to help children in low-income families. About 4.3 million of the 5 million uninsured children who would gain coverage under the House plan have incomes below current limits. About 3.5 million of the 4 million uninsured children who would gain coverage under the Senate plan have incomes below current limits.

Conclusion

Texas has the highest percentage of uninsured children of any state. Over 1.3 million Texas children have no health insurance. To significantly reduce this number, Congress must substantially increase spending on CHIP along the lines of the bipartisan House or Senate plans.

We need to move the Senate toward the House and the President toward the Congress so that Texas children get the health care they need.

¹ Texas Funding in Jeopardy at the Federal Level, CPPP Policy Alert (July 23, 2007) at <http://www.cppp.org/files/3/schip%20reauthorization.pdf> and Texas CHIP' Now Depends on Congress, CPPP Policy Alert (July 7, 2007) at <http://www.cppp.org/files/3/SCHIPpolicyalert.pdf>.

² A side-by-side comparing Senate and House bills can be found at: <http://www.familiesusa.org/assets/pdfs/chip-side-by-side.pdf>

³ The March table is at <http://www.cbo.gov/budget/factsheets/2007b/schip.pdf>
The August table is not available online, but upon request from the CBO.