August 10, 2007

The Honorable John Cornyn
U.S. Senator
Washington, D.C.
Via E-Mail

Re: Children's Health Insurance Program

Dear Senator Cornyn:

Recently you and John Castle, who is on our board, had opposing editorials in the *Dallas Morning News* followed by opposing letters regarding how many "more" or "new" children would have been covered by CHIP according to the Congressional Budget Office (CBO) under the McConnell-Lott amendment, which you supported. You said 1.3 million and Mr. Castle said none. Clarification of this discrepancy is critically important in light of the upcoming effort to reconcile the Senate and House versions of CHIP reauthorization and secure legislation that the President will sign.

We appreciate all the good things you have said about the CHIP program and your efforts to increase funding for CHIP. As the debate moves forward, we hope that you will continue those efforts. As you may guess, we strongly support the House plan. As you learn more about the numbers, we hope you will move in that direction. As we see it, the three critical questions about the numbers are as follow.

Questions

1) Is Congress providing enough increased funding so that states can <u>maintain current enrollment</u> 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 <u>maintain current programs</u>, 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?

CBO Tables

To answer these questions with regard to McConnell-Lott, we look to two CBO tables—one from March and one from August.[1] Understanding the tables, however, is complicated by two changes in

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

methodology. First, the March table uses an aggregate number (the total number enrolled in the course of a year, or annual unduplicated enrollment), while the August table uses an average monthly number (the average number enrolled monthly). Second, the March table includes children and pregnant women, while the August table includes only children.

For our purposes, and I think you will agree, we can ignore the second problem—that the March table combines children and pregnant women. To begin with, including pregnant women is appropriate since we are covering women because they are pregnant with yet-to-be born children. But in any event, the number of pregnant women covered is very small and doesn't affect the analysis. We can also deal with the first problem—aggregate to average monthly.

Turning Apples and Oranges into Oranges and Oranges

The only CHIP baseline for the number covered by CHIP today is in the CBO March table. According to the CBO March table, 6.9 million children and pregnant women were projected to be enrolled in CHIP (an aggregate number) for federal fiscal year 2007. We assume that CBO would now adjust this number up to 7.6 million children and pregnant women enrolled in 2007 because of legislation passed in May 2007 that provided states increased funding to fill projected state shortfalls.

What the CBO has to say about McConnell-Lott, however, is in the August table, not the March table. Thus, because of the methodology change from aggregate in March to average monthly in August, we must convert the March aggregate baseline (the only CBO baseline for the total number in CHIP) to "average monthly" enrollment to make comparisons between enrollment today and projected enrollment under McConnell-Lott. CBO estimates that an average monthly figure is 60% of an aggregate figure. Using this CBO estimation, 7.6 million aggregate translates to 4.6 million "average monthly" enrollment today.

Would McConnell-Lott Have Maintained Current Enrollment?

Now we get to the question that divided you and Mr. Castle. Would enrollment under McConnell-Lott have been less or more than the 4.6 million today? Under McConnell-Lott, the CBO projected average monthly enrollment in 2012 to be 4.5 million, which is 100,000 below average monthly enrollment in 2007, but with a difference this small between numbers this big, it is too close to call.

Critically important to understand, however, is that McConnell-Lott would not have added 1.3 million "more" or "new" children to CHIP. CBO never said it would. Instead, CBO made the following conventional budget calculation. CBO assumed in its baseline for the August table that CHIP is reauthorized into perpetuity at the same appropriation level as the last year of the current reauthorization period. Congress provided $5.04 billion in federal CHIP funds in federal fiscal 2007. Thus, the CBO baseline assumes that each year into the future states will receive a collective $5.04 billion in federal CHIP funds. Under these funding levels, CBO estimates average monthly CHIP enrollment in 2012 at 3.2 million. Under McConnell-Lott, CBO estimated that 1.3 million average monthly would be added to the 3.2 million average monthly to yield 4.5 million average monthly. Thus, as noted, McConnell-Lott might have just barely covered the number of kids on CHIP today, but it would not have added any new children.

Would McConnell-Lott Have Maintained Current Programs?

In 2003, because of a lack of state revenue, Texas went through a very painful process of reducing eligibility and benefits for CHIP. The Texas public was outraged and demanded that the program be restored. What Texans want to know now is whether Congress is providing enough money so that states can maintain their current programs, meaning maintaining the same eligibility rules and same benefit packages. Texans do not want to have to cut CHIP again. 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.

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, or 1.9 million children more than the 3.2 million enrolled without any new money. 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 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. Texas CHIP rolls have not even started to recover.

CBO's August estimates are based on states' projections of 2008 CHIP spending. In Texas' case, this figure is $643 million, a sizable increase of 66% over 2007 spending. Much of the increased spending associated with restoring enrollment for children in Texas is included in CBO's estimates of the cost of maintaining states' current programs. McConnell-Lott would not have provided that money, leaving Texas unable to rebuild its rolls.

Another Special Texas Problem—Keeping the Change

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.   Indeed, in both your editorial and your letter to the editor you emphasized that McConnell-Lott was good for Texas because "Texas would enjoy availability of more than $1.6 billion in federal funds for SCHIP in 2008, compared with $1 billion under the" bipartisan Senate bill you voted against.

The legislation to reauthorize CHIP determines spending for the next five years, however. Looking at only the first year and ignoring the other four is misleading. Letting Texas "keep the change" from the last five years doesn't do Texas any good unless Congress provides substantially increased funding for the next five years. 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 let us keep the change but spent only $9 billion more.

Reducing the Number of Uninsured Children

We urge you to keep your eyes on the prize—reducing the number of uninsured children.

Compared to no new money:

- 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 <u>million</u>.
- The bipartisan House bill reduces the number of uninsured children by about 5 <u>million.</u>

Serving Low-Income Children

In both your editorial and your letter to the editor you raised concerns about how some states have used their CHIP money. I have much to say on this issue, but won't do so here. The bottom line is that the money in either the bipartisan House or bipartisan Senate bills goes overwhelming to help children in low-income families. About <u>4.3 million</u> of the 5 million uninsured <u>children</u> who would gain coverage under the House plan have incomes <u>below</u> current limits. About <u>3.5 million</u> of the 4 million uninsured <u>children</u> who would gain coverage under the Senate plan have incomes below current limits.

The Future is Texas

One out of every 12 children in the United States lives in Texas. America's future will largely be in the hands of Texas children. Yet, 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.

Conclusion

We hope you will play a positive role in moving the Senate toward the House and moving the President toward the Congress so that Texas children get the health care they need. If we can be of any assistance, please let me know.

Sincerely yours,

F. Scott McCown
Executive Director

C: Mr. John Castle, Jr., CPPP Board Member
        Ms. Keven Ann Willey, Editorial Page Editor of the *Dallas Morning News*