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Republicans Support Preserving Health Insurance for Children of Working-Poor Families

Principles for SCHIP Reauthorization and Reform

Republicans support reauthorizing SCHIP to provide health insurance to millions of low-income children: In 1997, a Republican-led Congress passed the State Children's Health Insurance Program (SCHIP) to help states provide health coverage to the children of working-poor families who did not qualify for Medicaid. The program was designed to cover low-income children between 100-and 200-percent of the federal poverty level [FPL] (\$40,000 per year for a family of four). These families require assistance because they earn too much to qualify for Medicaid, but may not be able to afford private health coverage for their children.

SCHIP has successfully achieved what it set out to do by significantly reducing the number of uninsured children. Last year, 6.6 million children received health insurance through SCHIP.¹ The uninsurance rate for children between 100-and 200-percent of the FPL has dropped 25 percent (from 22.5 percent in 1996 to 16.9 percent in 2005).² The success of the program is also demonstrated by the low number of uninsured children who remain in the targeted population. Estimates show that 689,000 children in families below 200 percent of the federal poverty level were uninsured for the entire year.³ Rather than change the purpose of the program as Democrats have proposed, we should re-focus SCHIP on finding and covering the low-income children who are eligible for the program but not yet enrolled.

Republicans Support the Following Principles on SCHIP

- ✓ Reauthorize SCHIP to preserve health coverage for children of the working-poor.
- ✓ Increase outreach and enrollment for low-income children in families below 200 percent of the federal poverty level.
- ✓ Encourage premium assistance so low-income families can take advantage of private insurance coverage options.
- ✓ Enhance public-private options to provide the most cost-effective healthcare.
- ✓ Continue SCHIP as a program for children as originally intended.

¹ Congressional Budget Office, "The State Children's Health Insurance Program," May 2007.

² Congressional Budget Office, "The State Children's Health Insurance Program," May 2007.

³ Department of Health and Human Services Fact Sheet on Urban Institute Report, June 18, 2007.

Republicans Want to Restore SCHIP to Its Original Focus: Helping Children of the Working-Poor

- **The Democrats' proposed SCHIP expansion represents a significant step toward government-run healthcare:** Democrats favor changing SCHIP from a program that provides assistance to low-income families to one that would represent a significant step toward a government-run health system. A significant majority of children in the income brackets targeted by Democrats already have healthcare. For example, the plan introduced by Congressman Dingell and Senator Clinton would raise the eligibility threshold to 400 percent of the FPL (\$82,600 for a family of four).⁴ The CBO estimates that 77 percent of children living in families with incomes between 200 and 300 percent of the FPL have private coverage, as do 89 percent of children in families with incomes between 300 and 400 percent of FPL.⁵
- **Tax dollars dedicated to children's health insurance should prioritize children:** Though SCHIP was designed to cover children, 670,000 adults participated in the program last year.⁶ This year, 13 percent of SCHIP funds will go to adults other than expectant mothers.⁷ Some states are diverting as much as half of their SCHIP funds to cover adults and even adults without children. For example, Wisconsin spends 75 percent of its SCHIP funds on adults, and covers almost twice as many adults as children.⁸
- **Expanding SCHIP will move children off of private insurance coverage and onto government-run healthcare, exacerbating what is known as the "crowd-out" effect:** The CBO concluded that SCHIP has a significant "crowd-out" effect – meaning that parents are financially compelled to take their children off of private (usually employer-sponsored) plans and put them on taxpayer-supported plans. CBO's analysis concluded that out of every 100 children who enroll in SCHIP under the current parameters, there is a corresponding reduction in private coverage of between 25 and 50 children.⁹ This means that for every 1 million additional children SCHIP covers, an estimated 250,000-500,000 will simply switch from private coverage to the government program. These children must now be supported by taxpayers whereas before they were covered by private insurance. The crowd-out effect will be even more pronounced at higher-income levels. The CBO said that "expanding the program to children in higher-income families is likely to generate more of an offsetting reduction in private coverage (and therefore less of a net reduction in uninsurance) than expanding the program to more children in low-income families."¹⁰ This makes expanding

⁴ Secretary of Health and Human Services Michael Leavitt, remarks at the American Enterprise Institute, April 24, 2007, available at: <http://www.hhs.gov/news/speech/2007/sp20070424a.html>.

⁵ Congressional Budget Office, "The State Children's Health Insurance Program," May 2007.

⁶ Congressional Budget Office, "The State Children's Health Insurance Program," May 2007.

⁷ HHS Secretary Michael Leavitt, editorial, "Return SCHIP to Its Roots," *Modern Health Care*, April 23, 2007.

⁸ HHS Secretary Michael Leavitt, editorial, "Return SCHIP to Its Roots," *Modern Health Care*, April 23, 2007.

⁹ Congressional Budget Office, "The State Children's Health Insurance Program," May 2007.

¹⁰ Congressional Budget Office, "The State Children's Health Insurance Program," May 2007.

coverage even more expensive at higher income levels where children have increased rates of private coverage.

- **Paying for an SCHIP expansion by increasing taxes represents a tax-and-spend approach to government and healthcare:** SCHIP is yet another in a growing list of examples where Democrats are working to expand federal entitlement programs to arrive, by way of the back door, at government-run healthcare. Instead of finding spending cuts to offset an estimated \$50 billion expansion of SCHIP, Democrats propose increasing taxes. Rather than demanding that Americans send more tax dollars to Washington, Democrats should reduce spending and not further expand the federal government.

Conclusion

SCHIP has successfully and significantly decreased the number of children in working-poor families who lack health insurance – just as Republicans intended when they worked to pass the program in 1997. Republicans support reauthorizing the program, preserving health coverage for children of the working-poor, and making SCHIP work more effectively for families and taxpayers.