OCPP OREGON CENTER for PUBLIC POLICY

Because facts matter.

October 10, 2007

Honorable Greg Walden
United States House of Representatives
1210 Longworth House Office Building
Washington, DC 20515

Sent by facsimile to (202) 225-5774

Dear Congressman Walden:

I write concerning the Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2007, legislation that would bring health care coverage to nearly 4 million uninsured children nationwide, including thousands in your district.

We appreciate that you support reauthorizing the Child Health Insurance Program (CHIP) and providing access to health care coverage for low-income children. We are concerned, however, that you opposed CHIPRA when the compromise proposal reached the House and that you may vote to sustain the President's veto.

As set forth below, we have examined your substantive arguments for opposing CHIPRA and have found each of them to be without merit.[1] I will address each of your concerns.

You called CHIPRA "financially unsustainable" and said that you voted against CHIPRA because *"[t]o hide the true cost of the measure, the bill cuts SCHIP funding by approximately 80 percent in FY 2013 . . . , which would force millions of children off the program."*

CHIPRA is a fiscally responsible measure. It reauthorizes the program for the five-year budget period, and it is fully paid for over this period with an increase in tobacco revenues that do *not* expire at the end of the budget period.[2] By contrast, the alternative proposal you supported would have reauthorized and funded the program for only 18 months.

You've said that you voted against CHIPRA because "*according to the non-partisan Congressional Budget Office, the real cost of the proposal is much more than advertised – likely more than $110 billion, which is more than a doubling of the cost of the current program."*

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[1] "Walden: Crowding children out of private insurance, massive hidden costs, benefits for illegal aliens among SCHIP bill concerns," available at http://walden.house.gov/index.cfm?FuseAction=PressReleases.View&ContentRecord_id=414.

[2] The version that previously passed the House over your objections fully funded the program for the full ten-year budget period with additional funding mechanisms that you did not support.

According to the Congressional Budget Office (CBO), the five-year cost of the program as reauthorized under CHIPRA is $60 billion. The figure you cite is misleading because it extends the program beyond the five-year budget window and ignores that the measure meets the House and Senate pay-as-you-go rules by fully funding the reauthorization over the five-year period.

CHIPRA meets the test of a responsible public investment and makes common sense. As noted by Energy and Commerce Chairman John Dingell in a "Dear Colleague" letter, "For the price of 1 Starbucks Frappuccino a day, each of the 10 million children covered under CHIP will have heath care from a choice of private health insurance plans or doctors that ensures they receive better quality care such as vaccinations, well child visits, treatment for serious diseases such as cancer or autism, and much more."[3]

You've said that you voted against CHIPRA because "*H.R. 976 [CHIPRA] shifts the focus of SCHIP away from low-income children. Instead of focusing on children who fall in the gap between qualifying for Medicaid and affording private insurance, this bill targets middle class children, many of whom already have health insurance.*"

CHIPRA maintains and strengthens the focus of the program on low-income children, not middle-class children. The Congressional Budget Office estimates that 3.2 million of the additional 3.8 million children covered under the bill are children with incomes *below* the current eligibility limits that states have set.[4] In other words, 84 percent of the new children to be covered by CHIPRA would today qualify under the existing program, which is not currently funded enough to accommodate them.[5]

You've said that you voted against CHIPRA because *"[t]he result of this 'compromise' bill, according to the non-partisan Congressional Budget Office (CBO), is that 2 million children will be shifted from the private insurance that they currently have to a government-run program."*

This legislation is not likely to cause the parents of 2 million children to drop existing private coverage for their kids in favor of CHIP. Your argument misinterprets the CBO's analysis of the "crowd-out" effect of the legislation and wrongly suggests that the crowd-out effect of the bill is high.

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[3] September 25, 2007, letter available at http://energycommerce.house.gov/CHIP_110/DearColleague.092507.pdf.

[4] Congressional Budget Office, "CBO's Estimate of Changes in SCHIP and Medicaid Enrollment of Children Under the House Amendments to the Senate Amendments to H.R. 976, the Children's Health Insurance Program Reauthorization Act of 2007," September 24, 2007.

[5] CBO estimates that 1.7 million of the children to receive coverage are already eligible for Medicaid. Most of these children live at or below the poverty line (currently $17,170 for a family of three). Another 1.5 million are already eligible for the State Children's Health Insurance Program, which covers children in families that make too much to qualify for Medicaid but too little to afford private insurance. Most of these children live between 100 and 200 percent of the poverty line.

The CBO defines "crowd-out" to include all children who are *uninsured when they enroll* in CHIP or Medicaid but whose families — in the absence of CHIP or Medicaid — would possibly purchase private coverage for these children at some point in the future. For example, an unemployed parent of an uninsured child who enrolled in CHIP may eventually get a low-paying job through which private insurance is available but only at the cost of hefty premiums and deductibles. The parent then might opt to keep the child covered by CHIP. Such a child would fall under the CBO's definition of crowd-out. Your claim that the CBO estimates that the bill will shift 2 million insured children to CHIP represents a misunderstanding of the CBO data.[6]

Further, the CBO itself explains that the crowd-out effect of CHIPRA is optimum given the scale of the reduction in uninsured and the lack of mandates.[7] Peter Orszag, director of CBO, said of the one-third crowd-out effect under the original House bill, whose effect mirrors that of CHIPRA:

> "[G]iven the scale of the net reduction in the uninsured, it's pretty much as good as you're going to get. In other words, I have not seen any other proposals to reduce the number of uninsured children by 5 million with crowd out rates that are lower than 33 percent. Again, in the absence of a mandate on an employer, or a mandate on an individual, or a mandate on state governments, CBO does not believe you're going to do much better than these kinds of crowd out rates."[8]

In the absence of mandates on employers, families or states, the crowd-out rate is optimal and entirely reasonable.

You've said that you voted against CHIPRA because *"Section 112 of the bill even allows childless adults to continue receiving SCHIP coverage through at least 2011. In fact, CBO also says that 780,000 adults will still be on the program in FY 2012."*

As noted in the summary of the bill by the House Committee on Energy and Commerce, "CHIP coverage for childless adults would be phased out" in the legislation, "[p]arent coverage will transition to lower Federal payments" and "[n]o new parent waivers are permitted" under the legislation.[9]

Only a dozen states cover some parents through SCHIP, under waivers granted by the federal government. In the median ("typical") state, the income eligibility limit for working parents under Medicaid is only 65 percent of the poverty line, or about 65

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[6] Further explanation of CBO crowd-out analysis can be found in "'Crowd-Out' Is not the Same as Voluntarily Dropping Private Health Insurance for Public Program Coverage," Leighton Ku, Center on Budget and Policy Priorities, September 27, 2007, available at http://www.cbpp.org/9-27-07health.pdf.

[7] "SCHIP: Governors, Health Officials, Seek Withdrawal of CMS Rules Targeting 'Crowd-Out' by SCHIP," BNA Health Care Daily, August 31, 2007.

[8] Id.

[9] "Children's Health Insurance Program (CHIP) Reauthorization Act of 2007 Section-by-Section," available at http://energycommerce.house.gov/CHIP_110/Section-by-Section.pdf.

percent of $17,200 ($11,200) for a family of three. Only five states also cover poor adults other than parents. The compromise legislation addressed your and the President's concerns about keeping adults out of CHIP and responsibly phases out the coverage. It would be reckless and would create havoc for the states if childless adults were dropped en masse on the day the program is reauthorized. The phase-out approach employed by the bill is rational public policy.

You've said that you voted against CHIPRA because it *"makes taxpayer-funded healthcare more accessible for illegal aliens. A provision in the bill weakens citizenship verification standards. According to the Social Security Administration, the 'compromise' bill fails to prevent the following categories of persons from illegally getting healthcare benefits through Medicaid or SCHIP: aliens who are not naturalized citizens; illegal aliens fraudulently using another person's valid name and Social Security number, and; individuals who have illegally overstayed a valid work permit."*

The compromise legislation does not change current law in any way to expand access to public health insurance programs for undocumented aliens. What it does is ease an onerous citizenship documentation law whose effect has been to discourage access to Medicaid among eligible *citizens*.

The compromise legislation retains the requirement that states document citizenship status for people enrolling in Medicaid. In fact, the compromise extends this requirement to CHIP.

The legislation merely gives states more tools for ensuring that children applying for Medicaid or CHIP are citizens or eligible legal immigrants. For instance, as noted by the Committee on Energy and Commerce, it would add tribal documents to the list of acceptable citizenship documents.[10] With many tribal governments and members within your district, you should be embracing the improvements in CHIPRA.

Without these tools, the poorly designed documentation requirement imposed in 2006 has shut out over 1,000 Oregon children who are U.S. citizens and tens of thousands nationwide, while identifying virtually no undocumented immigrants. The problem has been well documented by the Oregon Department of Human Services.[11] The alternative CHIP bill you support would do nothing to address the hundreds of Oregon children who are citizens and are shut out of getting help even though they are eligible, due to onerous requirements in current law.

You've said that you voted against CHIPRA because *"22 million new smokers [are] needed to pay for"* CHIPRA, whose costs do *"not figure in the additional medical costs to individuals and society for the 22 million new smokers."*

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[10] Id.

[11] See "Oregon Study Finds That Federal Medicaid Rules Aimed at Illegal Immigrants Harm Vulnerable Citizens," available at http://www.ocpp.org/cgi-bin/display.cgi?page=nr070511citdoc and "Implementation of the U.S. Deficit Reduction Act of 2005 in Oregon and Its Impacts on Oregon Health Plan Clients", available at http://www.oregon.gov/DHS/citizenship/report0705.pdf.

The tobacco tax increase fully covers the costs of CHIPRA during the five-year budget period of the legislation, based on CBO estimates of the number of smokers during that period. No "new" smokers will be needed to generate revenue during this period beyond those the CBO expects would become new smokers based on current trends and taking into account the effect of the tobacco tax provisions. The measure's increase in the tobacco tax will slow the growth in the number of smokers.

The suggestion that raising the tax to fund health care for children is part of a scheme to encourage new smokers is not credible. Your own alternative CHIP bill is funded with a tobacco tax increase. The same assumptions about tobacco consumption apply to both your bill and CHIPRA. Not only will the tobacco tax increase discourage smoking but, by expanding coverage to more children, it will ensure health coverage for any of those uninsured children who might smoke. In addition, many state programs include tobacco cessation efforts as part of their qualified treatments under CHIP.

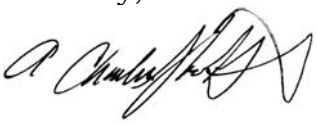
Conclusion

The facts do not support your justifications for opposing a responsible plan for health care for millions of American children and thousands in your district and Oregon. I hope that you will reconsider your opposition to CHIPRA and join the rest of Oregon's delegation in voting to override the President's veto.

Please feel free to contact me if you have questions or need additional information.

Thank you for your consideration of this request.

Sincerely,



Charles Sheketoff
Executive Director