

# WebMemo



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## No Way Out: The Fruitless SCHIP Negotiations

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Since the House failed in its second attempt to pass a veto-proof bill, congressional negotiators have been meeting to craft a compromise on legislation to reauthorize the State Children's Health Insurance Program (SCHIP). Without fundamental changes to the bill, these negotiations will not improve the basic direction of the program in any significant way; it will be nearly impossible for negotiations to arrive at meaningful and responsible changes in health policy. Congress should abandon the effort to expand SCHIP, refocus the program on low-income children, and broaden the discussion for expanding kids' health care coverage.

**Persistent Problems.** Negotiators are unlikely to overcome the following fundamental policy obstacles:

**Income Eligibility.** Thus far, congressional efforts to "contain" eligibility have effectively conceded a major expansion of public assistance into the middle-class and the consequent displacement of existing private health coverage for millions of children. Some negotiators want to require states to reach maximum enrollment capacity below 200 percent of the federal poverty level (FPL) before expanding eligibility and to prevent them from applying broad income disregard determinations. These are minor concessions that ignore the significance of the underlying change in federal policy. These modifications essentially re-enforce the explicit expansion of federal SCHIP eligibility from 200 percent of the FPL (\$41,300 for a family of four) to 300 percent of the FPL (\$61,950 for a family of four) in the underlying bill. Meaningful change would require the

bill's supporters to sacrifice their goal of expanding government-run health care and dependency into the middle class.

**Adult Eligibility.** Efforts to remove adults from SCHIP in the current legislation are also futile. If states move adults off SCHIP, those adults would *not* be moved off government coverage. Such action would simply affect the amount of federal assistance states receive for covering adults. States would still receive significant federal assistance for covering adults—at a minimum, a state would receive the generous federal Medicaid matching rate. Meaningful change would require states wanting to cover adults to do so exclusively with state funds.

**Crowd Out.** Efforts focused on extending the availability of premium assistance as a solution to the "crowd out" phenomenon—the displacement of existing private coverage through public program expansion—sidestep the underlying problems with the premium assistance provisions in the bill. The bill's "wrap-around" provisions require states to supplement employer plans that do not meet SCHIP's benefit and cost-sharing standards. Also, cost-effectiveness requirements make the proposed "premium assistance" provisions

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unworkable. Meaningful change would remove the wrap-around and cost-effectiveness requirements, enabling parents rather than government bureaucrats to decide whether their employer's plan provides sufficient coverage for their child. However, these changes would require the bill's supporters to relinquish their incremental strategy of using children to standardize health benefits in the private market.

*Immigration.* The issue of whether non-citizens should be eligible for SCHIP may be insurmountable in this debate and will likely complicate contentious issues at the heart of the ongoing debate about immigration reform. The bill includes controversial provisions that would loosen existing citizenship verification requirements. Negotiations focused on retaining the program's current citizenship requirements (based on the Deficit Reduction Act) would also likely be insufficient. To overcome this obstacle, meaningful change would guarantee

with certainty that individuals in the U.S. illegally would not be enrolled in SCHIP or other taxpayer-funded health insurance programs.

**Conclusion.** Unless there are fundamental changes to the underlying principles of the SCHIP bill, no amount of congressional tweaking can transform this legislation into a vehicle for responsible public policy. Instead, policymakers should start from scratch and devise a solution that bridges the divide between those who wish to encourage families to preserve existing or better private health coverage for their children and those who wish to assist children in poor families. The best way to improve health care coverage for children would be to reauthorize SCHIP in its current form and broaden the discussion on expanding coverage beyond SCHIP.

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