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The SCHIP Negotiations: A Backdoor Approach to Expanding Medicaid to the Middle Class?

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Some Members of Congress engaged in the current negotiations over legislation (H.R. 3963) to expand the State Children's Health Insurance Program (SCHIP) have expressed doubts that the language would cap eligibility for the program. These skeptics are demanding that the law impose a cap on Medicaid—the largest welfare program for the poor and the indigent—to test the liberals' sincerity on this matter. Congress must prevent the expansion of welfare into the middle class by capping both programs at levels that keep them focused on their intended populations.

Eligibility Issue Unresolved. One of the major sticking points in the current SCHIP negotiations is over eligibility. Although H.R. 3963 claims to cap SCHIP eligibility at 300 percent of the Federal Poverty Level (FPL)—families earning \$62,000 a year—it is not clear that the provisions constitute a hard cap. Many lawmakers following these negotiations are rightly concerned that liberals could resort to Medicaid as a way to circumvent this cap and expand the reach of these programs into the middle class.

It is absurd that Congress is debating whether Medicaid should cover middle-class families. Medicaid was created in 1965 as a welfare program to help the truly poor. A Great Society health care program, it was originally targeted at children in families at or below 133 percent of the FPL.

SCHIP was created with a separate mission that, in effect, reaffirms Medicaid's mission. SCHIP was designed to help working families who earned too

much to qualify for Medicaid. Therefore, the principle that a program should concentrate on its intended population applies with even more force to Medicaid.

States can choose between three basic structures for SCHIP: an expanded Medicaid program; a separate SCHIP plan; or a combination approach. The vast majority of states have expanded Medicaid or chosen a hybrid approach. The current controversy is whether the eligibility cap in H.R. 3963 applies only to the separate SCHIP plans. If so, states with a Medicaid expansion could continue to expand SCHIP through Medicaid and receive the enhanced SCHIP matching rate.

Medicaid Creep. Before SCHIP, Medicaid was a focal point in the liberal agenda to incrementally expand the role of government in the delivery of health care services. Under the current design of Medicaid, states have great latitude in structuring their Medicaid programs. For example, states can disregard income levels when determining eligibility and can apply for federal waivers to broaden the scope of their programs.

Even if the cap language were to apply to all SCHIP design approaches, H.R. 3963 does nothing

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to prevent or discourage a state from returning to an aggressive Medicaid strategy to increase government control over health care. Some analysts argue that there is little incentive for state officials to expand Medicaid because the federal matching rate is smaller than it is with SCHIP. However, the federal matching rate for Medicaid is still generous, ranging between 50 percent and 83 percent; by law, no state receives less than a 50 percent matching rate. Moreover, the matching rate in Medicaid is *unlimited*. This means that so long as a state can generate its share of the cost of the program, the federal government is obligated to match it.

The Right Policy. Members of Congress should return to common sense and fiscal responsibility. Medicaid is a welfare program; it is intended for the poor and the indigent. It should not become, through feverish negotiations over the future of SCHIP, a back door for expanding welfare into the middle class.

If Members of Congress are serious about focusing SCHIP on those who need the most help, then that same consideration should apply for Medicaid. Any congressional unwillingness to agree to clear restrictions on Medicaid eligibility is an indication

of a lack of seriousness about Medicaid as a program for the poor.

In fact, lawmakers would be wise to maintain a hard income cap at 200 percent of the FPL for SCHIP eligibility and demand an even lower cap for Medicaid eligibility.

If Congress wants to go beyond helping the poor and assist middle-class families in buying or keeping their health care coverage, a broad consensus of analysts, liberal and conservative alike, have provided the right answer: middle class tax relief in the form of a health care tax credit.

Conclusion. Members of Congress participating in the current SCHIP negotiations deserve praise for demanding concrete eligibility limits. This will be a real test for congressional liberals, revealing whether they want to help the needy or to expand welfare into the middle class. Lawmakers should impose income eligibility caps for both SCHIP and Medicaid and, if necessary, help the middle class with a health care tax credit.

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