

# WebMemo



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## The Next SCHIP Debate: The Case for Honest Numbers

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Reauthorization of the State Children's Health Insurance Program (SCHIP) will take on new and heightened importance early next year, some of which will reflect on how the congressional leaders manage their respective chambers as well as deal with the low-income children the program was designed to serve. This much is clear: Congress cannot deliver last year's legislation with the same results. SCHIP will either cost more or serve fewer children.

Taxpayers should carefully scrutinize the congressional leadership and pay close attention to the Congressional Budget Office (CBO) to see how they will handle the underlying changes that have occurred since the last vote on SCHIP.

**Simple Math Meets the Unknown.** In general, a large part of estimating the cost of reauthorization is simple math: per capita cost times the number of children served. CBO has a current law baseline, so it can estimate the cost of keeping the same number of children on SCHIP. It is also relatively straightforward to estimate the cost of adding additional numbers of children. However, using last year's estimates regarding current and new enrollment will cost more each year and within the five-year budget window simply because CBO must substitute a higher cost year for a lower cost year—i.e., FY 2008 is dropped from the five-year period and FY 2013 is added.

Next, CBO will look at the most recent expenditure estimates. CBO must examine what is happen-

ing not only in SCHIP but in Medicaid as well. In terms of enrollment of children, Medicaid is four times larger than SCHIP. When CBO provided its estimates for how many children would be insured as a result of legislation, Medicaid children were included in the count. States are just now in the process of sending in their November estimates (the most up-to-date figures used) to construct the new SCHIP and Medicaid baselines. But Medicaid enrollment is sensitive to the economy: As the economy weakens, unemployment rises, as does Medicaid enrollment. So the experience of the next six to 12 months may be very different since SCHIP was last considered by Congress.

Many states are preparing their own new FY 2010 budgets, which are likely to include changes to Medicaid and SCHIP that CBO cannot know at this point. In some states, SCHIP enrollment could fall while Medicaid enrollment increases. If the incoming Obama Administration revokes the Bush Administration's guidelines to prevent the public program "crowd-out" of existing private health coverage, a handful of wealthier states would be able to expand SCHIP to children in higher income families while children at lower income levels in poorer states would be left uncovered.

This paper, in its entirety, can be found at:  
[www.heritage.org/Research/HealthCare/wm2140.cfm](http://www.heritage.org/Research/HealthCare/wm2140.cfm)

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The good news is that such an initiative, effectively destroying existing private coverage, is not only bad policy but broadly unpopular among ordinary Americans. An October 2007 National Public Radio/Kaiser Family Foundation/Harvard School of Public Health survey found that only 32 percent of Americans would support expanding SCHIP eligibility for children with annual family incomes of \$60,000 or more.

**Performance Bonuses for Welfare.** Last year's SCHIP legislation included a performance bonus, which in effect committed the federal government to paying states a new super-enhanced match rate for new enrollees in Medicaid, a welfare program. A state with a 50/50 Medicaid match rate would receive \$906.25 per additional enrollee, or a super-enhanced match rate of 81 percent, for increases in the number of Medicaid enrollees.

The original intent of the performance bonus was to reward states for the extra effort in finding children who are eligible for Medicaid but were not enrolled. This bonus was to be funded with an appropriation of \$3 billion as well as unused SCHIP allotments. In a curious legislative construction, Congress in effect provided that the less money spent on SCHIP, the more money would be available for Medicaid. In a number of respects, last year's SCHIP bill was a Medicaid bill masquerading as SCHIP. Even with states doing nothing toward additional outreach, enrollment in Medicaid is likely to be higher in FY 2009 than it was in FY 2008.

Under the current situation facing many states, the impact of the performance bonus would be difficult to accurately estimate: these bonuses could pay out billions of dollars for unintended purposes, or they could become meaningless simply because of the timing of fluctuations in enrollment between years.

**The Next Debate.** Because of the many changes that have occurred since Congress last considered SCHIP—and with many changes yet to come because of state activities—Members of Congress should not assume that last year's legislation will

yield the same results. It is essential that CBO produce a year-by-year score of the cost for both Medicaid and SCHIP and enrollment figures for each year. Previously, CBO produced enrollment data only for 2012, and many important interactions between Medicaid and SCHIP that could inform policy decisions were obscured. CBO should also explain any changes in their assumptions about the crowd-out of private coverage that invariably accompanies the expansion of public health programs.

Historically, CBO does not produce state-by-state impacts. Members of Congress—new ones especially—should require that such information be made available in these volatile budgetary times for states. Members should be aware that the last version of SCHIP legislation allowed states to expand eligibility to any income level if done through Medicaid. Members should at least be aware that they might be funding such expansion by wealthier states, even while governors and legislators in their own states cannot afford their current programs. Again, a majority of states are not likely to expand SCHIP to higher income levels, and a majority of Americans do not support such expansion.

**Budget Gimmicks.** New Members of Congress should fully understand that Washington is a haze of budget gimmicks. These tricks were an unfortunate feature of last year's debate, and such maneuvers make a mockery of fiscal accountability.

Given the many changes since SCHIP legislation was last considered, the ground for the next reauthorization is different. Flaws in last year's SCHIP legislation could produce even worse results this time around, and rushing the same legislation through the new Congress could create new inequities and tensions among the states. Honest numbers should encourage Congress to consider a new approach to providing affordable health insurance to American families and children that enables them to keep the private coverage they have and to get the private coverage that they want.

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