

January 23, 2008

The Economic Downturn Adds Urgency to Overriding the President's Veto of Children's Health Care

When Unemployment Rises, So Does the Number of Uninsured

Key Points:

- Today, the House is voting on overriding the President's veto of the revised bipartisan SCHIP (State Children's Health Insurance Program) bill (H.R. 3963).
- **The President's veto on December 12 denied health care to children of hardworking families across America** just as the country began experiencing an economic downturn, with families increasingly struggling with the costs of heat, food, gas and health care.
- **Unemployment is growing, and when unemployment increases, so do the number of Americans without health insurance.** In this weak economy, more and more American parents are having difficulty finding affordable health insurance for their children. As a result, the SCHIP program is more critical than ever.
- On October 3, the President had vetoed the first bipartisan SCHIP bill (H.R. 976). This second bill was revised to meet several concerns raised by the President in his veto of the first bill – including ensuring lower-income children are enrolled first and ensuring benefits are denied to illegal immigrants. The revised bill passed the House by a **bipartisan vote** of 265 to 142, with 43 Republicans voting YEA, and the Senate by a **veto-proof margin** of 64 to 30, with 17 Republicans voting YEA. And yet the President still vetoed this revised bipartisan bill.
- Overriding this veto **will strengthen SCHIP during this economic downturn**, when access to health care for children through SCHIP is more critical than ever – and while state budget shortfalls strain their ability to cover children of families struggling to make ends meet.
- Overriding this veto **will also provide health care coverage for 10 million children.** This bill will preserve coverage for all 6.6 million children currently covered by SCHIP and extend coverage to 3.8 million children who are currently uninsured, according to the nonpartisan Congressional Budget Office.
- Overriding this veto **will also replace the Administration's devastating August 17th SCHIP directive**, which otherwise will result in tens of thousands of children being thrown off of SCHIP rolls over the next several months, increasing the number of uninsured in this country.
- This bipartisan SCHIP bill is **supported by 81 percent of the American people**; 64 Senators (including 17 Republicans); 43 Governors (including 16 Republicans); and more than 270 organizations, including AARP, AMA, Catholic Health Association, and Families USA.

On October 25, the House passed H.R. 3963, the revised Children's Health Insurance Program Reauthorization, by a vote of 265 to 142 – with 222 Democrats and 43 Republicans voting YES. Then, on November 1, the Senate also passed the bill – by a veto-proof margin of 64 to 30 – with 45 Democrats, 17 Republicans, and 2 Independents voting YES. The President vetoed the bill on December 12.

On January 23, the House is taking up H.R. 3963 and voting on passing the bill over the President's veto. There will be one hour of general debate. Below are key reasons why overriding the veto is so critical.

Overturing the Veto Will Strengthen SCHIP, Which Is More Critical Than Ever During This Economic Downturn

- **There are numerous signs that the economy is weakening.** Everywhere one looks, one sees the signs of a weakening economy. Home sales have fallen to the lowest point in 12 years; foreclosures have hit a record high; crude oil prices have topped \$100 a barrel; energy prices rose 18.4% in 2007; health care costs are up; American families are falling behind on their bills; consumer confidence is at a five-year low.
- **Unemployment is growing.** As the economy weakens, unemployment is growing. In December 2007, the unemployment rate jumped to 5.0 percent – up from 4.7 percent in November. Indeed, there are 900,000 more Americans unemployed in December 2007 than in December 2006.
- **As unemployment rises, so does the number of uninsured.** Approximately two-thirds of people who become uninsured have lost employer-sponsored health insurance. Analysts estimate that when the unemployment rate rises by one percentage point, the number of uninsured increases by 1.2 million to 1.5 million people. Indeed, during every economic downturn, the number of uninsured has risen.
- **Federal SCHIP dollars become even more critical, as more and more states are suffering budget shortfalls.** At least 21 states, including several of the nation's largest, face budget shortfalls. In the 14 of the 21 states that have already made specific estimates, the deficits are expected to total at least \$29 billion for FY 2009. Moreover, the number of states facing shortfalls is expected to rise markedly in coming weeks as more states complete budget reviews and governors unveil their 2009 budgets. Because the financing of SCHIP and Medicaid is shared by the Federal Government and the States, there is a real threat that states will attempt to close these budget shortfalls by cutting spending on our safety net health care programs such as SCHIP and Medicaid – making the problem of the uninsured, particularly for children, even worse. That is why federal SCHIP dollars are even more critical during a downturn.

Overriding the Veto Will Provide Health Care Coverage for 10 Million Children

Some of the Key Provisions of the Bill

- **Ensures health care coverage for 10 million American children.** The bill renews and improves the State Children's Health Insurance Program (SCHIP), reauthorizing it for five years. The bill ensures that 6 million children who currently participate in the Children's Health Insurance program continue to receive health care coverage. It also extends coverage to nearly 4 million uninsured children, according to the nonpartisan Congressional Budget Office.

- **Invests \$35 billion in new funding.** The bill invests an additional \$35 billion over five years in SCHIP in order to strengthen SCHIP's financing through increasing the federal government's financial support; increasing health care coverage for low-income, uninsured children; and improving the quality of health care children receive. As Republican Senator Grassley has pointed out, "As far as the size of the package, it's important to understand that about half of the new money is needed just to keep the program running, and the rest goes to cover more low-income kids."
- **Improves SCHIP benefits -- ensuring dental coverage and mental health parity.** Under the bill, quality dental coverage will now be provided to all children enrolled in SCHIP. The bill also ensures that states will offer mental health services on par with medical and surgical benefits covered under SCHIP.
- **Improves outreach tools to streamline enrollment of eligible children.** The bill provides \$100 million in grants for new outreach activities to states, local governments, schools, community-based organizations, safety-net providers and others.
- **Improves the quality of health care for low-income children.** The bill establishes a new quality child health initiative to develop and implement quality measures and improve state reporting of quality data.
- **Is fully paid for – by raising the tobacco tax by 61 cents a pack.** The higher the cost of cigarettes, the less likely kids will take up smoking. According to the Campaign for Tobacco-Free Kids, a 61-cent increase in the tobacco tax means that 1,873,000 fewer children will take up smoking. Furthermore, the vast majority of Members of the House and Senate – both Democratic and Republican – are on record in favor of raising tobacco taxes. In August 2007, all but 4 House Republicans voted for the GOP motion to recommit that included an increase of 45 cents a pack in the tobacco tax.

Changes Made in Revised Bill To Address Concerns Raised in President's First Veto

- **Ensuring upper-income children do not receive coverage.** The revised bill provides that only children in families with gross incomes below \$51,500 for a family of three (300 percent of poverty) will receive SCHIP coverage.
- **Ensuring the lowest-income children are served first.** The revised bill provides that states will only receive bonus payments for enrolling the lowest income children, those eligible for Medicaid, first.
- **Phasing out coverage of adults.** The revised bill phases out the coverage of childless adults in SCHIP over one year (the original bill had phased this coverage out over two years).
- **Preventing "crowding out" of private coverage.** The revised bill requires all states to develop plans and to implement recommended best practices for minimizing "the crowd-out" of private coverage. Premium assistance programs (using SCHIP funds to help subsidize employer-sponsored health coverage for a child) are also encouraged at the State level with bonus payments.
- **Ensuring ONLY citizens and legal immigrants receive coverage.** The revised bill provides that, if the Social Security Administration cannot confirm an applicant's citizenship, the applicant will be required to provide the state with additional documentation to confirm eligibility.

Overriding the Veto Will Also Replace Administration's Devastating New SCHIP Directive, Which Will Otherwise Cause Many Children to Lose Their Coverage

- **Administration's August 17th directive imposed drastic new restrictions on a state's ability to provide health insurance to children.** Abruptly, on August 17, 2007, in the middle of a congressional recess, the Centers for Medicare and Medicaid Services (CMS) issued a new SCHIP policy directive to the states. The directive dramatically alters the rules that have governed SCHIP for the past ten years – imposing new limits on states' ability to cover uninsured children. In effect, the new rules do not permit States to cover children in families with gross incomes above \$43,000 for a family of three (250 percent of poverty). The cap applies to states that have long covered children above 250 percent of poverty, as well as to states that plan to cover these children.
- **August 17th directive has already had a substantial negative impact on children's coverage.** A December 2007 study by the Georgetown University Center for Children and Families has found that the directive has already had a negative impact on children's coverage. In just the short period since the CMS directive has been in effect, thousands of uninsured children have lost out on coverage that their state had determined that they needed. Tens of thousands of more are at risk of losing their coverage, as more states are required to comply with the new rules.
- **Under August 17th directive, more and more children will lose coverage over next few months.** Eighteen states will be affected over the next 8 months by the directive, including 14 states that covered children above the new federal income cap with federal approval before the directive was issued, in most cases for many years. These states will be forced to roll back their eligibility levels at some point before August 2008.
- **Overriding the veto will replace August 17th directive with common-sense policy.** The bill replaces the August 17th directive with a more sensible, appropriate policy. The bill gives states time and assistance in developing and implementing best practices to address the issue of SCHIP coverage replacing available private coverage. The bill also puts the lowest-income children first in line by phasing in a new requirement for achieving coverage of low-income children, as a condition of receiving SCHIP funding for coverage of children in higher-income families.