

# **H.R. 1668**

## **“Kids First Act of 2005”**

### **Bill Summary**

#### **The Need for Universal Coverage for Children:**

There are over 9 million uninsured children in America. That number goes up to 11 million when counting young adults to age 21.

One in three children went without health insurance for all or part of 2002 and 2003.

Sixty-five percent of all uninsured children have at least one parent working full time over the course of the year.

Children in America are not getting the health care they need:

- ¼ of children are not fully up to date on their basic immunizations.
- 1/3 of children with chronic asthma do not get a prescription for medications they need.
- ½ of all uninsured children have not had a well child visit in the past year.
- 1 in 5 has trouble accessing needed care.
- 1 in 4 does not receive annual dental exams.
- 1 in 6 has delayed or unmet medical needs within the year.
- 1 in 3 went without health insurance for all or part of 2002 and 2003.

#### **The Role of Medicaid and SCHIP:**

Medicaid and SCHIP serve as a crucial safety net for 30 million children. While the number of children living in poverty increased by two million between 2000 and 2003, the number of uninsured children fell due to Medicaid and SCHIP enrollments.

Medicaid and SCHIP have a track record of improving the health of children. Studies have found that publicly-insured children are more likely to obtain medical care, preventive care, and dental care than similar low-income children that are privately insured. In addition, expansion of SCHIP and Medicaid to more children is projected to reduce rates of avoidable hospitalizations by 22 percent. Children enrolled in public insurance programs were also found to have a 68 percent improvement in measures of school performance.

Americans support this approach. According to a recent survey conducted by the Kaiser Family Foundation and the Harvard School of Public Health, eighty percent of Americans say they favor expanding state programs like Medicaid as a way to increase the number of insured Americans.

## **Legislative Summary:**

Under this proposal, there will be a true federal - state partnership where the best elements of shared responsibility contribute to the creation of an affordable, reliable comprehensive system of care for all children. There will no longer be any uninsured children in America.

The bill focuses on three main areas: how to get states to expand coverage; how to get parents to share in the responsibility of covering their children; and how to eliminate enrollment barriers that prevent eligible children from signing up for coverage.

### **State Fiscal Relief and Coverage Expansions**

At the center of this proposal is a new plan to offer states fiscal relief in exchange for expansions of coverage to more children.

States are experiencing record budget deficits and pressures to cut back on health care for children and the poor. S.114 offers states a different path: the federal government will provide significant fiscal relief to the states in exchange for their commitment to expand state health coverage to more children and to help aggressively find and enroll them into these programs.

Under the Kids First compact, the federal government pays for all Medicaid outreach and coverage costs for children under age 21 with incomes at or below poverty level (\$15,670 annual income for a family of 3).

In exchange, the state agrees to pay for its share of a SCHIP or Medicaid coverage expansion to children under age 21 with incomes at or below 300% of poverty (\$47,010 annual income for a family of 3).

By raising the age of a child to include young adults under age 21, this proposal will cover nearly 11 million children who are currently uninsured.

It is in a state's economic interest to participate in this compact.

Under this proposal, States would save more than \$11 billion annually from their share of Medicaid payments for children in families living below the poverty level. **Even after calculating the costs of expanded coverage to higher income children, the net economic benefit for States is more than \$6 billion a year.**

### **Encouraging Family Responsibility**

If we are to be successful in covering every child in America, we must help families meet their parental obligation and responsibility to get their children insured. This bill requires parents to insure all children under age 19 and requires proof of their coverage to qualify

for the full child tax credit. Any lost credits would be used toward financing automatic enrollment into the SCHIP program.

Under this provision, Medicaid, SCHIP, and private group health insurers would be required to send to the family annual notices, modeled on the W-2 form, documenting the period of creditable coverage for children during the previous calendar year. Tax filers would have to submit this as proof of insurance for their children under age 19. Families who fail to show proof of full-year insurance for each child would forfeit their child exemption on their Federal income taxes. For families whose child was covered for part of the year, the amount of the reduction in the child exemption would be proportionately reduced (e.g., a family would forfeit half of the child exemption if the child were insured for only 6 months). This policy protects low-income families from any penalties by clarifying that no reduction in the exemption would be taken for families in the bottom tax bracket.

But in addition to this requirement, the bill sets forth meaningful policy changes to help families achieve this coverage mandate by:

- Allowing higher income parents the right to buy into the SCHIP program for their children at cost.
- Allowing use of the SCHIP subsidy for parents to purchase qualified employer sponsored coverage.
- Providing tax credits to higher income parents to maintain coverage affordability. Parents will not be required to spend any more than 5 percent of their adjusted gross income on health care premiums for their children under age 19.

### **Eliminating Barriers and Expanding Access**

In addition to expanding eligibility, there are programmatic barriers that must be removed in order for all children to have access to comprehensive, affordable health care.

Under this bill, states are required to make enrollment simpler, automatic, and more continuous. We must find and enroll the nearly 6.8 million children that are eligible for Medicaid or SCHIP coverage but are currently uninsured. Studies indicate that as many as 67 percent of children who were eligible but not enrolled for SCHIP had applied for coverage but were denied due to procedural issues.

To remedy this, participating states are required under this legislation to adopt a variety of changes to their programs, including: presumptive eligibility; 12-month continuous eligibility; acceptance of self-declaration of income; adoption of express lane eligibility; elimination of face-to-face interview for redetermination; no waiting lists for children under SCHIP; no assets tests for children; and no 5-year waiting period for legal immigrant children. To improve access, the bill also provides for an increase in pediatric provider payments under Medicaid.

## **Costs and Offsets**

According to an analysis performed by Dr. Kenneth Thorpe at Emory University, the 5-year Federal score for the bill is slightly over \$100 billion with a 10-year score of \$264 billion. These cost calculations do not include long-term savings to the health care system from reduced reliance on uncompensated care for uninsured children.

To pay for this proposal, the bill repeals a portion of the tax cuts enacted since 2001 that go to taxpayers earning in excess of \$300,000 per year. This is about 1% of all taxpayers and the wealthiest of all Americans. This offset is just one approach. Other offsets might be considered given the proposal's overall affordability.