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For Immediate Release
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Grassley Welcomes Realization about SCHIP Funding Needs, Seeks Explanation for Administration's Dramatic Turn-around

WASHINGTON – Sen. Chuck Grassley, ranking member of the Finance Committee, today said he was glad to see the Administration realize that funding the State Children's Health Insurance Program would require a lot more than \$5 billion to accomplish what the Administration said it wanted to accomplish, and he asked top officials for the President to account for the dramatic shift in the Administration's estimate from \$4.2 billion over five years to \$19.7 billion over five years.

"SCHIP re-authorization failed in part last year because the Administration insisted the program didn't require as much money as some of us said it would," Grassley said. "A lot of members of Congress relied on the Administration's estimates. It turns out that the estimates apparently weren't so reliable. I don't know how or why they revised their estimate by more than 400 percent in a few months. It's good they got religion, but I wish they'd seen the light last fall. We might have avoided a lot of time and trouble and gotten far better policies instilled in the program."

Grassley helped to produce a bipartisan SCHIP reauthorization package, which was voted out of the Finance Committee, passed the Senate by a vote of 68-31, and served as the basis for two successive bipartisan compromises that passed Congress and were both vetoed by the President. The text of Grassley's letter follows here.

February 4, 2008

The Honorable Michael O. Leavitt
Secretary
United States Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

The Honorable Jim Nussle

Director
Office of Management and Budget
725 17th Street, NW
Washington, D.C. 20503

Dear Mr. Secretary and Director Nussle:

The United States Senate Finance Committee (Committee) has jurisdiction over the Medicare, Medicaid and SCHIP programs and is responsible for overseeing the proper administration of these programs. Last year, the committee considered legislation to reauthorize the State Children's Health Insurance Program (SCHIP). That legislation passed the full Senate on August 2, 2007, by a vote of 68 to 31. Members from the House and Senate met and produced a compromise SCHIP reauthorization bill, which was passed twice by Congress and vetoed twice by the President.

In the Administration's FY 2009 budget released today, the Administration's current proposal for extending SCHIP is a net of \$19.7 billion over five years. Last year, the President's budget requested a net of \$4.2 billion over five years for SCHIP reauthorization. The Congressional Budget Office (CBO) estimated that the President's budget request would result in net spending of \$2.4 billion over six years (2007-2012).

The surprising 400% plus difference between the Administration's budget request from last year to reauthorize SCHIP and this year's budget request raises a number of questions. Numerous Members of Congress who relied on the Administration's assertions last year that SCHIP required only \$3-5 billion will be understandably perplexed at the revelation that, as evidenced by this year's budget, SCHIP seemingly requires considerably more than projected by the Administration just months ago.

In order to better understand this unexpected turn of events, I request the following information:

- (1) What were the assumptions that the FY 2008 budget request was based upon?
- (2) What are the assumptions that the FY 2009 budget request is based upon?
- (3) When did the Department of Health and Human Services first project that the cost of reauthorizing SCHIP would be substantially higher than what was proposed in the President's FY 2008 budget?
- (4) When did the Office of Management and Budget first learn of a potentially higher cost for reauthorizing SCHIP?
- (5) Knowing that months of work goes into the preparation of the President's budget, at what point in time did the Administration first become aware that the funding required for SCHIP reauthorization would likely need to be revised substantially upward in the FY 2009 budget?
- (6) What actions, if any, did the Department, the Office of Management and Budget or anyone in the Administration take to inform Congress that a substantially higher cost for SCHIP reauthorization had been determined and to share this revised cost estimate with Congress?

In addition to answering to these questions, the Department and the Office of Management and Budget is requested to provide copies of all analyses and estimates of the cost of SCHIP reauthorization prepared last year, particularly the analyses and estimates that led to the request in this year's budget.

In light of the approaching hearings this week on the President's budget, it is important for the Department and the Office of Management and Budget to respond promptly to this request for information. Accordingly, please provide a response no later than Tuesday, February 5, 2008.

I look forward to receiving this information.

Sincerely,

Charles E. Grassley
Ranking Republican Member