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Press_Office@finance-rep.senate.gov

Floor Statement of Senator Chuck Grassley
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Mr. President, the Children's Health Insurance Program or CHIP— is the product of a Republican-led Congress in 1997. It is a targeted program designed to provide affordable health coverage for low-income children of working families. These families make too much to qualify for Medicaid but struggle to afford private insurance.

Last July, the Senate Finance Committee reported bipartisan legislation to enhance and improve CHIP by a strong vote of 17 to 4. In August, the Senate passed the Finance bill with some minor changes 68-31. On Tuesday, 265 Members of the House of Representatives voted for the bill we are considering. Clearly, we have a bill with strong bipartisan support.

The legislation before the Senate, maintains the fundamental provisions of the Senate bill:

- A cap on new spending at \$35 billion
- No Medicare provisions
- Spending paid for by an increase in the cigarette tax

I want to commend the Majority in the House and Senate for cooperating with Senate Republicans and for working with us on our priorities during the negotiations that led to this agreement.

And this compromise agreement is consistent with principles we put forth in the Senate bill. And I made clear during the debate of the bipartisan Senate bill, that the Senate went as far as I was willing to go in terms of spending and policy.

And it makes sense that we stayed true to the Senate bill. The Senate, after all, had a veto-proof majority. So it made sense to stay as close as possible to that successful formula.

The legislation before this body maintains all of the key policy provisions of the Senate passed bill. This bipartisan bill refocuses the program on low income children, it phases adults off the program, it prohibits new waiver for parent coverage, it reduces the federal match rate for states that cover parents, and it includes new improvements to reduce the substitution of public coverage for private coverage.

This compromise bill maintains the focus on low income uninsured children and adds coverage for more than 3 million low-income children.

The compromise bill discourages states from covering higher income kids by reducing the federal matching rate for states that wish to expand eligibility over 300% of the federal poverty limit.

It rewards states that cover more of the lowest income kids by providing targeted incentives to states that increase enrollment for coverage of low income kids.

The message to states is clear: **COVER YOUR POOREST KIDS FIRST!**

Don't spend money on childless adults. Don't spend money on parents unless you can prove you are covering your low-income kids. Don't spend money on higher income kids unless you can prove you are covering your higher income kids.

It's all there in black and white. Anyone who suggests this bill is an expansion to higher income kids or other populations is simply not reading the bill.

Since the Senate passed the bill the first time, the subject of 'crowd-out' has become a lot more important in this debate.

Crowd out is the substitution of public coverage for private coverage. Crowd out occurs in CHIP because the CHIP benefit is very attractive and there is no penalty for refusing private coverage if you are eligible for public coverage.

On August 17, CMS put out a letter giving states new instructions on how to address crowd-out. I appreciate the Administration's willingness to engage on the issue. I think they have some very good ideas. But I also think there are some serious flaws in their policy.

States are supposed to cover 95% of the low-income kids. But it's been a month since they issued the letter and CMS still cannot explain what data states should be using.

Personally, I think CMS should have answers before they issue policies. And if they still can't explain how it works a month later, I believe, as the saying goes ... they obviously aren't ready for prime time. So the compromise bill replaces the CMS letter with a more thoughtful, reasonable approach.

The Government Accountability Office and the Institute of Medicine would produce analyses on the most accurate and reliable way to measure the rate of public and private insurance coverage and on best practices by states in addressing crowd-out.

Following these two reports, the Secretary, in consultation with States, will develop crowd-out best practices recommendations for the states to consider and develop a uniform set of data points for States to track and report on coverage of children below 200% FPL and on crowd-out.

Next, States that extend CHIP coverage to children above 300% FPL must submit to the Secretary

a State plan amendment describing how they will address crowd-out for this population, incorporating the best practices recommended by the Secretary.

After October 1, 2010, Federal matching payments are not permitted to States that cover children whose family incomes exceed 300% of poverty if the State does not meet a target for the percentage of children at or below 200% of poverty enrolled in CHIP.

Simply put ... cover your low-income kids or you get no money to cover higher-income kids.

Now I know some people are obsessed with the state of New York and their efforts to cover kids up to 400% of poverty.

It seems to come up in the talking points of every person who speaks out against our bill. This bill does not change the CHIP eligibility rules in any way. Not one bit. This bill does not expand the CHIP program to cover middle-income families or higher income kids. It doesn't do it.

The bill actually goes the other direction. The real fact is the bill makes it very difficult for any state to go above 300% of poverty; it will make it very difficult for New Jersey, the only state currently covering kids above 300%, to continue to do so if they don't do a better job of covering low-income kids.

If you're concerned about the state of New York, don't waste your time looking at this bill. You won't find answers to New York's fate here. The answer is where it has always been—in the office of HHS Secretary Mike Leavitt. Only he has the authority to allow any state to cover children up to 400% of poverty. The authority to approve what states do with the CHIP program rests with him and no one else. This bill does nothing to change that authority. That's a fact.

I heartily encourage those of you who haven't to read the bill. It's all in black and white.

And I also want to say a few words about the President's position against this bill. It's unfortunate that the President is not supporting this bill. I hope he will reconsider and sign this bill.

The President himself made a commitment to covering more children. During the Republican National Convention in New York City, President Bush was very firm on this point. Here is what he said, and I quote:

“America's children must also have a healthy start in life. In a new term, we will lead an aggressive effort to enroll millions of poor children who are eligible but not signed up for the government's health insurance programs. We will not allow a lack of attention or information to stand between these children and the health care they need.”

The President was pretty clear in his convictions then. Let me repeat his words because I think they are important. He said he would “lead an aggressive effort to enroll millions of poor children . . . [in] the government's health insurance programs.”

I am working to make sure we fulfill that commitment. But the President's current proposal doesn't

accomplish his goal.

The Congressional Budget Office reports that the President's proposal for SCHIP included in his FY 2008 budget would result in a LOSS of coverage – not an INCREASE of coverage as the Administration had been advocating for in 2004, but a LOSS of coverage of 1.4 million children and pregnant woman.

Increasing the numbers of uninsured children is clearly not the goal here. So we needed to figure out a better policy. And that is what we've done.

Now Mr. President, this bill does not warrant the overheated rhetoric we heard in the House on Tuesday. This is a bill that improves coverage for kids who are poor. This bill does not make it easier for illegal immigrants to get benefits. The bill clearly states that funds cannot go to illegal immigrants. The desperate efforts I heard on the House side to suggest the bill makes it easier for illegal immigrants to get benefits simply strains credibility. The bill does not extend eligibility for LEGAL immigrant children or pregnant women. The bill does not make CHIP an entitlement.

The bill is not a government takeover of health care. The bill is not socialized medicine. Screaming 'socialized medicine' during a health care debate is like shouting 'fire' in a crowded theatre. It is intended to cause hysteria that diverts people from looking at the facts. To those of you who make such outlandish accusations, I say, go shout 'fire' somewhere else. Serious people are trying to get real work done. Now's the time to get this done.

I appreciate very much the leadership that Chairman Baucus has provided. I thank him and Senator Rockefeller for what they did to reach a bipartisan agreement. I also extend my sincere thanks to Sen. Hatch for being part of this effort. Sen. Hatch was the main Republican sponsor of the bill that created the SCHIP program ten years ago. His commitment to the ideals and fundamentals of the program is steadfast and the program is better for it.

Mr. President, when we began the debate on CHIP, I wrote down my "Principles on SCHIP." I referred to these principles during the negotiations of the Senate bill and during the compromise discussions with the House. I made a copy for my staff and told my staff to adhere to these principles during the staff negotiations. Here are some highlights of my "Principles on SCHIP" and how they compare to this bill:

- It cannot be a middle class entitlement. This bill isn't.
- It must be paid for. The bill is paid for.
- It must be focused on families below 200% of the federal poverty level. This bill IS focused on those low income families.
- Kids should be covered before adults. The bill clearly makes that a requirement.
- The program should be capped, not an open-ended entitlement to states. The program continues to be capped in this bill.

Mr. President, I am here to say my principles remain intact in this compromise document. Therefore, I support the compromise bill and urge my colleagues to do the same.

