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**FINANCE LEADERS FIGHT MYTHS ON CHILDREN'S HEALTH  
AS HOUSE VOTE TO OVERRIDE VETO APPROACHES**

*Letter to hundreds of House colleagues refutes common misinformation*

**Washington, DC** – Today, leaders of the Senate Finance Committee reached out to their colleagues in the House of Representatives to dispel myths surrounding the Children's Health Insurance Program (CHIP) Reauthorization Act. In a letter to all members of the House, Chairman **Max Baucus** (D-Mont.), Ranking Republican **Chuck Grassley** (R-Iowa), Health Subcommittee Chairman **Jay Rockefeller** (D-W.Va.), and Health Subcommittee Ranking Republican **Orrin Hatch** (R-Utah) refuted some of the most misleading arguments about the CHIP Reauthorization Act, urging representatives to base their vote to override a Presidential veto of the bill on the facts of the legislation.

CHIP currently provides health coverage for 6.6 million kids from low-income, working families. Baucus, Grassley, Rockefeller, and Hatch worked together this year to write the \$35 billion agreement that would extend dependable health coverage to nearly four million more low-income, uninsured American children over the next five years. The House of Representatives and the Senate passed the legislation with bipartisan majorities, but the President vetoed the measure on October 3.

The text of the Senators' letter follows here.

October 17, 2007

Dear Colleague:

As you prepare to cast your vote tomorrow on the Children's Health Insurance Program (CHIP) Reauthorization Act, those of us who took lead roles in writing the bill in the Senate would like to provide you with detailed information about the legislation. The material below responds directly to the great amount of misinformation that has been spread about this compromise bill. We hope that you will take time to review these facts before you vote. The four of us worked together on a bipartisan basis for most of this year to craft CHIP legislation that will do just what we all want to do: serve low-income children who currently lack health coverage. The following information separates fact from fiction about H.R. 976, the CHIP Reauthorization Act.

**FICTION:** *The compromise bill would expand coverage for children in families with incomes of up to \$83,000 a year.*

FACT: The bill does not raise the eligibility level for CHIP. While the State of New York did ask the Department of Health and Human Services for approval to raise eligibility to 400% of poverty, the Secretary rejected New York's request. The compromise bill replaces HHS's flawed August 17 policy on crowd-out with a more reasoned approach, but this does not force the approval of any state plan to cover children at higher income levels. As under current law, the decision to approve state requests to change CHIP eligibility still rests with the Administration, not with Congress.

No state has received approval from the Administration to expand CHIP eligibility to 400% of poverty. And even if the compromise bill were signed into law, no child in a family with an income of \$83,000 would be eligible for CHIP unless it were approved by the Administration.

To say that the compromise bill increases coverage for the upper middle class is flatly wrong. The truth is that the bill actually moves in the opposite direction – focusing policies and incentives exclusively on targeted low income children.

First, the bill establishes a new financial incentive for states to enroll children below 200 percent of poverty. The compromise bill provides bonuses to states for enrollment of eligible but uninsured Medicaid children. These are the poorest of the poor, and the bill does more to help them than any other children. The Congressional Budget Office estimates that the compromise bill will increase enrollment for children currently eligible for Medicaid, but who do not have health insurance, by 1.7 million.

Second, the bill limits the federal matching rate for states that want to expand eligibility for children in families over 300% of poverty. That is a clear disincentive for states to expand eligibility to higher income levels.

Finally, the bill establishes a new policy for states that want to expand eligibility. These states must meet certain targets for coverage of children below 200 percent by 2010, or risk the loss of any federal matching funds for children in families with incomes over 300 percent. The bill makes clear that any state wishing to cover children at higher incomes in the future must first cover its poorest children.

**FICTION:** *Congress would move children with private insurance into government-run health care.*

FACT: According to the Congressional Budget Office (CBO), the rate of substitution of public coverage for private coverage, or "crowd-out," would be lower under the compromise bill than under current law. CBO estimates the crowd-out rate under the current program to be 50 to 60 percent. CBO estimates the crowd-out rate for the additional low-income children in the compromise agreement at 30 percent, far better than the current program and better than estimates made when Congress created the program ten years ago. The compromise agreement limits crowd-out by targeting incentives and funding toward for coverage of lower income children – who are less likely to have access to private coverage.

The fact is that this bill takes a number of steps to minimize crowd-out of private coverage.

First, the bill creates new options for states to subsidize employer-sponsored group health coverage as an alternative to enrollment in CHIP.

Second, as mentioned above, the bill directs the majority of new bonus payments to enrollment of the lowest income children – those below 200% of poverty – who are the least likely to have access to private coverage.

Third, the bill requires a thorough review of best practices to reduce crowd-out, and then requires each state that covers children above 300 percent - currently only New Jersey - to submit a plan that incorporates those best practices.

Fourth, as mentioned above, the bill requires states to meet benchmarks for covering the lowest income, more likely uninsured children first in order to receive any funding for covering children at higher income levels. This will maintain CHIP's focus on children who are less likely to have access to private coverage.

**FICTION:** *The congressional bill is an incremental step toward government-run health care.*

FACT: CHIP is a leader in combining public and private solutions to provide health coverage to uninsured children. The CHIP Reauthorization Act encourages a mix of public and private solutions to cover kids, and limits the scope of the program to the low-income, uninsured children Congress meant to cover when the program was created in 1997. Four out of five state CHIP programs use private entities to deliver coverage. The compromise maintains the block grant, non-entitlement nature of the program. The American Medical Association, the Association of Health Insurance Plans, and PhRMA – hardly advocates of socialized medicine – all support the bill.

The compromise bill also takes significant steps to make it easier for families to stay in employer-sponsored group health plans through a premium assistance subsidy. The bill streamlines the ability for employers to participate in premium assistance and for states to operate premium assistance programs.

**FICTION:** *Congress uses a budget gimmick to conceal the true cost of its CHIP plan.*

FACT: This bill is a five-year reauthorization proposal, and revenues in the bill more than pay for the spending in the period. Budget rules say that the Congressional Budget Office must score future spending for the program based on the last year of the program's current authorization. After the five-year reauthorization period, the budget rules set baseline funding at five billion dollars annually for five additional years based on funding in the last year of authorization (2012).

The authors of this bill fully expect that Congress and the next President will reauthorize CHIP in five years and necessarily revisit the funding level. Or, in the meantime, Congress may take on the bigger issues of health care and address funding for SCHIP and Medicaid as part of a larger health reform discussion.

**FICTION:** *The compromise bill would allow illegal immigrants to get Medicaid and SCHIP.*

**FACT:** Section 605 of our bill states the following: “Nothing in this Act allows Federal payment for individuals who are not legal residents.” In addition, under current law, there is no citizenship documentation requirement for CHIP. The compromise bill improves on current law, requiring for the first time that CHIP programs establish beneficiaries’ citizenship to enroll - a requirement that currently applies only to Medicaid. A state can use the current system that was implemented through the Deficit Reduction Act of 2005, which requires an original birth certificate and a parent’s driver’s license or passport. Many states will continue to use that system. But, because many states have struggled with the new requirements due to bureaucratic and technological difficulties, our bill requires the HHS Secretary to develop a new system for documenting citizenship, allowing states to use Social Security numbers and data.

If the Social Security Administration cannot verify an applicant’s citizenship through its own strong system of documentation – which is the same as required in the Deficit Reduction Act – or through the birthplace of the applicant, the state is required to verify citizenship status with the individual using original documentation. This new option allows states to choose what works best for them based on their information systems.

It is important to note that CMS has modeled its documentation requirements for Medicaid’s highest tier of acceptable documents on Social Security’s own document list. Given the bureaucratic challenges states have faced over this provision, it makes sense to allow states to use Social Security numbers to verify citizenship.

Also, every Social Security record notes the birthplace of the person on record. Therefore, Social Security records will document whether or not a Medicaid or CHIP applicant claiming to be a citizen was actually born in America. Those without an American birthplace in their Social Security record will be required to document their current citizenship. In cases where citizenship status cannot be verified using this data, then, once again, states will be required to verify citizenship status with the applicant using the original documentation required today in Medicaid.

Please do not hesitate to contact our offices for further facts about the vital Children’s Health Insurance Program Reauthorization Act.

Sincerely,

Max Baucus  
Senate Finance Committee Chairman

Jay Rockefeller  
Health Subcommittee Chairman

Chuck Grassley  
Ranking Republican Member

Orrin G. Hatch  
Ranking Republican Member