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Floor Statement of U.S. Senator Chuck Grassley of Iowa
Ranking Member of the Committee on Finance
Children's Health Insurance Program Reauthorization Act of 2007
Tuesday, July 31, 2007

Mr. President, the State Children's Health Insurance Program, or SCHIP as it's called, is the product of a Republican-led Congress in 1997. It's 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.

It's important that we re-authorize this important, targeted program for children. The Finance Committee bill proposes a reasonable approach for re-authorizing SCHIP that's the product of months of bipartisan work in the committee.

As I've said, this Finance Committee bill is a compromise. I think it's the best of what is possible. Clearly, folks on the left wanted to do more. My colleagues on the right wanted to do less and go a different direction. Well, neither got what they wanted. That's why it's a compromise.

This compromise bill maintains the focus on low-income uninsured children and adds coverage of an additional 3.2 million low-income children.

Now, I've heard some carping from different quarters about the role Senator Hatch and I played. Some on my side have suggested that our efforts at finding compromise have been inconsistent with advancing the Senate Republican agenda.

To put it in context, I'd like to remind the critics that we would not have made tax relief law if we'd not found a way to compromise with our Democrats that shared some of our goals. The bipartisan tax relief plans of 2001, 2003, 2004 and 2006 could not have passed the Senate on Republican votes alone.

During the four and one-half years of my chairmanship of the Finance Committee, we were able to enact almost \$2 trillion in broad-based tax relief. None of that would've happened if Republicans had decided to go it alone.

So, while the temptation is always there for some members, on both sides, to not engage the other side, rarely, if ever, will that strategy result in sustainable policy.

Now when it comes to the Republican agenda here, I haven't heard any Republican say that we shouldn't provide health coverage to low income children. And I haven't heard anyone say we shouldn't re-authorize SCHIP. Quite the contrary.

First, 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:

“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.”

Somewhere, the priorities of this administration has shifted. The Congressional Budget Office reports that the proposal for SCHIP included in the President’s FY 2008 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 women.

The Secretary of Health and Human Services, Mike Leavitt, has also supported expanding SCHIP. Secretary Leavitt is the President’s cabinet member for health care. When Secretary Leavitt was the Governor of Utah he favored expanding SCHIP. During a public media availability on SCHIP following a meeting with the President here is what he said about that meeting:

“There was a discussion on children’s health care -- a lot of celebration among the governors and the president on the successes that we have had in implementing the CHIP program. Over the course of the last couple of years it’s been a very successful partnership, and we discussed ways in which that could be expanded.” (Michael Leavitt, February 28, 2000, Governors Leavitt and Glendening hold media availability following Governors’ roundtable with the President)

Now, Secretary Leavitt wrote the Finance Committee to say that the President would veto the Finance Committee’s SCHIP bill. But even in that letter, he does not call for ending SCHIP. He does not suggest that we shouldn’t cover kids through SCHIP. Not at all. Here is what he said about SCHIP:

“The President and I are committed to re-authorizing a program that has made a significant difference in the health of lower income children. Through 10 years of experience and bipartisan support, the State Children’s Health Insurance Program (SCHIP) serves as a

valuable safety net for children in families who don't have the means to purchase affordable health care. We are committed to its continuation.”

I appreciate this support in the past for expanding SCHIP from the President and from Secretary Leavitt.

Some around here say we shouldn't update the SCHIP program. They are basically saying the program is fine as it is now. They want a simple continuation of the current program and current funding.

But the current program doesn't work. And the current levels of funding won't work either.

Under current law, the current program is authorized to spend \$25 billion over the next five years. That's the baseline amount. But the Congressional Budget Office says that the \$25 billion baseline amount won't fully fund the program. CBO says that without more funding 800,000 kids would lose coverage.

And, the administration has allowed adults to get covered under this program for children. That's not what Congress intended. SCHIP is for kids not adults. A simple extension of current law means that adults would stay on the program.

A simple extension would also mean more adults would be added. That's because states would be free to get approval for more childless adults and parents. That's not good for the program. Covering adults drains scarce resources away from children's coverage.

We may end up having to pass a short term extension of current law for a few months before work is finished on re-authorization. That's something we may have to live with while Congress finishes work on a final version of the re-authorization bill. If that happens then so be it. But hopefully we can avoid a long-term extension of current law.

The SCHIP funding formula in current law doesn't work either. It actually gives less money to states that get their kids covered. It doesn't make sense. An extension of current law wouldn't fix the formula.

The current formula also penalizes small rural states. That's because uninsured kids aren't counted accurately in small rural states. That has resulted in funding shortfalls in those states. An extension of current law means that this inaccurate funding formula would continue. That means more shortfalls in those states.

Another problem with current law is that there isn't enough funding. So under a straight extension of current law, there will be additional state shortfalls.

The Congressional Budget Office says that those shortfalls would cause 800,000 kids to lose coverage.

When Congress has faced these shortfalls in the past-what have we done? We just handed out the money to the states.

Congress did that on three separate occasions. So that would keep those 800,000 kids from losing coverage but this doesn't fix other problems. It perpetuates them. It means funding coverage of adults and a fundamentally flawed formula.

So that's why an extension of current law won't work. More adults! A broken funding formula! State shortfalls! Kids losing coverage!

So what other options are there? Well, there's the President's proposal.

The President's plan is in his budget. It proposes a \$4.8 billion increase for SCHIP. But it doesn't work either.

What many have overlooked is the President's plan assumes a massive redistribution of about \$4 billion in SCHIP funds that states have in reserve.

So the President assumes that states will willingly relinquish all of their SCHIP reserves. And it assumes the Secretary will redistribute those funds to states that currently have SCHIP shortfalls.

As someone who was worried about state SCHIP shortfalls, before worrying about SCHIP shortfalls was cool, I'll tell you, that dog won't hunt. It's robbing Peter to pay Paul. There is no way a proposal that sucks \$4 billion out of state coffers is going to fly around here.

And, that's not all. Under the President's plan, 1.4 million children and pregnant women would be cut off the program between now and 2012. That's right, 1.4 million would lose coverage.

So that's the President's plan. Rob Peter to pay Paul. 1.4 million losing coverage!

Then we are going to hear about a more comprehensive proposal.

As I said during the Finance Committee consideration of this bill, I would have liked the debate about SCHIP to have focused on a larger effort to address the millions of Americans who are uninsured. I think we are missing an opportunity by only focusing this debate on SCHIP re-authorization.

Too many Americans don't have health coverage, and we need to address rising health costs. I agree that we should be doing more, and I want to see Congress consider proposals to reform the tax treatment of health care to increase coverage to tens of millions of Americans.

But, in terms of SCHIP re-authorization, that does not seem realistic. I continue to be disappointed by the fact that there isn't bipartisan support for trying to do more as part of SCHIP. I urged the administration months ago to work to get bipartisan support if they wanted

the President's initiative to be successful. It didn't happen. I looked far and wide, and can't find a single Democratic senator who will support a tax reform alternative on the SCHIP bill.

Even though it won't happen with this bill, we still need to work for a broader package to address the more fundamental problems of rising health costs and the uninsured.

Until then, SCHIP is a stop-gap measure. The \$35 billion we are investing in children's health coverage over the next five years is a drop in the bucket. It's one quarter of one percent of the \$14 trillion that will be what will be spent on health care in the United States between now and 2012.

Economists generally agree that if a condition cannot persist, then it won't persist. The current spending on health care cannot persist. Members on both sides of the aisle have worked on proposals to address the broader issues of the uninsured and health reform overall.

Senators Wyden and Bennett have been championing a more comprehensive approach to cover the uninsured. Many Republican senators want to make changes in the tax code to help cover tens of millions of Americans of all ages instead of the few million kids we do in this legislation.

I'm looking forward to a fruitful debate on this issue of health reform and the uninsured through the Senate Finance Committee once we complete action this legislation.

Turning back to the Senate Finance Committee bill, I'm really rather surprised at the over-heated rhetoric that has emerged from both sides. It has really been pretty unbelievable.

On the one side, I hear that nothing less than \$50 billion will do the job and if that number is not reached, children will be at risk of dying! Dying, Mr. President!

On the other side, I hear maintaining coverage for kids currently on the program and covering about half of the kids eligible for Medicaid or SCHIP represents a slippery slope that leads to a government takeover of our entire health care system.

Both sides need a time out to cool down. Stop the hysteria and take a look at the actual Senate Finance Committee compromise.

In 1997, SCHIP was conceived as a capped block grant program, not an individual entitlement. That was very important to Republicans. It's our model for how a safety net program should work. It's not an open ended entitlement. The Finance Committee bill maintains the block grant. It does not create an individual entitlement.

In 1997, SCHIP was intended to encourage public-private partnerships. The Finance bill improves and strengthens private coverage options.

In 1997, SCHIP gave states the tools they need to control costs. These tools include allowing waiting lists, adding reasonable cost sharing and limiting enrollment. The Finance bill

maintains the flexibility contemplated by the 1997 Act.

In 1997, SCHIP gave states the flexibility to address geographic differences in health care costs. States determine eligibility for benefits and tailor the benefits to the state's needs. The Finance bill affirms the state's role in managing this program.

SCHIP is also a humble program when compared to Medicaid. Medicaid is the bigger and more expansive entitlement program. Medicaid is the program for low-income individuals, pregnant women, and families. The bill before us today represents a modest update of the SCHIP program created in the 1997 Act.

So, what does the bill before the Senate actually accomplish, Mr President?

The bill before the Senate extends the program and fixes problems with current law by:

1. Extending the program that would otherwise expire on September 30.
2. Eliminating shortfalls that have plagued the program.
3. Eliminating enhanced match for coverage of parents and childless adults.
4. Preserving the original SCHIP mission: coverage of low income children.

The bill before the Senate continues and focuses coverage on low-income children by doing the following:

1. It provides additional resources targeted towards covering low-income children.
2. It extends coverage for the 6.6 million children currently enrolled in SCHIP, 91 percent of whom are in families with incomes under 200 percent of the federal poverty level.
3. It covers an additional 2.7 million children already eligible for Medicaid or SCHIP under current law.
4. And it provides coverage for an additional 600,000 uninsured low-income children.

The Finance Committee bill provides targeted incentives to precisely and efficiently cover the lowest income children. It does this by doing two things.

1. By providing precisely targeted incentives that use an incentive fund to encourage enrollment of the lowest-income children.
2. And by encouraging states to increase outreach and enrollment.

The Director of the Congressional Budget Office, Dr. Peter Orszag, characterized the Incentive Fund as: "as efficient as you can possibly get per new dollar spent."

The Finance Committee bipartisan bill also removes childless adults and limits payments for parents. It eliminates coverage under SCHIP for childless adults within two years. It eliminates the enhanced match for parents covered under SCHIP. It prohibits new state waivers to expand coverage to parents. It reduces spending on adults by \$1.1 billion.

Finally, Mr. President, the Finance Committee bill spends less than the \$50 billion

authorized in the Budget.

Continuing SCHIP with static enrollment would cost \$14 billion over five years over the baseline. At \$35 billion, the SCHIP Re-authorization Act will cost \$15 billion less than what was included in the budget. This additional funding goes towards coverage of lowest-income children.

This bill doesn't include everything on everyone's wish list. I worked hard for a responsible bipartisan agreement because I want to see a bill pass, and I think we've done a good job. But, I also want to make one more point very clear. My support of the legislation in the end will depend on the outcome of the floor debate and the conference. I'm not going to be able to support a bill that changes significantly from what we have here with this proposal.

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 the hours and hours that Senator Hatch has put into this effort. Senator 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, I also have to say that I'm disappointed by the way the Democratic leadership is handling the process of bringing this bill up for consideration by the Senate. It does not bode well for the outcome of this bill. In the Senate, process matters as much as policy and this process not been managed in a bipartisan or a responsible manner. However, the Finance Committee SCHIP bill is still one that I can support. It's a compromise. It's based in reality.

This is a bill for children. So I will end with an analogy from a children's bedtime story. This bill is not too big, it is not too small. It is not too hard, it is not too soft. It is not too hot, it is not too cold. It's just right. I thank the Chair and yield the floor.