



FIRST FOCUS

CAMPAIGN FOR CHILDREN

June 1, 2011

Dear Members of Congress:

We are writing in strong opposition to H.R. 1683, the “State Flexibility Act.” This legislation would take a massive step in the wrong direction for children’s health care, as the bill puts at risk the health coverage of an estimated 14 million children with Medicaid and Children’s Health Insurance Program (CHIP) coverage and would fundamentally reverse the enormous progress our nation has made over the last 14 years in reducing the number of uninsured children.

Although there was a lot of discussion during the House Energy and Commerce Health Subcommittee mark-up on May 12 about the need to give states flexibility to reduce costs, combat fraud and abuse, improve access to care, and improve quality of care in the Medicaid program, the fact is that H.R. 1683 does absolutely nothing to achieve these goals. The legislation serves only to repeal the Affordable Care Act’s (ACA) Maintenance of Effort (MOE) or coverage protections, which were designed to ensure that coverage for those currently enrolled in Medicaid is not reduced before 2014 and coverage provided to low-income children in the Children’s Health Insurance Program (CHIP) is protected through 2019.

While proponents of the State Flexibility Act claim that the legislation is necessary to help states better operate their Medicaid programs, the fact of the matter is that there is nothing in the bill that gives states any new authority to achieve this goal. The only new authority permitted in the legislation allows states to cut low-income children, people with disability, and senior citizens off of coverage. In fact, the Congressional Budget Office (CBO) estimates that if H.R. 1683 were enacted, in the short-term there would be a “reduction in Medicaid and CHIP enrollment of about 400,000 people, about two-thirds of whom are children” with the vast majority of them becoming uninsured.

Over the longer term, CBO estimates that the negative consequences of H.R. 1683 would fall entirely upon our nation’s children. In 2016, CBO estimates that 1.7 million children would lose their CHIP coverage. CBO further estimates that half of states would repeal CHIP and many others would significantly reduce CHIP coverage. We know, for example, that Arizona is poised to completely eliminate health coverage for tens of thousands of children on CHIP coverage. Without a doubt, the greatest impact of H.R. 1683 would be the complete elimination of CHIP as we know it in states across the country and the decimation of children’s coverage beginning in 2015. It is ironic and hopefully unintentional that that a large share of those children would be left uninsured or shifted out of CHIP and into inferior coverage in insurance exchanges plans that proponents of H.R. 1683 have sought to repeal.

The American public strongly oppose such an outcome. In fact, according to a First Focus poll in April, by a 2-1 margin (63-31%), voters oppose providing states more flexibility if it means eliminating coverage for some children, as would if H.R. 1683 were enacted.

As families struggle to recover from the economic downturn, it is seriously misguided for Congress to consider any proposal that would dismantle CHIP. CHIP has enjoyed broad bipartisan support since its inception 14 years ago, including support at a 77-13% level (67% support level among Republicans) in a poll conducted by Luntz-Maslansky Strategic Research, and

has maintained that bipartisan support at the federal and state levels precisely because it has proven to be successful in providing cost-effective coverage for our nation's most vulnerable children. In conjunction with Medicaid, CHIP has managed to significantly reduce the number of uninsured children through two periods of recession. As a nation, we should be proud of this achievement and agree to work together to continue our efforts to protect children's health rather than undercutting it.

In order to maintain our nation's record of success for children's health coverage, we urge Congress to follow two key principles:

First, Congress should not reverse past progress and enact new policies that would make children worse off in terms of their health coverage. Nearly one-third of our nation's low-income children are able to get high-quality care because of Medicaid and CHIP. Without these essential programs, scores of low-income children would be uninsured because their parents lost their job in the recession, because their parents' employers don't offer coverage, or because coverage is simply unaffordable. From vaccinations, well-child check-ups, and chronic disease management, to oral health and vision care, Medicaid and CHIP ensure that children get the services they need to grow, develop, and go to school ready to learn. It makes no sense to disrupt this success for kids.

Second, Congress must ensure that our health system continues to support care for children that meets their unique health and developmental needs, including the availability of pediatric networks of care delivery. There is a reason we have pediatricians and children's hospitals in this country, as children are not just little adults. Medicaid and CHIP recognize that children have special and distinct needs and these programs are designed to ensure that children can get the high quality care they need and deserve.

Unfortunately, H.R. 1683 violates both principles. As highlighted by CBO, the State Flexibility Act undermines coverage for children in both the short- and long-term. It removes children from CHIP coverage, which is, by definition, specifically designed for children, and causes children to either become uninsured or moved into insurance exchanges that will be far weaker than CHIP.

Therefore, we urge the Congress to reject the State Flexibility Act and instead to find other ways to achieve fiscal relief for states. Rather than creating a pathway that increases the number of uninsured children in this nation, Congress must focus on solutions that help achieve savings for states while also improving access and care delivery in Medicaid and CHIP. If Congress truly wishes to give states additional fiscal relief but is unwilling to extend the Medicaid FMAP adjustment, an alternative source of fiscal relief would be to simply end or reduce the Medicare prescription drug clawback, which unfairly compels states to pay ever-increasing amounts to the federal government to help fund the Medicare prescription drug benefit, an entirely federal responsibility. As currently devised, the prescription drug clawback requires states to pay \$7 billion to the federal government in 2011 and an estimated \$9 billion in 2012. It is significantly more onerous than the MOE that H.R. 1683 seeks to repeal.

In addition to the Medicare prescription drug clawback, there are many other policy alternatives that would go a long way to improve care while simultaneously reducing costs, among them: reducing duplicative care by employing medical passports; improving care coordination; and incentivizing the adoption of models of care delivery that target special needs populations, such as Medicare/Medicaid dual eligibles but also children in foster care or with SSI that have Medicaid coverage. H.R. 1683 does nothing at all to improve health care delivery, and if enacted it would be devastating for millions of children who would lose their health coverage.

The American people have consistently shown broad bipartisan support for both Medicaid and CHIP coverage for children over the years and a recent poll shows they firmly reject, by a 63-31% margin, proposals that would give states greater flexibility in Medicaid and CHIP if that flexibility results in kids losing coverage. We urge you to reject the State Flexibility Act and instead to work with your colleagues on both sides of the aisle to ensure that the important gains won for children's coverage are protected even during these challenging economic times. Our nation cannot afford to shortchange the health of our most vulnerable children.

Thanks for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Bruce Lesley". The signature is written in a cursive style with a prominent flourish at the end of the name.

Bruce Lesley