

# THE STATE FLEXIBILITY ACT HARMS CHILDREN, DISRUPTS COVERAGE, AND ENDS CHIP AS WE KNOW IT



The State Flexibility Act (S. 1683/H.R. 868), introduced in May by Senator Orrin Hatch (R-UT) and Representative Phil Gingrey (R-GA), would repeal a provision of the health reform law that requires states to maintain current eligibility and enrollment requirements for Medicaid and the Children's Health Insurance Program (CHIP). Without this so-called "Maintenance of Effort" (MOE) provision, an estimated 14 million children currently covered by either Medicaid or CHIP could be dropped from coverage. The sole purpose of the State Flexibility Act is to give states permission to eliminate health coverage for vulnerable Americans, including low-income children, people with disabilities, and senior citizens, which would simply increase the number of uninsured citizens in our country and effectively end CHIP as we know it.

## **Without a doubt, children would be hit the hardest if this legislation becomes law.**

The State Flexibility Act decimates CHIP and would cause a complete unraveling of the nation's record of success in getting kids enrolled in health coverage.

- In the longterm, CBO estimates that half of all states will eliminate their CHIP programs by 2016 if this bill becomes law, and additional states will scale back coverage for kids.
- In the shortterm, under this bill, up to 300,000 people a year will become newly-uninsured; two-thirds of those losing coverage are kids.
- Republicans have argued that we need to address spending to ensure a better future for our children. Cutting children off their health care coverage to achieve that goal does not make sense.

## **Passage of the State Flexibility Act is a losing proposition for children and other vulnerable Americans and it is wildly unpopular among the public. Americans do not want us to cut kids.**

And with good reason—they are inexpensive to cover and when they are healthy they can focus on school and becoming productive citizens.

- Voters believe the lives of children in this country have gotten worse in the last 10 years. (First Focus poll, April 2011).
- 70 percent oppose Medicaid cuts involving children. 73 percent further oppose cuts in the Children's Health Insurance Program. By a 2:1 margin, voters oppose providing governors more flexibility if it means eliminating insurance coverage for some children (31 percent favor, 63 percent oppose) (First Focus poll, April 2011).

## **We know from experience that kids' coverage will be damaged if the State Flexibility Act is passed.**

When states have been given open-ended flexibility to cut benefits and enrollment they have time and again used it to create more bureaucracy and barriers to coverage as a perverse means of securing savings. For example:

- In the last recession, close to half of states (23 states) made it more difficult for eligible children and families to secure and maintain coverage.
- Washington eliminated 12-month continuous eligibility for children and, instead, required parents to renew their children's coverage twice year. In the two years that followed, **more than 30,000 children lost coverage.**
- Texas dropped 12-month continuous eligibility and began requiring families to renew coverage twice a year. In combination with other changes it made to discourage enrollment and increase premiums, the number of children with **coverage dropped by 149,000 or 29 percent.**
- Wisconsin added new paperwork-intensive income and insurance verification requirements to its Medicaid expansion program. In the first four months following implementation, **enrollment declined by nearly 13,000 or 11 percent.**

### **Congress should reject any proposal that dismantles CHIP.**

As families struggle to recover from the economic downturn, it is seriously misguided for Congress to reverse the progress our nation has made to improve health coverage for kids. CHIP has enjoyed broad bipartisan support since its inception 14 years ago and has maintained that bipartisan support at the federal and state levels precisely because it has been wildly 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.

### **Conclusion**

The State Flexibility Act will mean many states end or slash their CHIP programs. Millions of children in working families will lose a trustworthy, proven source of coverage that allows them to see a doctor when they get sick. Even worse, millions of children would be left uninsured with no other options for coverage. It shouldn't take a budget or health care expert to recognize that balancing budgets on the backs of children doesn't add up to a positive future for the next generation or our country. Instead of placing children directly in harm's way, we urge our nation's leaders to protect children from harm as they work to find solutions to our budget challenges.

The First Focus Campaign for Children is a 501(c)(4) nonprofit organization affiliated with First Focus, a bipartisan children's advocacy organization. The Campaign for Children advocates directly for legislative change in Congress to ensure children and families are a priority in federal policy and budget decisions.

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