

January 12, 2018

The Honorable Mitch McConnell
Senate Majority Leader
United States Senate
Washington, DC 20510

The Honorable Paul Ryan
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

The Honorable Orrin Hatch
Chairman, Senate Finance Committee
United States Senate
Washington, DC 20510

The Honorable Greg Walden
Chairman, House Energy & Commerce Committee
U.S. House of Representatives
Washington, DC 20515

Dear Senate and House Republican Leadership:

On behalf of First Focus, a non-partisan advocacy group in support of improving the lives of children through improved federal and state policy, I am writing to urge you to make CHIP permanent or to, at the very least, extend the program for 10 years because new preliminary CBO estimates indicate the legislation would now save \$6 billion over the decade.

With this change in the CBO scoring of CHIP, Congress can now simultaneously extend the health coverage of nine million children without having to find divisive and painful offsets. Moreover, passage of the bill would likely reduce CBO's estimate of the deficit by another \$30 billion or more in the second decade. Consequently, we would urge you to seize this unique and critically important opportunity to protect and stabilize the health of millions of children while also cutting the deficit.

As of today, full funding for the Children's Health Insurance Program (CHIP) expired 104 days ago and the health coverage for nine million children has relied on a series of short-term patches from Congress to protect children from losing coverage. However, states are rapidly closing in on that moment where they are completely out of both federal and state CHIP dollars, which has forced some states to already send out disenrollment notices to families, spend time and money on planning for the possible closure of the program, and work on possible systems changes to move children either to Medicaid coverage or the Obamacare exchanges. This has been devastating to families concerned about the well-being of their children.

The American people have always expressed strong support for CHIP. According to a recent poll by the Kaiser Family Foundation, 88 percent of Americans believe that Congress should make CHIP either a top or important priority in its work. Americans recognize that CHIP has been a long-standing bipartisan success story, as it has led the way in cutting the uninsured rate of children by more than two-thirds since its inception in 1997.

Unfortunately, in the last few years, Congress has had to extend funding for CHIP repeatedly and that has proven to be quite harmful and difficult, as offsets are often required to simply maintain the current program. In fact, despite the fact that the tobacco tax increases that financed the program at its enactment in 1997 and 2009 would cover the full expenses of CHIP had those dollars been dedicated to CHIP, every extension has repeatedly required CHIP to be paid for again and again.

In fact, the burden this places upon CHIP is unique among all the federal health coverage programs. Other federal programs like Medicare, Medicaid, the Veterans Health Administration, and the Federal Employees Health Benefits Program are not subjected to on-going program expirations and funding cliffs with repeated need for offsets just to extend current law.

Over its two decade history, CHIP has had numerous evaluations that have proven that it provides cost-effective health coverage that is, by definition, uniquely child-focused. While it makes sense for demonstrations and waiver programs to expire, CHIP has a two-decade long record of success in every state across this country. CHIP deserves to be made permanent, like every other federal health coverage program. Congress often converts demonstrations that have been proven to be successful in Medicare, for example, into permanent status. After two decades of success, why does CHIP not deserve the same consideration?

In fact, making CHIP permanent would, paradoxically, facilitate the oversight and consideration of recommendations toward improving the program, including the consideration of demonstrations and waivers to seek further improvements to the quality and access to care for children. Congress would maintain oversight of the program and continue to get biannual reports from MACPAC regarding their recommendations to improve child health. For example, a recent study published in *Health Affairs* indicates that infant and child mortality are higher in the United States than other wealthy nations. We should all be focused on fixing that problem instead of the more than four years that Congress and child advocates have recently had to spent working on simply trying to keep CHIP from expiring.

Furthermore, in sharp contrast to all other federal health programs, CHIP includes a major flaw in its current financing that is referred to as the “CHIP cliff,” which arbitrarily establishes a \$5.7 billion CBO baseline in the out-years for CHIP. That figure is not magical. Instead, it is simply the amount of CHIP funding provided for in the final year in the original authorization bill to meet the 10-year CBO target. That created an arbitrary funding cliff way back in 2006, and today, it results in a CHIP baseline that only covers about one-third of the costs necessary to operate the program. No other federal health coverage program is subjected to such an on-going fiscal crisis, but making CHIP permanent or extending it for 10 years, just as was done at the program’s creation led by Chairman Hatch, would fix this 20-year relic in the CHIP law.

Unfortunately, due to the “CHIP cliff,” Congress and child advocates have had to repeatedly work on finding cuts and offsets from other programs just to “pay for” the continued existence of CHIP. These offsets, which rarely have anything to do with children’s health, are what often holds up CHIP and consistently threatens the underlying program.

In fact, that is the current status of CHIP, as bipartisan and bicameral agreement was reached on the CHIP extension well before September 30, 2017, but disagreements over the offsets have caused the program to remain unfunded more than three months after CHIP’s funding expired. Due to the “CHIP cliff,” the health of children has been, once again, caught in the crosshairs over issues that have little or nothing to do with the health of children.

Consequently, Congress should seize the opportunity to correct this fatal flaw in the program’s financing. Fixing the “CHIP cliff” would also help the states from having to repeatedly consider various options and scenarios related to whether CHIP will get extended and what the federal matching rate may be. A longer extension would address this problem and help the states – the majority of which are led by Republican governors and state legislatures who strongly support CHIP – to better prioritize their time and effort on improving the health of children.

Finally, as noted before, the CBO analysis makes it clear that a permanent or 10-year extension of CHIP “yields net savings to the federal government” because CHIP is less expensive than the costs associated with coverage through “subsidized coverage in the marketplaces.” Put simply, a 10-year or permanent CHIP

extension simultaneously reduces the federal deficit and protects the health of nine million children with strong, affordable health coverage.

In addition, the recent lesson from CBO is that CHIP's future should be stabilized and not put at risk future legislative or regulatory changes to either Obamacare or Medicaid, as it might dramatically change the CBO score for CHIP, even if those changes only marginally impact children. For example, if the efforts to "repeal and replace" the Affordable Care Act had passed last year, it is likely that a CHIP extension would have increased the CBO score for a CHIP extension by tens of billions of dollars.

For these many reasons and for the nine million children that rely on CHIP for their health coverage, we strongly urge you to take advantage of the latest CBO score on CHIP to make the program permanent or to extend the program for at least 10 years.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Bruce Lesley". The signature is written in a cursive, slightly slanted style.

Bruce Lesley
President