

[CHIP on Chopping Block in House Health Reform Bill](#)

Current Bill Drops Popular Children's Health Plan in 2014

  By [Mike Lillis](#) 11/3/09 2:52 PM



Rep. John Dingell (D-Mich.) (WDCpix)

Nine months ago, Democratic leaders on Capitol Hill were [all celebration](#) as they hailed the renewal of the popular Children's Health Insurance Program. Last week, they called for CHIP's demise.

The \$894 billion, 1,990-page health reform bill unveiled by House Democrats last Thursday would repeal CHIP at the end of 2013, shifting millions of kids instead into private plans contained on a proposed health insurance marketplace, dubbed the exchange.

Party leaders have been mostly tight-lipped about their motivations. But a series of factors seem to have driven their decision, according to sources on and off Capitol Hill, including hopes to get family members under the same plan, to centralize control of the state-run CHIP program, and to shift more folks into private coverage to win the support of both the insurance lobby and moderate Democrats.



Image by: Matt Mahurin

Yet the proposed shuffle has roused concerns from some Democratic lawmakers and children's health care advocates, who fear the move would cause some youngsters to lose coverage as they jump from highly subsidized CHIP plans into private coverage that could prove more expensive for those low-income families. Critics also worry that the private plans won't offer the same extensive benefits that CHIP does.

"The president has promised to build upon what works and to allow people to keep the coverage they have," said a representative of one children's welfare group, speaking only anonymously because of the delicate political nature of the topic. "That promise should apply to kids as well. However, there is growing concern and evidence that the health insurance exchanges will still impose higher out-of-pocket costs for families with fewer benefits for children than CHIP coverage."

The criticisms over CHIP have raised questions about the importance of the program, with some advocates fighting for its preservation while others maintain that the coverage itself is more important than the program that provides it. The House proposal also sets the stage for a CHIP clash between House Democrats and those in the Senate, where a provision preserving the program [was passed](#) by members of the Finance Committee last month.

House lawmakers [are planning to vote](#) on their sweeping health reform proposal as early as this week.

Under the House bill, federal funding for CHIP would cease on Oct. 1, 2013, with kids permitted to remain in the program through the end of the year if funds permit. At the start of 2014, however, the program would end, with kids shuffling into private plans on the exchange. An exception would be made in those states that have opted to use their CHIP funds to expand Medicaid rather than create stand-alone CHIP programs. In those cases, children would remain in the Medicaid program.

The shift is indication that House Democratic leaders don't envision a place for CHIP within the framework of the comprehensive health care reforms they hope to pass this year – reforms that include a broad expansion of Medicaid and subsidized coverage for folks earning below 400 percent of poverty, or \$88,200 for a family of four.

The proposal also marks a reversal from the Democrats' health policy position of the past two years. Created in 1997, CHIP was originally authorized for 10 years, leading to a political showdown between the Democratic Congress and President George W. Bush in 2007, when it came up for renewal. An expansion bill easily passed Congress, but Bush [vetoed](#) the measure [twice](#), prompting Democrats to accuse the White House of putting politics above the welfare of kids. Leading the critics was House Speaker Nancy Pelosi (D-Calif.), who called the vetoes "[sad](#)" and "[cruel](#)."

The bipartisan program had suddenly become partisan, and the Democrats were its champion.

After a series of short-term extensions, President Obama [signed](#) a 5-year, \$33 billion CHIP extension into law in February, leaving the program to expire Oct. 1, 2013.

Pelosi's office did not respond to calls and e-mails for comment. But another [one-time CHIP](#)

[champion](#), former Energy and Commerce Chairman John Dingell (D-Mich.), said that moving kids from CHIP to exchange plans has at least two distinct advantages: First, CHIP requires renewal every few years, leaving the program's longevity to the whims of Congress. And second, exchange coverage could wrap kids and their parents into the same insurance plan — a strategy the Michigan Democrat says will increase enrollment of youngsters.

"The most important thing is to cover the children," Dingell said in an email. "As effective as CHIP has been, families constantly must deal with long wait lists or block grants running out. Families in the Exchange or Medicaid will not have the same problems."

A recent report from Inside CMS, a trade publication, points to another reason that Democrats might have proposed an end to CHIP: Moving kids to the exchange "would significantly improve the risk pools for private insurers, a boon for insurers," the paper reported, citing an unnamed Senate Democratic aide.

Several independent analyses have questioned the wisdom of moving kids from CHIP to the exchange, warning that the transition will leave some kids without access to health care. One [report](#), conducted by Watson Wyatt Worldwide, a financial consulting firm, found that most families living at 175 percent of poverty pay nothing to enroll their kids in CHIP, while those living at 225 percent of poverty pay about 2 percent of health care costs. By contrast, those same kids getting coverage through private insurers on the exchange would pay between 5 percent and 35 percent of treatment costs, respectively — a shift "greatly increasing their financial burden and leaving low-income children worse off as a result of health reform," the researchers noted. The Watson Wyatt study was commissioned by First Focus, a children's health advocacy group.

More recently, the Congressional Budget Office examined a Senate proposal to repeal CHIP, reaching the same conclusion that the increased costs to low-income families would leave some kids without any coverage at all.

"Under the mark as it was originally offered, which would have eliminated CHIP, CBO anticipated that some of those children would be eligible for subsidized coverage in the exchanges but would not be enrolled in an exchange plan (owing at least in part to the higher premiums and higher out-of-pocket costs that they would typically face in such a plan)," CBO Director Douglas Elmendorf [wrote](#) last month.

That analysis is moot, however, because Sen. Jay Rockefeller (D-W.Va.) successfully preserved CHIP during the markup of the Senate bill in the Finance Committee.

Rockefeller's office did not respond to requests for comment for this story. But if his words during the Finance debate are any indication, the West Virginia Democrat will likely fight during the House-Senate conference negotiations to keep CHIP alive.

"I don't believe that we can force vulnerable kids into private coverage," Rockefeller said in the wee hours of Oct. 2. "That's what we'd be doing. They'd lose that special kind of defined benefit that comes under Medicaid, which you can argue, I guess, in some cases, but you can't argue on kids and particularly young kids. You cannot do that. They have requirements that you have to meet and can only be met through Medicaid, not in the exchange, where they're at the mercy of people that will have them for lunch."

House Democrats are not blind to those concerns. An amendment to the House bill, sponsored by Rep. Diana DeGette (D-Col.), would have blocked the transition from CHIP to private coverage unless White House health officials could certify that those youngsters would receive comparable care under the exchange plans. But after passing the House Energy and Commerce Committee earlier in the year, DeGette's provision was diluted to remove the certification requirement. Instead, the final bill requires the Health and Human Services Department to provide Congress with a cost and benefit analysis of CHIP plans versus those on the exchange, including recommendations for a smooth transition. The report

is due by the end of 2011 — 12 months before the exchange would launch.

DeGette's office argued that the final bill retains the initial safeguards because it extends CHIP for the final three months of 2013, providing time for the exchange plans to develop, as well as additional cushion for lawmakers to examine those plans in the context of the White House recommendations. If there are concerns that the exchange plans won't offer comparable coverage, said DeGette spokesman Kristofer Eisenla, then lawmakers can always extend the CHIP program.

Reauthorizing CHIP, however, would require yet another act of Congress — and a lot more money.

Indeed, critics are questioning the value of the HHS analysis without some guarantee that kids won't be forced into lesser health plans. "The teeth of that amendment were what made the report matter," said the child welfare advocate.

House Democrats are also dismissing the CBO's analysis of the CHIP repeal, arguing that different enforcement and funding mechanisms in the House bill make Elmendorf's statement irrelevant. "They're like apples and oranges," Eisenla said of the two chambers' bills.

Dawn Horner, senior project director at Georgetown University's Center for Children and Families, an advocacy group, applauded some of the CHIP proposals contained in the House bill. The provision to keep CHIP-funded Medicaid patients in the Medicaid program, for example, is a step above the Senate proposal, she said. Also, the House bill has better affordability protections for kids on the exchange, Horner added. The combination makes it difficult to determine whether CBO's analysis of the Senate bill holds for the House proposal, she said.

CBO did not respond to requests for comment on the CHIP provisions of the House bill.

Still, Horner was quick to add that the House bill should go further to ensure that kids aren't forced to move into exchange plans if those plans are deemed to be of lesser quality than CHIP. The original DeGette amendment provided that protection, she said, "but there's nothing in there right now... The hope is to get something stronger [as the bill proceeds]."

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