Children's Health in the Balance: What's at Stake for Children in the Congressional Budget Debate over Medicaid

Congress holds the health of millions of children in its hands as it considers two starkly different approaches to reducing federal health care spending. On one hand, the Senate would reduce spending by cutting back on overpayments to drug and insurance companies; children and families are almost entirely spared from harm. In contrast, the House largely protects drug and insurance companies and achieves most of its savings by reducing health care coverage for Medicaid enrollees, including more than six million children. The debate occurs at a time when Medicaid has made tremendous progress in closing the coverage gap for children. The country is now within sight of the goal of assuring that all children have health care coverage, but the House proposals put this progress– and children's health– at risk.

KEY FINDINGS

- Medicaid has been remarkably successful in reducing the uninsured rate among low-income children and helping children gain access to care that is essential to their health and development.
- The House proposal would take the country in the wrong direction by reducing children's access to needed care and increasing the number of uninsured children.
- As shown by the Senate budget bill, it is possible to reduce spending without damaging children's health coverage. There is no reason to turn the clock back on the progress that has been made.

With more than nine million uninsured children remaining, the country needs to continue to press forward with improvements in coverage for children, not move in the wrong direction by making it harder for low-income families to enroll their children in coverage and use medically-necessary care.

PROGRESS IN COVERING CHILDREN IN RECENT YEARS

Even though much of the news about health care coverage in recent years has been discouraging, there is one very positive trend – the remarkable success of Medicaid and its smaller companion program, the State Children's Health Insurance Program (SCHIP), in closing the coverage gap for children. As documented in a recent CCF report, since 1997, Medicaid and, to a lesser extent SCHIP, has been a driving force in reducing the proportion of uninsured low-income children *by a third*. Our nation achieved this success

even as the economic downturn and declines in employer-based coverage caused the uninsured rate among adults to rise. Some states have achieved particularly striking success. For example, Arkansas, Maine, and South Carolina have cut the uninsured rate of children by more than half since 1996/1997.

Covering All Children Is Possible

People Acting in Community Together, the San Jose affiliate of PICO National Network, helped lead a campaign to create the Santa Clara County Children's Health Initiative (CHI). This first-in-the-nation program provides seamless access to high-quality insurance to all low-income children in the county. A 2005 study commissioned by the David & Lucile Packard Foundation found that CHI increased the number of children with insurance in the county by 13,500, a 28 percent improvement. Local and state initiatives to cover all children depend on the continued strength of the federal Medicaid and SCHIP programs.

CHILD HEALTH ISSUES IN THE BUDGET DEBATE

The House and the Senate have now passed budget bills that would limit federal health care spending, but in starkly different ways that would have profound consequences for children. As illustrated in Figure 1, the House bill secures its entire health care savings through Medicaid. The bulk of these savings (58 percent) are from allowing states to charge Medicaid enrollees higher costs and to reduce their benefits. In contrast, a large share of the health care spending reductions in the Senate proposal come from cutting Medicare payments to managed care companies and Medicaid payments for drugs. None of the savings from the Senate bill come from provisions that would increase costs and cut benefits for children.

Figure 1.

House v. Senate Health Proposals

	House	Senate
Size of Medicaid Cuts (over 10 years)	$51 billion	$25 billion
Share of Medicaid Cuts from Reducing Prescription Drug Prices	16%	80%
Share of Medicaid Cuts from Increasing Cost Sharing and Reducing Benefits	58%	0%
Size of Medicare Cuts (over 10 years)	$0	$48 billion

Note: These are ten-year gross cuts. The Senate reinvests some of the savings back into Medicare and Medicaid so its net savings are somewhat lower.

House Proposal

The House budget bill would make fundamental changes to the basic structure of Medicaid affecting the affordability and the scope of the health care provided to children and others covered by the program.

- **Six million low-income children would lose federal protections that assure that Medicaid coverage is affordable.** The only limit on premiums, copayments and deductibles included in the House bill for children in families with incomes just above the poverty line would be an annual cap equal to five percent of total family income. This means that a family of three with gross monthly earnings as little as $1,340 could be required to pay annual fees of $100, $200, or, even $800 – and more as family income rises.
- **Children could lose coverage and access to care due to unaffordable costs.** Research shows that even relatively modest costs lead to the loss of coverage and access to care when imposed on low-income individuals and families.
- **More children would end up in emergency rooms**. The Congressional Budget Office estimates that new costs for families will result in reduced use of prescription drugs and physician services and higher use of emergency rooms.
- **Even children living below poverty would be subject to new cost-sharing.** The nation's most impoverished children– those with family incomes below the federal poverty line– could also face new costs. They could be charged up to $3 for each medication not on a "preferred" drug list and for non-emergency use of an emergency room. Poor disabled children and those with chronic conditions who regularly need multiple medications could be subject to these charges. In

Implications of the House Medicaid Provisions for Children and Other Medicaid Beneficiaries Estimates from the Congressional Budget Office (CBO)

In evaluating the fiscal impact of the House budget bill, the non-partisan Congressional Budget Office estimated the following:

- Some 11 million people – about half of whom would be children – would be affected by the cost sharing changes by 2015.
- By 2015, some 100,000 people– most of whom would be non-disabled adults and children– would *lose health insurance* because of the imposition of premiums.
- About 5 million people – roughly half of whom would be children – would have a reduced benefit package by 2015.
- About 80 percent of the savings from higher cost sharing would be due to decreased use of health care services; 20 percent would be due to lower payments to providers.
- Emergency room use would rise as a result of higher cost-sharing on physician services and prescription drugs.

These CBO estimates do not assume that all states would pick up the new cost sharing or benefit options or that the states that pick these options would impose costs or reduce benefits to the full extent permitted by the House proposal. If more states took up the options or if the states that did make changes charged higher costs or made deeper cuts than the CBO assumed, even more children would lose coverage or services.

future years, the maximum co-pay amount would grow at about twice the rate of the average family income of Medicaid beneficiaries, making co-pays ever more difficult for families to afford over time.

- **Six million low-income children– the same group of children who would be subject to the more sweeping new cost sharing requirements– would also lose current federal guarantees to medical care**. The longstanding Medicaid benefit standard for children– known as the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) benefit–assures children coverage for preventive care as well as other needed care, including mental health services, hearing aids, eyeglasses, wheel chairs, speech therapy, and dental care. EPSDT would be replaced by rules that lack any meaningful federal standards. For example, states could provide children a limited benefit package as long as it is comparable to any plan available to state employees, including one that few (or even no) state employees choose to participate in. In effect, states could adopt any benefit design– even a catastrophic coverage plan – for children and still meet federal Medicaid standards.

Senate Proposal

The Senate bill achieves savings principally by reducing Medicare payments to managed care companies and by reducing Medicaid drug payments following recommendations advanced by the nonpartisan Med PAC and the Government Accountability Office**.** None of the Senate-proposed savings would reduce coverage for children. Indeed, the Senate would reinvest some of the savings achieved through Medicaid back into the program by offering states a new option to cover disabled children in families whose incomes are now above Medicaid eligibility levels.

CONCLUSION

The Congress faces a clear choice in how it treats children's health in its budget deliberations. It can undo longstanding federal minimum standards for children or it can achieve savings by putting low-income children's well-being at risk.

PICO *is national network of faith-based community organizations working since 1972 in 150 cities and 18 states to strengthen families and improve communities. With one thousand religious congregations and one million families PICO is one of the largest and most diverse community improvement efforts in the United States.*

The Center for Children and Families at Georgetown University's Health Policy Institute *conducts research and policy analysis focusing on federal and state policies affecting children and their families' access to health care coverage. More detailed analysis of the House Medicaid proposals and federal Medicaid standards regarding benefits and cost sharing are available at CCF's website, www.ccfgeorgetown.org.*