

John Brademas Center Congressional Internship Program

Research Assignment

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Issue

In the summer of 2007 both houses of Congress debated, voted upon, and reauthorized the State Children's Health Insurance Program or SCHIP. The legislation, a central priority of the newly elected Democratic majority, inspired partisan differences and placed the Congress at even greater odds with the Bush Administration. The SCHIP bill served as a compelling case of the 110th Congress not only for its substantive merit but also for the degree to which the accompanying debate revealed philosophical fault lines between the political parties. With the 2008 presidential election approaching, Congress' consideration of SCHIP anticipated potential political responses to the nation's health care crisis, and the issue of the uninsured more specifically. Observers of SCHIP's path to passage were quick to point out the measure's lasting significance: "The fight epitomizes fundamental disagreements over the future of the nation's health care system and the role of government."¹ Analysis of this path is particularly helpful to understanding the capacity of Congress to make long-term policies because of the bill's unique interplay of federalism, interest group behavior, and party unity.

SCHIP was born in 1997 of a Republican Congress and a Democratic president as a means to provide health insurance for children whose families have too much income to qualify for Medicaid but not enough to pay for private insurance.² The program reflected compromise and cooperation at its inception and has been viewed largely as a policy

¹ Pear, Robert. "A Battle Over Expansion of Children's Insurance," *The New York Times* (9 July 2007)

² See Jeanne M. Lambrew, "The State Children's Health Insurance Program: Past, Present, and Future," *The Commonwealth Fund* (23 August 2007), Available: http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=449518

success, helping to reduce nationwide the percentage of uninsured low-income children.³ SCHIP is a state-federal partnership, which enables state governments flexibility in designing programs to cover the uninsured. States can place children in traditional Medicaid, an unrelated program, or a combination of the two. Through a system of federal matching funds, the federal government covers nearly 70% of program costs with state governments assuming the remainder. Funding restrictions exist, as well, that place limits on the amount that the federal government can allot to the states. SCHIP's 10-year authorization expired in 2007 requiring approval in the 110th Congress.

In spite of reasonable consensus about the program's effectiveness and necessity, consideration of the reauthorization by Congress fomented strong political differences.⁴ In part, the acrimony of the debate had less to do with the policy implications of SCHIP in particular and more to do with a widening divergence between the parties on the issue of public health care coverage. Both Democrats and Republicans used the occasion for celebrating their side's approach to health insurance while assailing the alternative. Democrats were quick to label Republican recalcitrance on SCHIP as an outgrowth of the party's dependence on private market solutions to problems requiring government subsidies. Republicans were wont to criticize the Democrats' insistence on a program of

³ "A federally funded evaluation found SCHIP to be successful in nearly all of the areas examined. Since inception in 1997, enrollment has increased steadily to 6.1 million children in FY 2005. This was complemented by a 6.8 million increase in children enrolled in Medicaid from 1997 to 2004. As a result, between 1997 and 2005, the percentage of low-income, uninsured children dropped from 22.3 percent to 14.9 percent. Despite gains in coverage, about 9 million children under age 19 were uninsured in 2005, and many were eligible for public programs. Enrollment barriers and misunderstandings concerning eligibility are two of the major reasons for their lack of enrollment" (ibid.)

⁴ See Mary Agnes Carey and John Reichard, "House Dems Expect Fight 'Every Step of the Way' on Medicare/SCHIP Package," *Congressional Quarterly* (29 June 2007)

"socialized medicine."⁵ SCHIP provided an opportune lens into Congress' capacity to address the long-run viability of Medicare, a government sponsored health program that Democrats seem intent on keeping and Republicans bent on jettisoning. Both sides would have to set aside grand differences for the SCHIP legislation to approach the program's original compromise of 1997 while achieving sound financial footing and meeting program objectives.

Importance

The critical value of a speedy reauthorization of SCHIP is an increase in the number of American children with access to health care. The moral dimension of the possibility is sufficient to appreciate the need for the Congress' commitment. The program's clarity ends, however, when determining the length of federal commitment and the source of revenue flows. Both parties publicly acknowledged the need to reauthorize the program.⁶ The parties' methods of reauthorization were markedly different, however. The legislative approach, therefore, to achieving a desirable policy outcome while also attaining fiscal sustainability further positions SCHIP as a valuable case of Congress' long-term policy making capacity.

Many Republicans and President Bush wanted to maintain existing federal funding of \$5 billion annually, as well as an additional \$1 billion annually, with \$30

⁵ "In a letter to colleagues, Mr. McConnell and Mr. Lott said that the measure 'imposes an open-ended financial burden on American taxpayers and takes a significant step toward a government-run health care system.'" (Pear, Robert. "G.O.P. Leaders Fight Expansion of Children's Health Insurance," *The New York Times* (25 July 2007))

⁶ "We are for reauthorization of the SCHIP legislation. We are for covering low-income and near-low-income children so that they have health care benefits. We are for making sure that the states that are out of funding receive additional funds beginning October of this year." (Ranking Republican Joe Barton, "We Want to Reauthorize the SCHIP Program," *Energy and Commerce Minority Website* (1 August 2007))

billion over a five-year period. Democrats had significantly more ambitious funding levels in mind, with the House version allocating an additional \$50 billion and the Senate version, \$35 billion, over the same five-year period, on top of the program's current federal expenditure. If passed, the 2007 SCHIP reauthorization would be the "largest extension of government-subsidized health insurance since the Great Society health initiatives of 1965."⁷

Democrats planned on paying for the program expansion through a combination of federal taxes on cigarettes and cuts in federal payments to private insurance plans. New federal taxes and cuts to private health insurance, a hallmark of Republican health care policy, were anathema to the minority party. Some Republicans alleged that SCHIP spending would send the federal government into the throws of fiscal insolvency, as well as place incentive to "crowd out" – an exodus from private to public insurance. Democrats objected to such worries as exaggerated political rhetoric.⁸ The non-partisan Congressional Budget Office (CBO) scored the Democratic proposal, claiming that the program would reduce the number of uninsured children by 4 billion while leading to a \$1.4 billion deficit reduction through 2012. SCHIP would then create a \$72.9 billion deficit increase between 2008 and 2017.⁹ The legislation also drew support from varying interest groups, including governors (many of whom were Republican), the U.S.

⁷ Sack, Kevin. "Many Eligible for Child Health Plan Have No Idea," *The New York Times* (22 August 2007)

⁸ "To make their point, the Administration argues Federal funding spent on SCHIP substitutes public for private coverage, otherwise known as 'crowd-out.' The ultimate irony in their argument is that virtually every child covered under SCHIP receives coverage from private insurance." (Memo to Democratic Members, "Pending SCHIP/Medicare Legislation," 28 June 2007)

⁹ See Congressional Budget Office, Cost Estimate Prepared for H.R. 3162, Children's Health and Medicare Protection Act of 2007, as ordered by the Committee on Ways and Means on July 27, 2007

Chamber of Commerce, the AFL-CIO, the American Medical Association (AMA), U.S. Pharmaceutical Research and Manufacturers Association (PhRMA), and the Catholic Health Association.

A version of SCHIP passed both houses of Congress before the 2007 summer recess. The Senate bill, which was less costly than the House version, passed 68-31 with 14 Republicans joining the Democrats. The House bill, which passed 225-204, achieved considerably less bi-partisan cooperation, with 5 Republicans voting in favor and 10 Democrats voting opposed. The path to passage in the House was also marked by a series of closed rules after the Republican minority in the committee on Energy and Commerce refused to consider the bill's mark-up. Ranking Committee Republican Joe Barton (TX) insisted on having the bill read aloud, a parliamentary tactic that delayed the committee's consideration of the legislation. The full House considered the bill on a closed rule, which severely limited debate.

Implications

While the short-term implications of SCHIP debate are clear, the longer-term consequences are less ascertainable. The policy effects, in particular, vary greatly from the ramifications for the Congress. The 2007 reauthorization, should it survive the President's likely veto, will cover a large number of uninsured children. Some estimates place the additional coverage at 3.3 million children, a portion of whom is eligible for the program but not yet enrolled. The effort could go a long way toward covering the uninsured, a population federal health care policy has been largely unsuccessful in targeting. The reauthorization would also bolster the efforts of state governments to continue a program with a respectable track record of effectiveness. Given the five-year

time period of reauthorization, the long run fiscal and political sustainability of the program is uncertain. Despite bi-partisan cooperation in the Senate, the program will face significant political challenges if the Congress changes hands in the near future. Further, funding streams for the program are hardly assured and health care costs continue to rise. Republican fears of ballooning public rolls become more valid with the passage of time. Positively, the program's creative partnerships of entitlement and block grant, federal matching funds and state allotments, make SCHIP less likely to suffer from a sudden change in the power of Congress or Presidential administration. Children are a deserving benefit population, a fact that no party to the debate seems to forget.

The significance of the SCHIP debate to the capacity of Congress is less hopeful. 2007's reauthorization did very little to reverse an increasingly partisan atmosphere on the Hill. With Congress' approval rating at an historic low, the parties show a lack of willingness to cooperate. SCHIP opened wounds that had only begun to surface. Congress entered the summer recess with SCHIP's rancorous debate in mind. The bill, which displayed ample opportunities for compromise and consensus, failed to inspire the deliberative ability of lawmakers. While the Senate debated the bill both in committee and on the floor, the bill had no such listening in the House. On an institutional level, the legislation highlighted the inefficacy of committee structure. The House Committee on Energy and Commerce is hardly to blame, however. One can argue that the committee's closed consideration of SCHIP had more to do with the House leadership's insistence that the bill pass committee and reach the floor before summer recess. The committee's chair, Representative John Dingell (MI), likely operated the committee under this pressure. The Republicans responded to time restrictions from above by refusing to consider a mark-up.

An evident outcome of this case, therefore, is that closed ruled policies are harmful to crafting long-term policies. Committee procedure should not collapse because of the insistence of party leadership to rush consideration. The process of law making and public policy loses when quick passage is given priority over thoughtful consideration. The timely need for reauthorization, a program expiration date of September 30, makes this observation less enduring, however. Only time will tell if the lessons of SCHIP will refocus the efforts of Congress on necessary reforms for the long-term.