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FACT SHEET:

THE TRUTH ABOUT SCHIP (STATE CHILDREN'S HEALTH INSURANCE PROGRAM)

The U.S. House of Representatives is scheduled for an override vote on the Children's Health Insurance Reauthorization Act of 2007 (H.R. 976) on October 18th. The bill recently vetoed by President Bush would provide \$34.7 billion in additional federal funding and would cover 4 million uninsured children. Meanwhile, several misleading statements and misinformation have been shared with the public in opposition of this legislation aimed at providing health care coverage for kids. This fact sheet aims to address some of these claims.

1. The compromise bill DOES NOT cover middle class families with incomes up to \$83,000 a year

The bill does not change current law and no family making up to \$83,000 will be eligible for SCHIP. The SCHIP reauthorization bill gives states the option to expand income eligibility levels up to 300% of the federal poverty line (\$61,950 for a family of four). If a state does choose to expand its income limit up to 300%, the state will receive a reduced matching rate. If the state does not meet its target enrollment for children at 200% or below first, the state will not receive a federal matching rate at all. Kentucky's income eligibility level is set at 200% of the federal poverty level (\$41,300 for a family of four).ⁱ

Earlier this year, New York proposed to raise their income eligibility limit up to 400% of the federal poverty line (or \$82,000 for a family of four). This request, however, was denied by the Administration and has nothing to do with the SCHIP reauthorization bill vetoed by the President. Moreover, in August of this year the Center for Medicaid Services (CMS) issued new and stricter guidelines that would make it harder for states to increase income eligibility levels for SCHIP above 250% (\$51,625 for a family of four).ⁱⁱ

2. The compromise bill is meant to help children of low-income working families, not just “poor” children

Medicaid is meant to help “poor” children and SCHIP was created ten years ago to help children from “low-income” working families that were not eligible for Medicaid but could not afford private health care insurance. While there is a national debate regarding the definition of what it means to be “poor” or “low-income” in the U.S., analysts often refer to someone living at or below 100% of the federal poverty as “poor” (\$20,650 for a family of four). Children living below the federal poverty line are eligible to receive Medicaid. There is no official definition of “low-income”. However, families that work but make less than the median income in the state are not middle class and very often cannot afford to sustain their economic well being while paying rising private health insurance fees. The SCHIP reauthorization bill vetoed by the President is designed to assist these families.

Approximately 70% of the children enrolled under the compromise measure come from families earning less than \$35,000 (for a family of three) per year.ⁱⁱⁱ

3. This bill is NOT a step toward government run healthcare

The SCHIP reauthorization bill is not remotely close to government run or socialized medicine. The U.S. does not have government doctors or government health plans that deliver SCHIP or Medicaid services. Private doctors and private health plans are contracted by state governments to provide these services. Most children currently eligible for SCHIP do not live in families living above 200% of the federal poverty rate with 77% already enrolled in a private managed care health plan.^{iv}

According to the Congressional Budget Office (CBO), under the fragmented U.S. health insurance system, virtually any effort to cover more of the uninsured — including efforts that rely on tax deductions or credits for the purchase of insurance in the private market — would result in some crowd-out.^v

Crowd-out is defined as when someone who drops their private health insurance plan to enroll in a public health insurance program, thus having a negative impact on the private health insurance market. The Congressional Budget Office projects the SCHIP reauthorization bill having a “crowd out rate” of 32 percent.^{vi} Since SCHIP was created, states are required to implement provisions to address it through mechanisms including premiums, waiting periods, co-pays.

4. An increase in the federal cigarette tax rate by .61 cents per pack will NOT hurt low-income smokers

Smoking hurts low-income smokers. This is a rational argument by anyone sincerely concerned about the well being of low-income families and their

children. According to the American Heart Association, 29% of all smokers live below 100% of the federal poverty level.^{vii} While it is true that this population will have to pay more for their cigarettes, increasing the federal cigarette tax rate will produce enormous public health benefits and cost savings by reducing smoking levels. Campaign for Tobacco Free Kids has a .61 cents tobacco tax increase would save Kentucky \$907 million in health care costs.^{viii}

Meanwhile, Kentucky's teen smoking rate of 25% is among the highest in the country.^{ix} Kentucky's smoking while pregnant rate are equally as high (26%). Research has shown they teen smokers and mothers that smoke while pregnant are also the most receptive to tobacco tax increases.^x

5. The tobacco tax increase will NOT hurt small Kentucky tobacco farmers

The smoking and pack sales declines from a .61 cent increase to the federal cigarette tax rate would produce a much smaller, marginal impact on the overall demand for tobacco leaf grown in the United States. In particular, the increased impact on U.S. tobacco farming from a 61-cent instead of a 45-cent increase to the federal cigarette tax would be trivial. Meanwhile, U.S. tobacco farmers are enjoying enormous benefits from the ongoing buyout of U.S. tobacco farmers and quota holders that have significantly increased the overall demand for U.S. tobacco leaf.^{xi} The increases in demand from the buyout will be much larger than any reduction in demand for U.S. leaf prompted by increasing the federal cigarette tax rate.

6. Research shows a 61-cent increase in the federal cigarette excise tax as being fiscally sound for expanding SCHIP

Using increases in tobacco excise taxes to fund SCHIP reauthorization is not fiscally irresponsible policy as it complies with the Pay-Go funding standards passed by Congress. Therefore, it does not contribute to the federal budget deficit. In fact, CBO estimates show the bill would reduce the deficit by \$1.4 billion over the next five years. According to CBO, the various provisions to maintain and expand children's health coverage would cost \$34.9 billion over five years, with these costs fully offset by an increase in federal tobacco taxes.^{xii} These estimates take into account an anticipated reduction in the number of smokers due to the tax increase.

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Sources:

- ⁱ Cabinet for Health and Family Services, Kentucky Children's Health Insurance Program; <http://chfs.ky.gov/dms/kchipelig.htm>.
- ⁱⁱ Department of Health and Human Services, Center for Medicaid and Medicare Services; <http://www.cms.hhs.gov/smdl/downloads/SHO081707.pdf>.
- ⁱⁱⁱ Voices for America's Children; <http://action.voiceshub.org/campaign/SideWithKids>.
- ^{iv} Kaiser Commission on Medicaid and the Uninsured. "SCHIP Reauthorization: Key Questions In the Debate A Description of New Administrative Guidance and The House and Senate Proposals", August 29, 2007.
- ^v Greenstein, Bob. "The Administration's Dubious Claims About the Emerging Children's Health Insurance Legislation: Myth and Reality". Center on Budget and Policy Priorities. <http://www.cbpp.org/7-17-07health.htm>
- ^{vi} "Cost Estimate for H.R. 976, Children's Health Insurance Program Reauthorization Act of 2007". Congressional Budget Office. September 25, 2007, <http://www.cbo.gov/publications/collections/schip.cfm>
- ^{vii} "Cigarette Smoking Statistics". American Heart Association, <http://www.americanheart.org/presenter.jhtml?identifier=4559>
- ^{viii} "Benefits to Each State From Congress Partially Funding SCHIP Through A 61-cent Federal Cigarette Tax Increase". Campaign for Tobacco Free Kids, July 25, 2007.
- ^{ix} "The Toll of Tobacco in Kentucky". Campaign for Tobacco Free Kids, <http://tobaccofreekids.org/reports/settlements/toll.php?StateID=KY>
- ^x "Raising Cigarette Taxes Reduces Smoking, Especially Among Kids". Campaign for Tobacco Free Kids, June 11, 2007.
- ^{xi} "Federal Cigarette Tax Increases Will Not Hurt U.S. Tobacco Farmers Or Cigarette Factory Workers". Campaign for Tobacco Free Kids, May 11, 2001.
- ^{xii} Park, Edwin. "CBO Estimates Show SCHIP Agreement Would Provide Health Insurance To 3.8 Million Uninsured Children". <http://www.cbpp.org/9-25-07health2.htm>