

United States Senate

WASHINGTON, DC 20510-4802

June 20, 2011

The Honorable Orrin Hatch
Ranking Member
Senate Finance Committee
United States Senate
Washington, D.C. 20510-0001

Dear Senator ~~Hatch~~,
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I am writing to share my grave concern about the impact of your recently-introduced legislation to repeal important protections designed to prevent children and other vulnerable populations from losing health insurance coverage under Medicaid or the Children's Health Insurance Program (CHIP). Repeal of these maintenance-of-effort protections, or stability protections, would allow states to diminish or eliminate coverage for millions of children, working parents, seniors and persons with disabilities currently covered at state option through Medicaid and CHIP. While I am extremely concerned about any loss of coverage stemming from this legislation for the 27 million Americans currently covered at state option, I am particularly surprised that you would seek to advance a provision that would jeopardize the future of the Children's Health Insurance Program.

CHIP has a proud history of bipartisanship because providing health care to children is far too important to play political games with. As a colleague and friend, I have been deeply grateful for the opportunity to work in a bipartisan way to create and reauthorize this important program, and I hope you understand my concern that your bill will set back the hard-fought gains you have helped this country achieve in ensuring that all American children have health insurance.

As a critical supporter of CHIP, you are no stranger to the necessity of children's health insurance coverage. In a hearing celebrating the tenth anniversary of CHIP, your opening statement captured the significance of CHIP:

When we drafted this legislation in 1997, our goal was to cover the several million children who had no insurance coverage. We have gone a long way in meeting that goal, but we are clearly not there yet. Coverage of these uninsured children should still be our top priority.¹

¹ Sen. Orrin Hatch, Opening Remarks, "CHIP at 10: A Decade of Covering Children," Hearing before the Subcommittee on Health Care of the Committee on Finance, 119th Congress (July 25, 2006).

I could not agree with you more and these words ring as true today as they did in 2006, especially as American families feel the burden of difficult economic times. CHIP has been hailed as a resoundingly successful program in providing health care to millions of children, including nearly 8 million children in 2010. The enhanced federal medical assistance percentage (FMAP) available to states under CHIP has helped encourage enrollment, and states have made huge strides in covering children that might otherwise have fallen through the cracks. Together, Medicaid and CHIP have resulted in the lowest rate of uninsured children on record. In addition, these programs have been essential to keeping children and families covered during the recession; thanks to the enhanced federal funding and stability protection requirements in the American Recovery and Reinvestment Act and the health reform law, most states maintained and even improved their Medicaid and CHIP programs during the recession. In fact, in 2009, gains in children's coverage under Medicaid and CHIP more than offset declines in employer-sponsored insurance as people lost their jobs and health insurance. Conversely, without the additional federal help and stability protections, it is likely that states would have made cutbacks in coverage for children to cope with budget pressures.

In light of the success of Medicaid and CHIP in covering children, I am particularly concerned with the devastating effects on children's coverage that would result from your proposal. According to the recent cost estimate from the independent Congressional Budget Office (CBO), as a result of this legislation:

- **By 2013, 400,000 people will lose their Medicaid and CHIP coverage.** Two-thirds of those dropped from coverage will be children.
- **Half of all states will end their CHIP programs by 2016.** One quarter of states are expected to end their program even earlier, in 2015, while remaining CHIP programs are expected to scale back coverage. For example, they could put children at risk of losing coverage by increasing the amount of red tape and bureaucracy, including waiting lists, that families must face when trying to enroll their children.
- **By 2016, the number of those expected to lose CHIP coverage will climb to 1.7 million people, with 700,000 left uninsured.** Less than two years after efforts to extend coverage to nearly 32 million uninsured Americans, this bill takes a step backwards by resulting in loss of coverage, a burden that will be borne disproportionately by children. I also caution that your caucus' efforts to repeal health care reform would not only end CHIP and drastically reduce Medicaid coverage, but would also provide no meaningful alternative for the millions of children and families who are securely covered under these programs today.

Because of Medicaid and CHIP's proven track record in covering children, I led successful efforts during the health reform debate to make sure that CHIP funding was extended through 2015 and that states maintained their Medicaid and CHIP coverage for children until 2019. I felt very strongly that it would have been shortsighted to dismantle programs that were working so well. By repealing these provisions, this bill could jeopardize the country's remarkable progress in covering children and unravel one of Congress's most successful bi-partisan initiatives.

As a former governor, I understand the dire budget situation that has led some states to express their support for this legislation. This is why I have strongly supported, and continue to support, efforts to provide additional assistance to states, including the enhanced federal matching rate provided under the American Recovery and Reinvestment Act of 2009 and a subsequent six-month extension. These measures will result in federal contributions of approximately \$103 billion to states through June 2011 to help them maintain their health coverage under Medicaid. As a result of the enhanced federal matching rate provision, states did not implement widespread cuts and in fact were able to hold coverage steady for children and families in their Medicaid and CHIP programs.

Finally, as we move forward with the important debate about deficit reduction, it is essential that we not balance the nation's budget on the backs of our children and other vulnerable populations. Unfortunately, proposals to turn Medicaid into a block grant would inflict irrevocable harm on the Medicaid and CHIP programs. Although some have argued that CHIP's success as a block grant program makes it an ideal model for Medicaid, this is emphatically not the case. There are crucial differences between the programs, and CHIP has worked well because it has been adequately funded throughout its existence, unlike typical block grant programs. When funding has been tight, states have struggled with unnecessary instability in their decision-making and been forced to freeze or cap enrollment for kids. Imposing a block grant structure on Medicaid that deeply reduces federal funding relative to current law, as recent proposals call for, would significantly shift costs to states and have disastrous results including adding many children to the ranks of the uninsured, widespread waiting lists, slashed provider rates, and indeed, rationing of care. In addition, for the same reasons, I strongly oppose global federal spending caps or other spending limits that would have similarly devastating effects.

The sentiment you expressed when celebrating the anniversary of CHIP remains true today: health care for children should still be a top priority. As a friend and respected colleague, I look forward to working with you on these critical issues, especially as the nation's children continue to look to our leadership.

Sincerely,



John D. Rockefeller IV