Testimony of
Bruce Lesley, President, First Focus

House Committee on Energy and Commerce

Subcommittee on Health

"Covering Uninsured Kids: Missed Opportunities for Moving Forward"

January 29, 2008

Good morning Chairman Pallone, Ranking Member Deal, and all other members and staff of the Energy and Commerce Health Subcommittee. I am Bruce Lesley, President of First Focus, a bipartisan children's advocacy organization affiliated with the America's Promise Alliance dedicated to making children and families a priority in federal policy and budget decisions.

I have worked in federal, state, and local policymaking for 20 years. Most recently, I spent six years working for Senator Jeff Bingaman on the Senate Finance and Health, Education, Labor, and Pensions Committees, but I also worked for Senator John Breaux back in 1997 during enactment of the State Children's Health Insurance Program (SCHIP) and for the National Association of Children's Hospitals during the initial implementation of SCHIP. I also covered the issues under this committee's jurisdiction when I worked for Congresswoman Diana DeGette several years ago, and am honored to be sitting before you today.

I appreciate the opportunity to testify today about what we can do now to improve health coverage for the 9 million children in our nation who are currently uninsured. This is an American issue that affects not only our children but all of our futures. It is also a choice between investing now in improving the health and well-being of America's children or dealing with the effects of childhood obesity, growing levels of children diabetes, and the lack of preventable disease when today's young people become adults.

Federal Policy: The Perception and the Reality

There is a perception in this town that children likely fare far better than the reality when it comes to federal legislation. It is epitomized by Dana Milbank of the *Washington Post* when he wrote during the middle of the SCHIP debate last year, "[L]awmakers on both sides know that a piece of legislation stands a much better chance of passage if its about kids." He went on to cite eight pieces of legislation, including the "Kids Come First Act," the "Protect Our Children First Act," and the "Safe Babies Act," as examples. However, he should have taken the next step, which would be to look at their status in the legislative process. Not a single one had even passed a Congressional committee. This is a disturbing trend that First Focus has increasingly found.

According to an Urban Institute report that First Focus commissioned this past year entitled "Kids' Share 2007," the share of domestic spending on children has actually *declined* by an astounding 23

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percent since 1960 and, based on projections from the Congressional Budget Office, that downward trend will drop further over the next decade unless Congress takes specific actions to reverse the path.

Although the American public believes that the federal government likely spends about the same on senior citizens as children in terms of health care[1], the fact is that federal health care spending exceeds that for children by more than a 10-to-1 ratio. In 2003, the Congress passed a Medicare prescription drug benefit that was expected to cost $400 billion over five years and around a trillion dollars over 10 years. Four years later, as we are all painfully aware, Congress passed a $35 billion expansion for children's health, but it was vetoed on two occasions by President Bush. In response to the veto, Congress passed an extension bill at the end of last year that increased funding for children's health by a mere $800 million. In terms of funding, the numbers are pretty stark: CBO figures show that Congress passed an increase in Medicare for prescription drugs in the amount of $400 billion compared to $800 million for children. This is a 500-to-1 ratio.

However, the disparity is also apparent when it comes to investing in areas such as quality improvement and information technology in the Medicare program as compared to Medicaid and SCHIP, which are the health programs critical to children.

At various times, Congress has taken critically important steps in addressing problems facing children and the downward trend in investment in the next generation. In the 1990s for example, a Democratic Congress passed President George H,W, Bush's Healthy Start initiative to reduce infant mortality. In 1997, a Republican Congress and President Clinton confronted the crisis of 10 million uninsured children in this country by passing SCHIP. Healthy Start and SCHIP have been unqualified success stories, as Healthy Start helped reduce infant mortality rates in this nation and SCHIP contributed to reducing the number of uninsured children by one-third, reducing racial and ethnic health disparities, and improving access to care for children.[2]

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[1] Marc Berk, et al, "Americans' Views About the Adequacy of Health Care for Children and the Elderly," *Health Affairs*, September 14, 2004.

[2] Genevieve Kenney and Justin Yee, "SCHIP at a Crossroads: Experiences to Date and Challenges Ahead," *Health Affairs*, March/April 2007; and, Genevieve Kenney, "The Impacts of the State Children's Health Insurance Program on Children Who Enroll: Findings From Ten States," *Health Research and Education Trust*, August 2007.

Unfortunately, Healthy Start funding has stagnated, the program has not been reauthorized, and infant mortality is on the up-tick. It should also be noted that other children's initiatives, such as the Children's Health Act, have either not been reauthorized or, like the Maternal Child Health Block Grant, have seen dramatic declines in funding in recent years.

Meanwhile, as we entered last year, funding for SCHIP faced a $15 billion shortfall over a five-year period, while the number of uninsured children had reversed course, increasing by one million during the past two years. While that trend is alarming, a state-by-state look at the insurance status of children reveals trends that are, perhaps, of even greater concern. In 39 states and the District of Columbia, the percentage of children without insurance was higher in 2006 than it was in 2004. In 29 states, the rate increased by a full percentage point or more. I have included an analysis of these trends as Appendix A.

It is this negative trend that we call upon Congress to reverse.

The Public is Calling for Immediate Action for Children

If we truly wish to ensure the next generation is healthier than this one, we cannot wait. It is an American issue that concerns us all. According to public opinion research conducted by Republican pollster Frank Luntz last year, a majority of the American public believe, for the first time, that the next generation will fare worse than the current generation. Moreover, over 70 percent of Americans believe that the state of children's health care in this nation is either a crisis or a major problem and 83 percent supported reauthorization of SCHIP last year.[3] Furthermore, in a poll of Republican voters only, Fabrizio, McLaughlin & Associates found that "by a 2 to 1 margin, a majority of Republicans favor renewing and providing additional resources for the State Children's Health Program."[4]

This is a timely issue not only because of our collective efforts last year on SCHIP reauthorization, but also in light of the recent wave of regulatory actions targeting children's health programs and the

[3] Luntz, Maslansky Strategic Research, "Making Children a Priority: Survey 2007," July 2007 (conducted for First Focus and can be viewed at http://www.firstfocus.net/pages/3206/).

[4] Fabrizio, McLaughlin & Associates, "National Survey of Republican Voters," September 21-23, 2007 (conducted for First Focus and can be viewed at http://www.firstfocus.net/pages/3206/).

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current economic forecast for our country, which will likely mean that many more low-income children will be added to the rolls of the uninsured in the coming months.

Although we were not able to reach a five-year deal on SCHIP last year, as we move forward I believe that it is important to recognize that in both the House and the Senate, broad bipartisan majorities supported reauthorization.

We also are grateful for the near unanimous support that the SCHIP extension won in both the House and the Senate at the end of last year, as the legislation passed the Senate by unanimous consent and in the House by a vote of 411-3. We would like to thank everybody on this Committee, particularly Chairman Dingell and Congressmen Barton, Pallone, and Deal for their leadership in working across the aisle to fully fund SCHIP and to ensure that state SCHIP programs were able to continue to operate. The final language reflected much of Congressman Barton's legislation and was no inconsequential task, as CBO had estimated that the pending funding shortfall threatened the health insurance coverage of 1.4 million children and pregnant women across the country.

Starting from Those Areas of Common-Ground

In the months ahead, it is important to note that the SCHIP negotiations produced broad areas of consensus between the House and Senate SCHIP bills. Rather than focusing on those areas that divide the two parties, we urge the Congress to begin renewed discussions around SCHIP from those areas of common-ground and broad consensus. Perhaps most notably, I think we all agree that the poorest children in our nation should be our foremost priority for coverage.

Proponents of the SCHIP reauthorization bills last year pointed to the CBO estimates that the vast majority of children covered under the legislation were children eligible for but unenrolled in either Medicaid or SCHIP. At the same time, many opponents of the Congressional SCHIP proposals repeatedly voiced their support for the principle that coverage should be provided for low-income children first. For example, throughout the fall debate, the Administration repeated more than 50 times its principle that SCHIP should indeed cover the "poorest children first." Although we often strongly disagreed with the positions that the Administration took on SCHIP last year, we certainly do support the idea that the focus should be on the 5-6 million children in this country that are eligible for but unenrolled in either Medicaid or SCHIP.

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Rather than waiting to 2009 to improve SCHIP, Congress could lay the groundwork for full reauthorization by enacting those items of common-ground and widespread agreement, including improving coverage for the very lowest income uninsured children in our nation. Although the task of targeting our nation's poorest kids is not an easy one, it is certainly achievable, as the vast majority of these children are already eligible for and participate in other federal benefits programs. According to data from the Agency for Health Care Research and Quality (AHRQ), 62 percent of all uninsured children are eligible but unenrolled in either Medicaid or SCHIP. AHRQ economists Julie Hudson and Tom Selden note, "Of these [children], 36.1 percent were in families with incomes below poverty, and another 41.1 percent were in families with incomes of 100-200 percent of poverty…Clearly, this group includes some of the most disadvantaged children in the United States."[5]

Therefore, I urge Congress to take up the President's goal and campaign promise[6] to reach more of the so-called "eligible but unenrolled" children by making more extensive use of the data collected by other needs-based public programs, to help identify and enroll children in Medicaid and SCHIP through what is referred to as "Express Lane Eligibility."

The essence of Express Lane Eligibility, legislation introduced by Senators Richard Lugar and Jeff Bingaman in the Senate and contained in the SCHIP reauthorization bill by Chairman Dingell, is that if a child is eligible for federal programs such as the school lunch program, the Food Stamp program, the Women, Infants, and Children, or WIC program, and others, then we have data on these children's income, their residence, their household size, etc. For the majority of the eligible but unenrolled children in this country, the federal government already has virtually all of the data it needs to determine whether the child is eligible for Medicaid or SCHIP – often in the exact same computer system that tracks Medicaid and SCHIP eligibility. In fact, the Urban Institute estimates that 70 percent of the children who are currently eligible but unenrolled in Medicaid or SCHIP would get coverage if Express Lane Eligibility was put into place.

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[5] Julie Hudson and Thomas Selden, "Children's Eligibility and Coverage: Recent Trends and a Look Ahead," *Health Affairs*, Web Exclusive, August 16, 2007.

[6] President Bush said in his speech at the Republican National Convention on September 2, 2004, while campaigning for reelection, "America's children must also have a healthy start in life. In a new term, we will lead an aggressive effort to enroll millions of poor children who are eligible but not signed up for the government's health insurance programs. We will not allow a lack of attention, or information, to stand between these children and the health care they need."

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For example, if a child participates in the federal Head Start program or the federal Food Stamp program, the state has actual data in its computer systems about that child's family income level – often in the same computer system. Through this data, the states could easily determine whether these children also qualify for health coverage through Medicaid or SCHIP. Rather than requiring both the states and low-income families to once again have to provide duplicative documentation, including pay stubs, electric bills, etc., Congress could allow that data from other federally-financed programs to be used for eligibility determination.

The concept is actually a fairly simple one, as the Medicare drug program already uses eligibility determinations for senior citizens and the disabled in both Medicaid and SSI to ascertain auto-enrollment in the low-income subsidy. Once again, if eliminating unnecessary bureaucracy and red tape is good for senior citizens, why not children?

The bottom line is that if the federal government already knows a child's income, their residence, their citizenship, or whatever other data is needed to determine eligibility, Congress should allow the states to take whatever steps are necessary to allow the simple transfer of that data from one program to another to get that child the health care they need.

In addition, other consensus items could include language from the reauthorizations bills already passed by this Congress on three occasions:

- Express Lane Eligibility;
- Outreach and enrollment;
- Health quality improvement;
- Health information technology and model electronic records;
- Grants to reduce racial and ethnic disparities;
- Improved data collection;
- Coverage of dental care;
- Coverage of pregnant women;
- Demonstration projects on childhood obesity;
- Demonstration projects related to childhood diabetes prevention.

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We also urge Congress to push for studies to help reach a solution to those areas of disagreement this year, including:

- Substitution of SCHIP coverage for private coverage (including a look at how that is working in the Medicare prescription drug program and how Medicare and Medicaid use wrap-around coverage to reduce crowd-out);
- Access to care for primary and specialty care services;
- Problems related to citizenship and identity documentation, particularly as it relates to children;
- Update of the federal evaluation of SCHIP.

We should not lose sight for even a moment of what we are talking about here. Devonte Johnson, a young boy from Texas, lost his Medicaid coverage due to bureaucratic errors and he died from untreated kidney cancer. Deamonte Driver, a young boy from Maryland, lost his Medicaid coverage due to bureaucratic errors and died from an untreated dental infection.

Thus, children's health care coverage is about that ensuring children have access to affordable health care services they need. It is about ensuring that children with cancer get the chemotherapy treatment they need and that children with dental infections or cavities get the treatment they need. No child should die or suffer because of system failures and lack of health insurance coverage. And fundamentally, it is on this matter that we can agree and we urge action upon as soon as possible.

Before I close, I also wanted to thank Chairman Dingell and Chairman Pallone for their recent letter to Secretary Leavitt regarding the recent wave of regulations from the Centers for Medicare and Medicaid Services, to restrict states in their efforts to reduce their numbers of uninsured children. We are pleased that Congress included in the SCHIP extension bill a moratorium on implementation of a Medicaid regulation restricting payment for various school services, including outreach funding. This effort was intended by Congress to ensure that no child would lose health care coverage during the interim period before Congress sought to once again pass a reauthorization bill.

However, the Administration has decided the status quo is not the direction in which they wish to head, and instead have issued a number of other regulations and guidance changes that will both cut

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children off of coverage and severely limit services or the reimbursement of services for their care. According to an analysis of the various actions by the Centers for Medicare & Medicaid Services, if the various regulatory or guidance changes are implemented, over $12 billion in federal Medicaid spending will be cut over five years. The National Association of Children's Hospitals estimates that "over 54 percent of the federal savings is the result of changes that would seriously impact children with special health care needs." [7]

The goal should be to drive toward covering all children, and, as Congress intended, to at least do no harm in the interim. The goal, however, should not be to increase the number of uninsured children to 10 million or to further cut children off from much needed health care services.

To highlight one of those changes, we are particularly concerned about the Administration's August 17th directive to states that effectively cuts off coverage for children who are in families with incomes above 250 percent of the federal poverty level. This will have negative consequences on the health coverage of children in 23 states, including states such as New Jersey, Ohio, Indiana, North Carolina, Louisiana, and Oklahoma, and we respectfully urge Congress to take whatever action necessary to ensure that no child who is currently eligible for coverage loses health care as a result of this or any other directive. As a nation, we cannot allow vulnerable children to be denied much needed health coverage by administrative fiat and disregard for Congressional policy-making and intent. As such, we urge Congress to take whatever action is necessary, including legislative or appropriations vehicles or through use of the Congressional Review Act to block these harmful regulations to children.

And finally, First Focus urges the Energy and Commerce Committee to also enact the bipartisan Healthy Start reauthorization bill introduced by Representatives Towns and Upton to combat infant mortality, as well as the provisions within this Committee's jurisdiction related to the Indian Health Care Improvement Act and other measures that are important to Native American children, and to begin work in coordination with the Ways and Means Committee to take a focused look at the special health care needs of children in the foster care system.

Thank you again for the opportunity to testify. I will end where I began – while some of the aspects of last year's SCHIP debate may have been in dispute, there was, and continues to be, near universal

[7] National Association of Children's Hospitals, "Impact of Recent CMS Actions on Child Health Care and Children's Hospitals," December 21, 2007.

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support for providing SCHIP or Medicaid coverage for the nation's lowest-income uninsured children who already qualify for Medicaid or SCHIP.

Although children may represent just one-quarter of our nation's population, they represent all of our future. We must continue to build upon SCHIP's success in reducing the number of uninsured and not to head backward. The health and well-being of our nation's children cannot wait.

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APPENDIX A

FIRST FOCUS

MAKING CHILDREN & FAMILIES THE PRIORITY

Kids without Coverage:

State by State Trends, 2004-2006

Summary

Each year the Census Bureau releases information regarding the health insurance status of Americans. This year, that data showed that 8.7 million children were without health coverage in 2006. This amounts to 11.7% of all children, and is a significant increase from 2005, when 10.9% of all children were uninsured. While the jump in the national rate is certainly alarming, a state by state look at the insurance status of children reveals trends that are, perhaps, of even greater concern. Most states across the country saw rises in the percentage of children without coverage from 2005 to 2006, and even more saw rises in this percentage over the two year period from 2004 to 2006. While there are some regional differences, the national trend of more and more children without insurance is happening on the local level as well.

"Highlights"

- In 39 states and the District of Columbia, the percentage of children without insurance was higher in 2006 than it was in 2004

- 15 states experienced climbs in their rate of uninsured children in both of the past two years. Only 9 states enjoyed two straight years of reducing the percentage of uninsured children.

- The biggest jump in uninsured children was in Louisiana, with its rate more than doubling since 2004 (from 7% to nearly 16%). The biggest drop was in Oklahoma, going from 16.2% in 2004 to 12.5% last year (nevertheless, Oklahoma's rate is still higher than the national rate).

- 6 states had rates of uninsured kids that jumped more than 4 percentage points since 2004, and no states dropped that much. The percentage of uninsured children grew by more than 1 full percentage point in 31 states over that time.

- In 2006, 17 states had higher rates of uninsured kids than the national rate, including some of the largest states like California, Texas, and Florida. This is up from only 11 states in 2003.[8]

Regional Differences

States in the Midwest and the Northeast tend to have lower rates of uninsured children than the rest of the country (west of the Mississippi and north of Virginia, only New Jersey and Delaware have more than 10% of their kids uninsured), while children in the South and the Southwest generally fare the worst (Texas tops the list with 21.12% of its children without coverage). While there are easily identifiable regional clusters when it comes to rates of coverage, these clusters disappear somewhat when looking at the year to year changes. States that saw increases in uninsured children two years in row can be found all over the map, from New York to Hawaii, from Idaho to Florida. However, more than half of the 11 states that have lowered their percentages of uninsured children since 2004 can be found in the mid-Atlantic and Midwest region.

While variations exist across states for numerous reasons, including economic conditions, eligibility rules for public coverage, and the level of resources dedicated to public health, there can be no doubt that the national trend of higher rates of uninsured children is reflected in and perhaps generated by the state trends.

Limitations of the Data

The numbers used in this report come from the US Census Bureau's Current Population Survey Social and Economic Supplement from 2004 to 2006. These numbers are generated from sampling, and as such, there is the potential for error. When using subsets of data (like children in specific states), the margin of error grows. Because of this unavoidable sampling error, for many of the differences between rates from one year to the next, we cannot say with a high degree of certainty, that the difference is "real." That is to say some of the differences are not statistically significant. Those that are statistically significant are marked that way in the table on the following page.

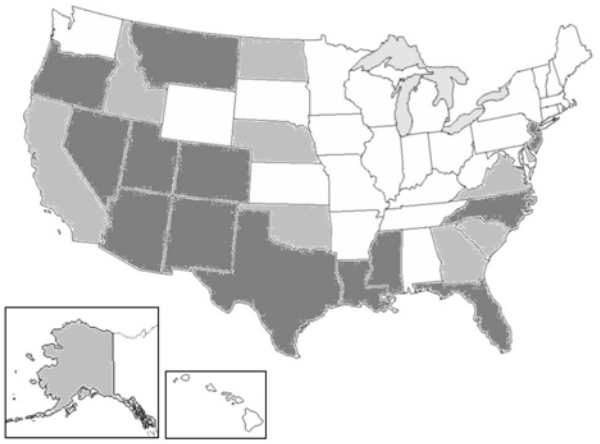
[8] Peterson, Chris L. Health Insurance: Uninsured Children by State, 2001-2003. Congressional Research Service. August 31, 2004.

APPENDIX A

	2004	2005	2006
United States	10.5%	10.9%	11.7%*
ALABAMA	6.3%	4.5%	7.4%*
ALASKA	9.7%	8.6%	10.5%
ARIZONA§	13.8%	16.4%	17.0%
ARKANSAS§	6.2%	10.7%	9.3%
CALIFORNIA	11.8%	13.4%*	12.8%
COLORADO	14.5%	13.7%*	14.6%
CONNECTICUT	7.1%	7.7%	6.0%
DELAWARE	11.3%	11.7%	11.7%
DISTRICT OF COLUMBIA	7.1%	6.3%	8.7%
FLORIDA‡	14.4%	18.1%	18.9%
GEORGIA	11.4%	11.0%	12.8%
HAWAII§	3.8%	5.2%	6.4%
IDAHO‡	8.6%	11.4%	12.9%
ILLINOIS	10.5%	10.0%	9.5%
INDIANA	8.5%	9.8%	7.8%
IOWA	5.9%	5.0%	6.2%
KANSAS	6.4%	6.2%	7.3%
KENTUCKY	8.3%	6.8%	9.7%†
LOUISIANA‡	7.0%	8.4%	15.9%*
MAINE	4.5%	7.5%†	6.3%
MARYLAND	9.4%	8.3%	9.9%
MASSACHUSETTS	5.8%	4.2%	7.0%*
MICHIGAN	6.0%	5.0%	4.7%
MINNESOTA	6.2%	5.9%	8.3%
MISSISSIPPI‡	13.4%	11.3%	18.9%*
MISSOURI	7.3%	7.5%	9.1%
MONTANA	14.0%	14.0%	14.6%
NEBRASKA‡	5.9%	5.2%	10.1%*
NEVADA	16.0%	14.4%	18.8%†
NEW HAMPSHIRE	6.2%	5.4%	7.3%
NEW JERSEY‡	10.1%	10.5%	13.3%†
NEW MEXICO	14.5%	20.1%*	17.9%
NEW YORK‡	6.7%	7.7%	8.4%
NORTH CAROLINA‡	10.0%	11.7%	14.0%
NORTH DAKOTA‡	9.0%	9.2%	10.4%
OHIO‡	7.9%	7.6%	5.6%*
OKLAHOMA§	16.2%	11.0%*	12.5%
OREGON	10.5%	10.3%	13.1%
PENNSYLVANIA‡	9.5%	7.4%*	7.3%
RHODE ISLAND§	7.1%	7.6%	4.2%*
SOUTH CAROLINA§	7.8%	10.2%	10.7%
SOUTH DAKOTA	7.9%	8.0%	9.3%
TENNESSEE‡	9.4%	9.1%	6.4%†
TEXAS	20.7%	18.9%†	21.2%*
UTAH‡	10.2%	12.3%	15.0%
VERMONT‡	4.5%	5.3%	8.3%†
VIRGINIA‡	7.2%	8.5%	10.1%
WASHINGTON	6.6%	8.7%	6.9%
WEST VIRGINIA	8.8%	6.7%	8.6%
WISCONSIN	4.7%	6.9%†	4.9%
WYOMING	8.5%	11.0%	8.1%

* Statistically significant difference from previous year, p < 5%
† Statistically significant difference from previous year, p < 10 %
‡ State's rate in 2006 is significantly different from 2004, p < 5%
§ State's rate in 2006 is significantly different from 2004, p < 10%

Rate of Health Insurance Coverage Among Children, 2006



Percentage of children without health coverage is less than 10%

Percentage of children without health Coverage between 10 and 13%

Percentage of children without health coverage is greater than 13%

Change in the Rate of Health Insurance Coverage Among Children from 2004 to 2006

Percentage of children without health coverage has increased since 2004

Percentage of children without health coverage has decreased since 2004