



The Crisis in Health Care and Reauthorization of SCHIP in the 2007 Congress

Americans face a major health-care crisis. More than 40 million Americans have no health insurance and most of those that do are underinsured. Overwhelming health care bills are now the leading cause of personal bankruptcy. Few small businesses can afford to provide health insurance for their employees, and the current trend in big business is to either drop the coverage once offered to employees or outsource more and more jobs. Americans now believe that government must play a more active role in assuring that *all* Americans have access to health care.

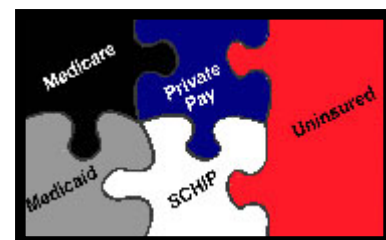
Here at home, the picture is even bleaker. New Mexico has the third highest rate of uninsured children in the nation and efforts by policymakers in recent years to increase health-care access have met with limited success. Governor Bill Richardson and the Legislature recently convened a task force to study several models for health care that would cover all New Mexicans. Their hope is to select a model that can be implemented by the Legislature in 2008.

While many states are eager to respond to the public outcry for health-care reform, the federal government has completely avoided the issue of real reform and has instead debated how deeply to cut Medicaid, the program that insures millions of children, elderly and disabled. The only sizeable health-care investment Congress has made in recent years is the Medicare Part D prescription drug program, which did nothing to help close the uninsured gap or

contain rising drug costs. While Medicaid and Medicare are considered very successful and cost effective, Medicare Part D ironically prohibits the government from seeking prescription drug discounts. Meaningful reform must address cost containment in addition to expanding coverage to all citizens.

A Successful Federal-State Partnership

Medicaid provides health care to children of low-income households, very poor adults, the elderly, and those with a disability that precludes them from working. It has been enormously successful in both containing costs and expanding coverage to those in need. To build on this success, Congress sought to expand health-care coverage to more children (those currently above the income threshold for Medicaid eligibility) by establishing the State Children's Health Insurance Program (SCHIP) in 1997. The cost of Medicaid is shared by federal and state governments, with the federal government paying a larger share of the cost in low-income states like New Mexico. As an incentive to insure more children, Congress gave states an even larger federal match rate when they established the SCHIP program.



More than 400,000 New Mexicans receive their health-care coverage from Medicaid — that’s nearly a quarter of the state’s population¹. Nearly two-thirds of those recipients are children. The federal government currently pays about 69 percent of the cost of Medicaid and the state covers the rest. Another 12,000 children are insured under the SCHIP program. The federal government pays 78 percent of SCHIP and New Mexico pays the remainder. However, even though we’ve insured 12,000 children under SCHIP, the state has not always used its entire allocation of federal dollars.

While the expansion of Medicaid and SCHIP has helped provide health care for a good number of children in New Mexico, it has not had much of an impact on the overall percentage of uninsured children. This is because employer-sponsored health insurance coverage has undergone substantial change. An explosion in private health insurance costs, coupled with shifts in employment to more part-time, nontraditional and contractual employment (typically without health-care benefits), has resulted in fewer children and dependents being covered under private, employer-sponsored plans. Expansion of Medicaid and SCHIP have helped to avert what otherwise would have been an even bigger crisis in child health coverage.

In 2003, New Mexico established the State Coverage Insurance (SCI) Program to insure some low-income

adults using SCHIP funds that were not being used to insure children. The federal government gave New Mexico a waiver of its usual SCHIP rules in order to expand health-care coverage to this population. Just over 4,000 adults are now insured with the SCI using SCHIP funds. The governor is planning to ask for a major expansion of SCI to cover more adults in the 2007 legislative session.

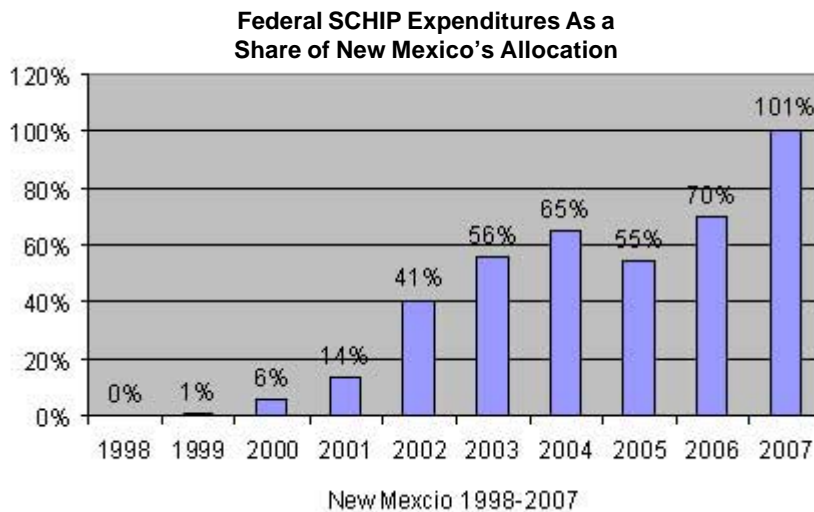
While Medicaid is an entitlement (meaning that all who meet the eligibility requirements are entitled to enroll), SCHIP is a federal block grant with limited federal dollars. Each state is given a certain amount of funding annually, but until this year New Mexico has not used all of its SCHIP funding. This year, New Mexico had steady SCHIP enrollment and a sudden growth in SCI enrollment. SCI expansion may only be possible with additional federal funds.

When SCHIP was established, it was authorized for ten years and will need to be reauthorized by Congress in 2007. Advocates, health-care providers, and state policymakers will be asking Congress to increase SCHIP funding, while budget hawks and fiscal conservatives will likely want level funding or stricter limits on eligibility. Because Americans are demanding health-care reform and states want the opportunity to expand coverage using federal matching funds, the SCHIP reauthorization debate will likely be a lively one. Regardless of what reform path New Mexico chooses in the coming year, the outcome of the SCHIP

Stranded Without SCHIP: One Mother’s Story

Marie is raising her three school-age boys here in Albuquerque. Until recently, she worked for a large insurance firm and, although she was there for five years, she was laid off when the company downsized. Marie is now taking temporary jobs while she seeks more stable employment – but she’s finding that permanent, full-time positions are not plentiful. Despite Marie’s advanced clerical skills and long employment history, she’s currently only able to find openings in low-paying sectors, such as call centers. In addition to the low pay, the work schedules for these kinds of jobs often make finding childcare impossible, as the jobs require working nights and weekends when childcare is not readily available.

Marie continues to work in temp positions while she searches for a job that will allow her not only to pay her bills, but also to spend some time with her children. Unfortunately, few temp jobs offer health insurance, and the coverage at those that do is simply too expensive. Besides keeping her kids from getting sick, quality health care is essential for two of her boys because they have ongoing health needs. The oldest has a severe skin disorder that, when untreated, is very visible. When this happens, his classmates tease him and his self-esteem – and ability to concentrate in class – plummets. The youngest has a hyperactivity disorder that, when untreated, prevents him from focusing on his schoolwork. For Marie, having access to SCHIP is critical to ensure ongoing care for her children, particularly if they are to perform well in school. Like so many American children, Marie’s sons are involved in sports. Without SCHIP, they could not participate in team sports because the required physicals are simply too expensive. Without SCHIP, Marie’s sons would be stranded, with little – if any – health care.



reauthorization by Congress will have measurable consequences on the health and well being of children in our state.

SCHIP Reauthorization in the 2007 Congress: The Challenge Ahead

The 2007 Congress will debate the reauthorization of SCHIP and will no doubt review the federal budget for Medicaid and Medicare. When examining Medicaid and SCHIP, Congress should support provisions that both expand coverage to more children and ensure that coverage provides preventative and comprehensive services. With a huge budget deficit and deep polarization between the two major political parties, the task will not be easy. The public must make it clear to the new Congress that SCHIP needs to be reauthorized with increased funding and bipartisan support, and that it cannot be done at the expense of other health or human service programs.

Several challenges are likely to surface during the debate over SCHIP reauthorization:

- (1) No one in Congress says they oppose children's health care. Rather, opposition comes in the form of how much funding children's health-care programs are actually given. In 2006, no one in Congress publicly opposed children's health-care coverage and yet Congress cut Medicaid spending. The **federal budget deficit**, which has grown over the past several years as a result of huge tax cuts for the very wealthy and the high cost of the war, will make SCHIP funding increases more difficult.

- (2) **Senate budget rules** have been rewritten to require that funding requests in one area must be paid for by spending cuts in another area. Advocates are rightly concerned that an increase in SCHIP funding could come at the expense of Medicaid funding, a trade off that is unacceptable to advocates since both programs provide health care coverage for children. SCHIP is built upon the success of Medicaid so the Medicaid budget must remain strong. In 2007, Congress needs to be prepared to rewrite or suspend the budget rules in order to adequately fund all children's health-care programs, and to even consider repeal of some of the tax cuts provided to America's wealthiest in order to fund essential programs for America's most vulnerable.

- (3) **Some in Congress want to limit SCHIP** to cover only children. New Mexico's waiver to allow use of SCHIP funds to cover low-income working adults could be jeopardized if the use of SCHIP funds is limited in this way.

- (4) States received SCHIP funds based on a formula devised ten years ago. New Mexico utilized only a fraction of its funding until recent years and in the current fiscal year New Mexico will overspend its annual allotment of SCHIP funds. **A change in the funding formula** is likely to be proposed and New Mexico should engage vigorously in this debate to assure adequate funding for expansion of health-care coverage as proposed by Governor Richardson.



- (5) There is **no national leadership or vision** regarding the need to expand quality health care to all children. While states move forward in their efforts to insure more and more of their citizens, federal policymakers have yet to engage in a serious debate over the crisis. Congress can no longer avoid what Americans now recognize as a moral imperative to provide quality health care to all children
- (6) SCHIP reauthorization provides an opportunity to highlight **the importance of quality and comprehensive health-care coverage** for children. What should be a serious discussion setting a goal of quality outcomes for our children is very likely to be overshadowed by what is affordable, given the budget rules and growing national debt. Advocates will have to make a strong case for improving SCHIP quality, ensuring preventative and comprehensive care, and expanding coverage to more children.

Call to Action

New Mexico is now engaged in a historic debate about how to provide health care for *all* New Mexicans. There is broad agreement that Medicaid and SCHIP are economic engines for New Mexico because they bring federal funds into the state. It follows that maximizing Medicaid and SCHIP federal funding is an essential and fiscally responsible step toward achieving greater health-care coverage. Any cuts in Medicaid or a failure to expand SCHIP in the next Congress would have a devastating impact on our state's ability to offer health insurance for all New Mexicans.

New Mexicans from every region, all sectors of business and faith, as well as individual advocates, health-care providers, and ordinary citizens, are urged to join together to encourage our Congressional delegation to use the occasion of SCHIP reauthorization to expand health-care access and assure the delivery of comprehensive, quality care.

This event is sponsored by New Mexico Voices for Children and the following co-sponsors:

Bernalillo County Community Health Council
Central New Mexico Community College (CNM)
Health Action New Mexico
Health Care for All
Lutheran Office of Governmental Ministries - NM
Molina Healthcare
New Mexico Human Needs Coordinating Council
New Mexico Pediatric Society
Southwest Improvement Council
St. Joseph Community Health



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¹ In 1996, New Mexico increased its eligibility for children's Medicaid from 135% of the Federal Poverty Level (FPL) to 185% FPL. Children whose families have an income below that level meet the eligibility criteria. In 1998, New Mexico established eligibility for children in the SCHIP program at 186 – 235% FPL.