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The SCHIP (expansion) hits the fan

By Gregory Schneider

Ever get that funny feeling of déjà vu? That you have been somewhere or seen something before? As the next election nears, one gets the sense that we are back in 1993 debating health care and its consequences all over again.

Some of the players are even the same. Hilary Clinton, now seeking the Democratic presidential nomination, has put forth a vision of health care for all the uninsured which would be funded by increases in federal income taxes, tobacco taxes and capital gains taxes. This would assure a universal health care system, she contends, and move us in the direction of socialized medicine (a term she has been careful not to use). At the same moment the country debates whether government-run programs like Social Security and Medicare, with their trillions of dollars in unfunded mandates, are sustainable, candidate Clinton is urging the government to take on health care too. Some things never do change.

Republican candidates, such as Rudy Giuliani and Mitt Romney, have put forth competing visions of health care, arguing for a change in the tax code to allow individuals to purchase health care without paying taxes on it and changing the decades-old system of receiving health care through one's employer. That would contribute to lowering health costs, energizing the private insurance market and providing for more individual responsibility in health care decision-making.

The lines are drawn and it is clear the health care moment has arrived in American politics. There is no better sign of the coming debate over health care than in the political battle over SCHIP, the State Children's Health Insurance Program. President George W. Bush vetoed, as promised, the expansion of the SCHIP program above his proposed budget request. Senate Democrats Harry Reid and Edward Kennedy jumped all over the president, suggesting that he did not care about children, family values, or the poor.

The veto was a political move. Bush favors the SCHIP program. Most all politicians do, as it has provided relatively inexpensive care for children whose parents make too little to afford private insurance but too much to qualify for Medicaid. Children are inexpensive to insure, the argument goes, and therefore it is better to insure more children.

There is no doubt that insuring more children—just like educating more children—is a positive social good. If children have health insurance they are better off (as are their parents) than those without health insurance.

Bush proposed an increase in SCHIP spending by \$5 billion per year over five years. That was a 20 percent increase over current levels and would have continued to fund health insurance for those under 200 percent of the Federal Poverty Line (FPL). This safety net for the truly needy was the original intention behind the program's creation ten years ago.

Bush vetoed a Congressional bill that would have substantially expanded SCHIP and altered its original intent. The bill proposed to fund children at 300 percent FPL, or \$62,000 in annual income for a family of four. This would turn SCHIP into a middle class entitlement program, not a program to help the needy.

SCHIP expansion was the first shot fired in the battle over health care reform. The intention of those in favor of SCHIP's expansion is to promote government-run health care. In Kansas the Kansas Health Policy Authority and Governor Kathleen Sebelius both favor expanding state-funded health insurance for children to 250 percent of the FPL, or about \$52,000 in annual income. Currently SCHIP has 38,000 recipients in Kansas. Sebelius and the KHPA would urge increasing that burden, raising tobacco taxes (much like the federal expansion would have done) in order to pay for the increase.

Expanding SCHIP would be the first step in universal health insurance for all Americans. That is really what the political debate is about. Those who favor government run health care favor expanding SCHIP; those who don't favor maintaining it as a safety net program.

In contrast, a market approach to SCHIP would reduce costs even more. In a soon to be published policy paper by the Flint Hills Center for Public Policy, Bryan Riley and I make the case that the movement of SCHIP recipients off government funded care and towards private health coverage would save the state millions of dollars. Not only that, the move will energize private health insurance markets and promote greater individual responsibility for those receiving government funded health care to use their health care more wisely and responsibly. This approach will save the current system for those who most need it and for those whom it was intended to serve.

Indeed, by doing so, one could also remove children from the political debates in Washington and in Topeka. That would be a blessing for both adults and children alike.

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