

ENERGY AND COMMERCE RECONCILIATION PACKAGE TARGETS CHIP AND MEDICAID, RISKS THE HEALTH OF AMERICA'S CHILDREN



May 2012

For additional
information contact:

Lisa Shapiro
Vice President
Health Policy
lisas@firstfocus.net
202.657.0675

Last week the House Energy and Commerce Committee voted 30-22 to pass legislation that could have a devastating effect on health coverage for millions of America's children. Specifically, the Committee approved a package of reconciliation instructions that would cut funding by \$113 billion for Medicaid and the Children's Health Insurance Program (CHIP), programs that together ensure access to essential health services for America's most vulnerable children. The Committee's action comes after passage earlier this month of the FY 2013 House Budget Resolution which directed the Energy and Commerce Committee to identify \$3.8 billion in savings over the next year and \$96.8 billion over ten years.

Most notably, the Committee's reconciliation package repeals key provisions of the Affordable Care Act (ACA) for kids, including the Medicaid maintenance of effort (MOE) requirement, which protects coverage for low-income children and other vulnerable populations by requiring states to maintain their pre-ACA Medicaid eligibility rules. If enacted, an estimated 14 million children currently covered by CHIP or Medicaid would be at risk for losing coverage. A recent CBO analysis found that more than 90 percent of the cuts resulting from this provision would apply to CHIP, as states would be permitted to reduce or repeal their CHIP programs leaving currently covered children uninsured or moving them into the ACA's new health insurance exchanges. The remaining 10 percent of the cuts would apply to Medicaid and would likely fall largely on children, who make up 50 percent of Medicaid enrollees. The Committee estimated savings of \$2.1 billion over ten years from the MOE repeal.

The reconciliation package recommended a series of Medicaid and CHIP cuts that will have a serious negative impact on children, including that it:

- **Repeals the CHIP bonus payments** that reward states for increasing the enrollment of low-income eligible but unenrolled children into Medicaid and CHIP and eliminating bureaucratic barriers that make it harder to get eligible kids into coverage (a \$400 million cut over ten years).
- **Repeals the Prevention and Public Health Fund.** The ACA provided \$16 billion in advanced appropriations for the first ten years of the program and a permanent \$2 billion annual appropriation to support public health prevention programs (an \$11-12 billion cut over ten years).
- **Repeals State Exchange Grants** provided in the ACA to fund the establishment of state-based health insurance exchanges beginning in 2014 (a \$14 billion cut over ten years).
- **Reduces so-called Medicaid Disproportionate Share Hospital (DSH) payments** for hospitals that serve a greater-than-average share of patients covered by Medicaid. Under this provision the ACA's provision to gradually rebase state DSH allotments would be continued beyond FY 2020 (a \$4.1 billion cut over ten years).
- **Caps Medicaid provider tax rates** at 5.5 percent down from 6 percent currently. States are permitted to use revenue from health care provider taxes to help finance the state share of Medicaid expenses (a \$10-11 billion cut over ten years).

- **Cuts Medicaid funding to U.S. territories** by eliminating the ACA federal matching percentage increase for which increased FMAPs for the territories from 50 percent to 55 percent beginning in FY 2011 (a \$6.3 billion cut over ten years).

By every measure Medicaid and CHIP work. Medicaid and CHIP allow more than 35 million kids to get the quality care they need to grow and thrive. With one-in-five children living in poverty, now is not the time to disrupt the very programs that are keeping our children healthy and on track to becoming strong and productive adults. Congress must reject arbitrary cuts to Medicaid and CHIP so millions of kids can continue to get the care they need and we can continue the serious business of making health care work.