

January 21, 2018

The Honorable Mitch McConnell
Senate Majority Leader
United States Senate
Washington, DC 20510

The Honorable Charles Schumer
Senate Minority Leader
United States Senate
Washington, DC 20510

The Honorable Orrin Hatch
Chairman, Senate Finance Committee
United States Senate
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member, Senate Finance Committee
United States Senate
Washington, DC 20510

Dear Senate Leadership:

On behalf of First Focus, a non-partisan advocacy group in support of improving the lives of children through improved federal and state policy, I am writing to urge you to make the Children's Health Insurance Program (CHIP) permanent or to, at the very least, extend the program for 10 years.

According to an estimate by the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) dated January 11, 2018, an extension of funding for CHIP for 10 years using the provisions in S. 1827, the "Keep Kids' Insurance Dependable and Secure Act of 2017" (KIDS Act), "would decrease the deficit by \$6.0 billion over the 2018-2027 period." Based on the updated CBO/JCT score, a permanent extension would reduce the deficit by another \$30 billion or more in the second decade.

A permanent or long-term extension would also eliminate the "CHIP cliff" that is included in the House Continuing Resolution (CR). That language in the House CR provides funding of \$25.9 billion in 2023 but then drops funding in 2024 and beyond of just \$5.7 billion, which creates an enormous funding hole that would significantly threaten the program's future at the time of its reauthorization.

Consequently, we would urge you to seize this unique and critically important opportunity to protect and stabilize the health of millions of children while also cutting the federal deficit.

As of today, full funding for the Children's Health Insurance Program (CHIP) expired 113 days ago and the health coverage for nine million children has relied on a series of short-term patches from Congress to protect children from losing coverage. However, states are rapidly closing in on that moment where they are completely out of both federal and state CHIP dollars, which has forced some states to already send out disenrollment notices to families, spend time and money on planning for the possible closure of the program, and work on possible systems changes to move children either to Medicaid coverage or the Affordable Care Act (ACA) exchanges. This has been devastating to families concerned about the well-being of their children.

The American people have always expressed strong support for CHIP. According to a recent poll by the Kaiser Family Foundation, 88 percent of American voters believe that Congress and President Trump should make an extension of funding for CHIP either a top or important priority. The American people recognize that CHIP has been a long-standing bipartisan success story, as it has led the way in cutting the uninsured rate of children by more than two-thirds since its inception in 1997.

Throughout its 20-year history, the United States Senate has led the way on creating and protecting CHIP. In 1997, under the bipartisan leadership of Senators Orrin Hatch (R-UT), Edward Kennedy (D-MA), John Chafee (R-RI), Jay Rockefeller (D-WV), William Roth (R-DE), Daniel Patrick Moynihan (D-NY), Charles Grassley (R-IA), and Bob Graham (D-FL), the Senate established and funding CHIP as part of the Balanced Budget Act of 1997.

In 2007, the Senate led the way in pushing through an extension of CHIP when its reauthorization faced expiration due to CHIP being held up through an effort by the Bush Administration to attach an unrelated health care tax proposal to the program. In 2009, the House of Representatives had voted to repeal CHIP as part of the debate around the ACA, but the Senate Finance Committee restored the program through a bipartisan effort led by Senators Rockefeller and Hatch. And again in 2013, the House threatened the very existence of CHIP by voting to strip funding out of the ACA but inadvertently included a cut of \$13.3 billion out of CHIP. The Senate rejected that legislation.

In short, time-and-time again, it has been up to the United States Senate to both create and protect CHIP from numerous threats to its future. Consequently, we urge the Senate to protect the health of 9 million children and pregnant women, once again, by making CHIP permanent or, at the very least, extend it by 10 years.

We urge you to do so for the following reasons:

A Long-Term Extension of CHIP Reduces the Federal Budget Deficit by \$6 Billion

As stated repeatedly, the new CBO/JCT score indicates that a five-year extension of CHIP would cost \$800 million, a six-year extension included in the House CR would save less than \$1 billion, and a 10-year extension reduces the federal budget deficit by \$6 billion.

We urge the Senate to take this unique win-win opportunity to secure the maximum amount of federal budget savings to reduce the federal deficit, provide support for the Medicaid Improvement Fund, or help pay-for extenders, such as the Maternal Infant Early Childhood Home Visiting (MIECHV) program, Family-to-Family Health Information Center funding, and community health centers funding.

A Long-Term Extension of CHIP Would Eliminate the Disastrous “CHIP Cliff”

In addition, in sharp contrast to all other federal health programs, CHIP includes a major flaw in its current financing that is referred to as the “CHIP cliff.” For example, in the House-passed CR, the funding level provided for CHIP in 2023 would be \$25.9 billion, but the legislation would establish a baseline of only \$5.7 billion in the out-years – an astounding 78 percent reduction. That enormous cut to CHIP’s baseline potentially creates a \$20.2 billion annual shortfall in 2024 and beyond, which threatens the very existence and ability to extend CHIP in the long-term.

Again, no other federal health coverage program is subjected to such a long-term fiscal crisis. Congress does not impose an arbitrarily imposed, multi-billion shortfalls in Medicare or other federal health programs and CHIP deserves the same treatment.

Fortunately, the new CBO/JCT score provides Congress a unique opportunity to eliminate the “CHIP cliff” by making CHIP permanent or extending the program for at least 10 years. We urge the Senate to address this enormous problem and protect the long-term financial stability of CHIP.

Moreover, fixing the “CHIP cliff” would help the states from having to repeatedly consider various options and scenarios related to whether CHIP will get extended and what the federal matching rate may be. Making

CHIP permanent or extending the program for at least 10 years will allow states to better prioritize their time and effort to improving the health of children.

A Long-Term Extension of CHIP Protects and Stabilizes Health Coverage for 9 Million Children

In the last few years, Congress has had to extend funding for CHIP repeatedly (2007, 2009, 2010, 2015, and 2017) and that has proven to be quite harmful and difficult to the program, as offsets are often required to simply maintain the current program. In fact, despite the fact that the tobacco tax increases that financed the program at its enactment in 1997 and 2009 would cover the full expenses of CHIP had those dollars been dedicated to CHIP, subsequent extensions have required offsets just to maintain the status quo.

This is particularly problematic for CHIP. When the Senate considers the continuation of demonstrations, waivers, or extenders for health programs like Medicare, offsets can be found within the same program. In sharp contrast, as the failure of Congress to extend CHIP for the last 113 days highlights, there was bipartisan agreement in both the House and Senate on the CHIP language but the offsets, which were unrelated to the health of children, are what have threatened the program's extension.

The unfortunate and damaging short-term extensions that CHIP is repeatedly put through, just to extend the status quo for the health of millions of children, must end.

CHIP Is Not a Demonstration or Waiver Program and Is Deserving of a Long-Term Extension

In addition, the short-term extensions for CHIP have placed a burden upon the program that is unique among all the federal health coverage programs. Other federal programs, including Medicare, Medicaid, the Veterans Health Administration, the Federal Employees Health Benefits Program, or health coverage for Members of Congress and staff, are not subjected to on-going program expirations and funding cliffs.

Recently, leadership staff in the House of Representatives spoke about how important it was to change the “nightmare” of repeated extensions of the Medicare physician payments to permanent status in 2015 after years of short-term extensions. That is certainly true.

CHIP deserves the same result. Over its two-decade history, CHIP has had numerous evaluations concluding that it provides cost-effective health coverage that is, by definition, uniquely child-focused. While it makes sense for demonstrations and waiver programs to be subjected to possible expiration and extensions, CHIP has a two-decade long record of success in every state across this country, as the program, in tandem with Medicaid, has cut the uninsured rate for children by two-thirds.

Consequently, CHIP deserves to be made permanent, like every other federal health coverage program. It is unfathomable that Congress would subject Medicare or their own health coverage to such on-going threats to its very existence. The new CBO score provides a unique opportunity to what is best for children.

There is Not a Good Argument for Subjecting CHIP to a Shorter, Temporary Extension

When the new CBO/JTC score was released, the House chose to modify the CHIP legislation that it previously had passed in just the matter of a few days. The only argument that was made for extending CHIP by fewer than 10 years is that it would give Congress a chance to consider changes to the program more frequently. However, that argument is simply false.

First, making CHIP permanent or providing for a 10-year extension of the program does not change the oversight and legislative authority of the Senate Finance Committee and House Energy and Commerce Committee over the program. In fact, it is important to point out that CHIP's authorization ran for a full 10 years when it was established back in 1997. During that decade, CHIP was modified by Congress on 18

separate occasions, so it is simply wrong to argue that Congress somehow loses oversight authority over the program through a longer extension.

On the contrary, making CHIP permanent would, paradoxically, facilitate the oversight and consideration of recommendations toward improving the program, including the consideration of demonstrations and waivers to seek further improvements to the quality and access to care for children. Congress would maintain oversight over the program and continue to get biannual reports from MACPAC regarding their recommendations to improve child health.

For example, a recent study published in *Health Affairs* found that infant and child mortality are 70 percent higher in the United States than other wealthy nations. Congress and advocates for children should all be focused on fixing that problem rather than the endless time we have all spent on repeated CHIP extensions over the past years.

Unfortunately, by failing to fully consider at least a 10-year extension of CHIP, just as CHIP had at its inception, the House CR left more than \$5 billion in savings on the table and imposed a “CHIP cliff” that threatens the very long-term existence of the program.

Consequently, we urge the Senate to use this time to do better on behalf of our nation’s children, just as it has done in the past, and take advantage of the latest CBO/JCT score to make CHIP permanent or to extend the program for at least 10 years while simultaneously reducing the deficit by \$6 billion.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Bruce Lesley". The signature is written in a cursive, flowing style.

Bruce Lesley
President