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To: <fgavin@governor.state.ms.us>, <JSewell@governor.state.ms.us>,
<LMAYO@governor.state.ms.us>, <pkinney@governor.state.ms.us>
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** High Priority **

Interesting story from the Washington Post RE: CHIP

Children's Health Plan At Center of Dispute
Rules May Force States to Drop Enrollees

By Amy Goldstein
Washington Post Staff Writer
Thursday, October 24, 2002; Page A33

When Congress created the Children's Health Insurance Program, lawmakers and advocates across the ideological spectrum celebrated it as the biggest expansion of the government's role in health care in three decades -- a $40 billion investment to improve the lives of millions of youngsters whose parents were working but uninsured.

Five years later -- and despite a slow start -- CHIP is widely regarded as a success. But it is provoking a fresh dispute among the Bush administration, Congress and a growing number of states about whether some of its basic rules need to be changed.

The issue revolves around concern that the program is not providing enough money to states, which as the federal government's partners contribute about 30 percent of the cost and determine coverage eligibility.

Under the rules, the administration predicts, states will have to drop 900,000 children between next year and 2006. Liberal policy analysts say the problem could be worse.

Concern about such a prospect crystallized at the start of the new fiscal year this month, when most states for the first time had to give back a total of $1.2 billion they had been handed for children's health insurance but had not spent. Still, whether Congress should step in -- and, if so, what it should do -- remains in dispute.

The controversy's roots lie in subtle features of the 1997 law that established the program -- a law that was intended mainly to balance the federal budget.

One feature requires a state to spend its grant within three years. If any money is left over, it gets reshuffled to states that have used up their allotments. After one more year, if any of that money still remains, it goes back to the federal Treasury. That is why $1.2 billion was returned this month -- and why an additional $1.6 billion is expected to be returned to the Treasury next fall.

The other aspect of the law is a funding quirk. To fit the program inside certain budget limits, the subsidies were designed to decline by about one-quarter for last year, this year and in fiscal 2004.

Taken together, those features have created a paradox: Most states had more money than they needed when their programs were new and small. Now, they are losing money just as the programs have grown substantially, to include nearly 4 million children nationwide.

"There was a mismatch" in timing, said Cindy Mann, a research professor at Georgetown University who was in charge of CHIP from 1999 to 2001.

In his budget last spring, President Bush asked Congress to allow states to keep their money for children's insurance. Bush's senior health aides say the program is effective. They have been encouraging states to use any extra money to extend coverage to broader groups of uninsured children, their parents and even other uninsured adults.

"Having that money go back to the Treasury at this point makes no sense," said Thomas A. Scully, administrator of the Centers for Medicare and Medicaid Services, the branch of the Department of Health and Human Services that oversees CHIP. "We don't want to . . . have it go back . . . to be spent on road-building and not health care."

Several governors are also prodding Congress. "It is unacceptable to just let these funds go unused and not preserve them for children," said Indiana Gov. Frank L. O'Bannon (D), whose state used up its money, then was given $100 million more in the reshuffle -- but could not spend that new money quickly enough.

"The federal government dangled this money in front of us, told us to spend it in just six months and then jerked it back," O'Bannon, chairman of the National Governors Association's human resources committee, said earlier this month. Congress is divided over the question. The Senate that goes significantly further than the administration wants. The House has not taken up the issue, even though the White House and HHS are prodding GOP leaders to consider it when lawmakers return to Washington after the elections next month.

The Senate bill, sponsored by Sens. John D. "Jay" Rockefeller IV (D-W. Va.) and Lincoln D. Chafee (R-R.I.), would prevent any CHIP money from going back to the Treasury for the next four years -- but in a different way than the administration wants. It would continue to reshuffle money from states that have too much to those that need more. Bush prefers that every state keeps its original allotment. In addition, the Senate measure would give the program extra money to make up for the expected subsidy decrease.

The administration says that is unnecessary because most states still have unused funds. Simply allowing states to keep their money, an administration official said, would allow them to avoid cutting any children from the program.

But the liberal Center on Budget and Policy Priorities disagrees, predicting many states will run short of money within a few years unless the dip in subsidies is filled in.

Already, programs in a few states are being strained. RIte Care in Rhode Island -- one of the most generous in the country, covering children and their parents since the late 1990s -- expects to run out of money by summer if Congress does not act. To stretch its money, the state has started to charge premiums to families with incomes above 11/2 times the federal poverty level, resulting in a loss of coverage for about 4,000 people who did not pay them, according to Jane Hayward, director of the state's Department of Human Services.

Rhode Island has found that the program has improved residents' health: fewer underweight babies, fewer women with inadequate prenatal care and fewer children without proper immunizations.

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State falls short of welfare goal

By Riva Brown
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Mississippi is getting single mothers off welfare rolls and onto payrolls, but it has fallen short of a federally mandated goal for getting two-parent families on public assistance employed, federal officials say.

The Temporary Assistance to Needy Families law requires TANF recipients to move from welfare to work. Work is described as unsubsidized employment, subsidized public and private employment, on-the-job and job skills training, job search, community service, vocational education and satisfactory school attendance.

"Mississippi has done a good job in getting people to work," said Steve Barbour, spokesman for the Administration for Children and Families of the U.S. Department of Health and Human Services. "But Mississippi needs to continue to get single parents to work and identify two-parent families and get them to work."

For federal fiscal year 2001, TANF law requires a 45 percent work participation rate for all families and a 90 percent rate for two-parent families.

However, Mississippi had lower, adjusted work participation rates because it received credits for reducing its TANF caseloads.

Mississippi met its 20.9 percent adjusted rate for all families, meaning that 1,174 of the 5,688 eligible to work did so, Barbour said.

However, the state was fined $2,351 for meeting only 13.6 percent of the required 41.5 percent adjusted rate for two-parent families, Barbour said. That means that only one of six eligible two-parent families worked, he said.

Congress must soon reauthorize TANF, a federal block grant program that began in 1996.

Pam Simpson, interim director of the Division of Economic Assistance in the state Department of Human Services, said the proposed TANF reauthorization would end the separate two-parent family work participation rate.

"It has long been recognized that two-parent families have a far more rigorous participation rate requirement than one-parent families," Simpson said. "This will end the inequitable treatment of two-parent families."

Mississippi is creating a separate state program to pay benefits to the approximately seven applicable two-parent families out of state funds rather than from TANF funds, she said.

"In this way, the state will not be subject to the two-parent work participation rate," she said.

Mississippi has met its overall work participation rate for the past five federal fiscal years, according to the ACF. However, it failed to meet the two-parent rate for three fiscal years, including 1997 and 2000.

Barbour said it's much easier for states to get single parents to work.

"But it's much more difficult to get a husband and wife both to work because of childcare, transportation and other logistics," he said.

Jane Boykin, executive director of Mississippi Forum on Children and Families, said DHS has so many real battles to fight that it doesn't

such a distraction.
"I think it's unfortunate because it takes away from the large number of families that are working and calls attention to something that appears to be a deficit," Boykin said. "When you pull it apart, it doesn't have the significance that you would think when you first hear it."
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