playing politics with kids' health

By Annette Fuentes

Congress seemed to stake out the moral high ground last July when it passed legislation to provide health insurance to millions of children. No one could dispute the need: 10 million American children don't have health coverage. Both proportionately and in absolute terms, more kids are uninsured today than any time since the Census began counting in 1987, says the American Academy of Pediatrics. Most are children of the working poor, a growing sector of the population that makes too much to qualify for Medicaid and not enough to afford private health insurance.

Politicians indulged in an inordinate amount of bipartisan back-slapping after approving the Children's Health Insurance Program (CHIP), a bill co-sponsored by Sens. Edward Kennedy (D-Mass.) and Orrin Hatch (R-Utah). Supporters described the program as the greatest investment in children's health care since Medicaid was created in 1965. In terms of federal dollars committed to children's health, CHIP does represent a big investment. The devil, however, is in the details, and the details of the program put a damper on the overblown rhetoric.

Passed as part of the Balanced Budget Act of 1997, CHIP promises great things. Under CHIP, the federal government commits to spending more than $4 billion per year to help states provide health insurance for children who have none. Over the 10-year life of the program, federal funding will total $48 billion. Funds are allocated state by state based on how many children are uninsured. States can use the money to cover more kids with Medicaid, create their own children's health insurance program, or do a combination of the two. Children up to age 19 are eligible if their family's income is no more than double the federal poverty level of $13,000 for a family of three. In all, CHIP funds could provide health insurance for 5 million children.

Now for the bad news. CHIP is a voluntary program, not a federal mandate. States don't have to participate, or can do so at the most marginal level. Some states, including Texas and Arkansas, are considering passing on CHIP entirely. Because states must come up with matching funds in order to draw the federal dollars, state governors fixated on tax-cutting have an excuse to turn up their noses. The National Governors' Association reports that states' budget surpluses in 1997 were $29.5 billion, the highest level ever recorded. But even with their coffers brimming and the cause worthy, legislators are proving as tight-fisted as they would be during a recession.

CHIP doesn't set universal health care standards either. It is a block-grant program that gives states extraordinary flexibility to shape their approach to covering uninsured children, to define eligibility and to decide what benefits to include. The program's supporters say this will allow state legislators to tailor CHIP to meet the particular needs of kids in each state. But most children's advocates fear that without a single set of health care standards, some states will try to offer insurance on the cheap. Dr. Irwin Redlener of the Children's Health Fund in New York fears that by allowing states to pick and choose the benefits that kids get beyond basic care, "we could end up with 50 different plans, where kids can get eyeglasses if they need them, depending on where they were born." "The issue," he says, "is why this is a state child health program. Shouldn't it just be a federal initiative? But in 1997, this is the only way legislation would be passed."

Lawmakers from both parties were eager to jump on this health care bandwagon because it would aid the "worthy" working poor. "It's a powerful issue. No politician wants to vote against health care for children," says Stan Dorn, health policy director for the Children's Defense Fund.

© RICHARD STROMBERG

The Children's Health Insurance Program, passed by Congress last July, will leave half of the country's 10 million uninsured kids out in the cold.

CHIP's genesis lay in a slew of competing bills authored by liberal Democrats like Kennedy and conservative Republicans like Rep. Thomas Bliley of Virginia. Congressional support generally split between those who favored a simple expansion of Medicaid—mostly Democrats—and those who supported block grants with wide state discretion—mostly Republicans. The block-grant supporters prevailed.

As CHIP is designed, states must submit an initial plan to the federal Health Care Financing Administration (HCFA) by July 1 or risk losing their allocation. Dorn is optimistic that few states will pass on the program entirely. But how deep their commitment will run, especially in conservative quarters, remains to be seen. "The politics are such that it may not be easy in many states to leverage funding," says Dr. Steve Berman, director of health policy at Children's Hospital in Denver and a spokesman for the American Academy of Pediatrics. "In Colorado, the state legislators may say they don't want to put in $21 million to leverage the federal money [a grant of $42 million]."

In Texas, prospects are even gloomier. While a majority of states have filed at least a preliminary plan to guarantee their place at the table, the Lone Star state, led by Gov. George W. Bush, "sits around with its thumb up its you-know-where," says Anne Dunkelberg of the Center for Public Policy Priorities in Austin. "We're in a race to the right here, and even though the legislation came from a Republican Congress, we don't have any statewide elected officials championing the block grant. There is just so much aversion to coming up with state revenues to draw down the federal money." Not that the state is strapped for cash. Texas ended 1997 with a $2.4 billion surplus. Nor can legislators argue that Texas doesn't need the program. The state has 1.4 million uninsured children, more than any state other than California. Under CHIP, Texas would be entitled to $564 million in federal funds, but the state must come up with a match of $202 million. Charles Stuart, spokesman for the Texas Health and Human Services Commission, confirmed that his state has not begun preparing a plan. But he insisted that the inaction reflects a desire to be cautious, not a lack of commitment. "We're looking at different options for the state, including using general revenues of approximately $11 million," he says.

Other states are debating whether to use CHIP money to expand Medicaid, to create a new state health plan or to pursue a combined approach. Most children's health advocates support expanding Medicaid. Medicaid guarantees comprehensive coverage for kids, including dental care, mental health services and early prevention and diagnostic services such as vision and hearing tests. Medicaid also covers children's special health needs, such as wheelchairs and other durable medical equipment. States that create their own programs would have to work with private health insurers, most of whose plans are tailored for adults.

A November 1997 report by the Center on Budget and Policy Priorities argues that Medicaid expansion is more cost-efficient as well. To create brand new state programs would be an expensive reinvention of the wheel, resulting in new administrative systems and costs. By expanding Medicaid, which already covers 25 percent of all children up to 18 years, states increase their bargaining power in negotiating with health plans. And while CHIP money is capped for state programs—when it's spent, it's gone—states that opt to increase Medicaid enrollment would continue to receive federal reimbursement even when CHIP expires a decade from now. So why haven't cost-conscious politicians embraced that choice? "There is a

lot of ideology that clouds the decision. Medicaid is seen as a welfare program, an entitlement," says Cindy Mann, the center's senior policy analyst and the author of the report. "Politicians say, 'Let's do a new program.' "

States that choose the private program route must make tough choices about the quality and quantity of health benefits, and whether or not to require families to share costs. At a minimum, a state plan has to provide all the benefits offered by the state's largest health maintenance organization or those offered to public sector employees through plans such as Blue Cross and Blue Shield. Children's advocates are pushing for states to include the eye-ear-mental-dental quartet of services that are often considered frills by cost-conscious health insurers. "If we have a limited budget, are we better off having dental services and seeing fewer children?" asks Berman, the American Academy of Pediatrics spokesman. "An argument could be made that kids with rotting teeth don't do as well in school. People are saying, 'We don't want a Cadillac program.' But is preventing rotten teeth a Cadillac plan?"

State officials will also have to decide who is eligible. CHIP allows states to cover children from families with incomes up to 200 percent of the poverty level, but many states are considering drawing the line from 150 to 185 percent. How much money families should contribute is another subject for debate. CHIP says state programs can charge up to 5 percent of a family's annual income if they earn more than 150 percent of the poverty level. For a family of three scraping by on $26,000, that's a hefty $1,300 tab. Children's advocates point to Minnesota as a model for cost-sharing. The children's health program in that state charges a $4 monthly premium for low-income kids.

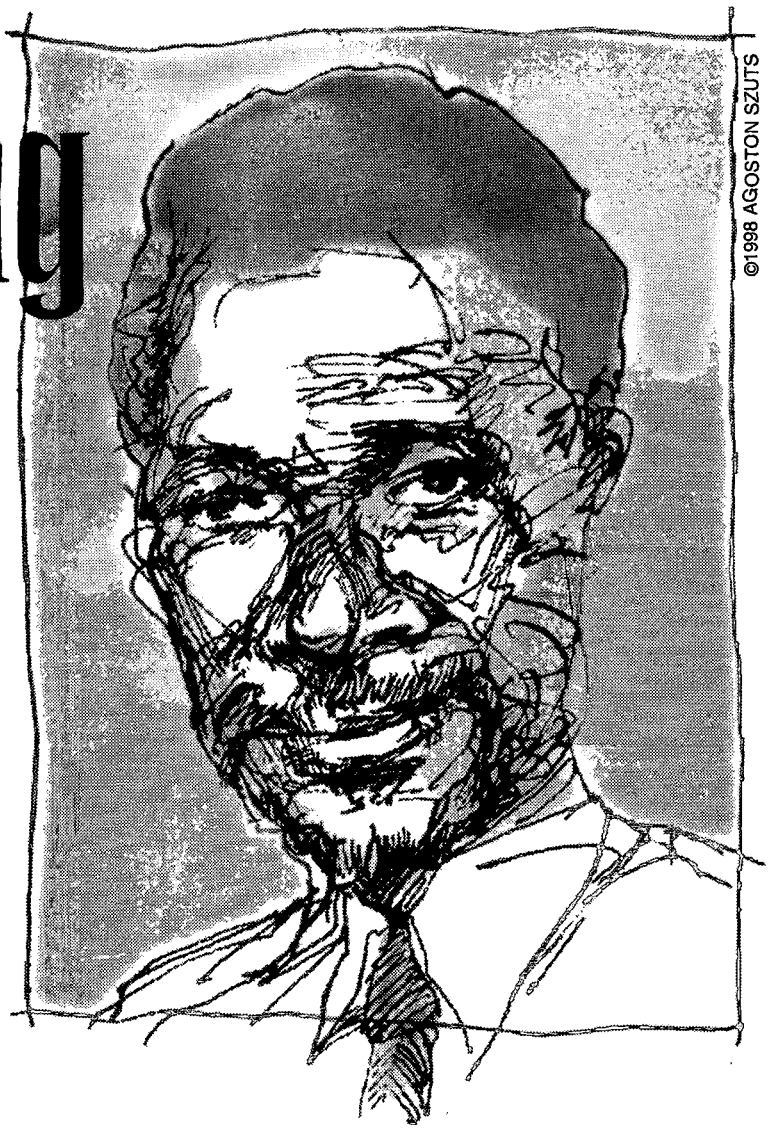
In California, Gov. Pete Wilson has launched the California Children's Health Plan (CCHP) rather than expand Medi-Cal, the state's Medicaid program. Wilson has boasted that the CCHP would be cheaper than Medicaid, but a September 1997 report funded by the Kaiser Family Foundation showed that, in fact, Wilson's program will cost the state $96 million more per year than simply raising the eligibility limits to let more children into Medi-Cal. It's not that Wilson's plan offers better benefits than Medicaid; it's just that Medicaid could serve them more cheaply.

States with the most vital and well-organized children's advocacy campaigns will end up with the best coverage. In Pennsylvania, for example, the Pennsylvania Partnership for Children began organizing to secure the state's commitment to CHIP before Congress had even passed the legislation. With 280,000 uninsured children, Pennsylvania is entitled to $118 million in federal funds, with a state match of $57 million. Since Pennsylvania already has a $33 million children's health program, participating in CHIP should have been a no-brainer. But advocates had to use all their political wiles and muscle to convince elected officials, including Republican Gov. Tom Ridge, that the program was worth supporting. "Kids aren't doing that well, and the state economically is very robust—we walked out of the fiscal year with a $600 million surplus," says Joan Benso of the Pennsylvania Partnership for Children. "We worked with the governor, who's running for re-election, to make him understand that this was a little bit of money for a big political hit." Advocates would like Pennsylvania's final plan to include an expansion of Medicaid to cover kids up to 150 percent of the poverty level. But as in Texas and California, the "M-word" is scaring off even liberal politicians. "We approached it very sensitively," Benso says. "We didn't say 'expand Medicaid' or use the entitlement word because anything that sounds like expanding entitlements is hard now."

For all the wheeling and dealing involved in shepherding CHIP first through Congress and now through recalcitrant statehouses, the program is a half-empty glass even at full participation. Five million children—half of all the uninsured kids—will still be left out in the cold. Until the United States enacts a universal health care system, measures like CHIP will only patch a few holes. "There is something unseemly about the United States of America debating whether children should have the full range of health services," says Redlener of the Children's Health Fund. "In 1997, we shouldn't be having this debate." ■

Reforming the U.N.

By Jim Wurst



"Reform," in debates about the United Nations, is in the eye of the beholder. The United States has its eye on the bottom line: It sees the United Nations as a bloated, inefficient organization that must be streamlined. Most other member nations, especially from the South, see the American insistence on cost-cutting as an effort to minimize the role of the United Nations in world affairs. These nations believe U.N. reform should lead to a greater focus on the development needs of poor countries.

Taking advantage of the honeymoon that followed his election as secretary-general in December 1996, Kofi Annan spent his first year in office devising a reform program that he hopes will please both sides.

Annan, a career diplomat from Ghana, may be the right person for the challenge. He is the consummate U.N. insider, having worked his way up the ranks. Over the course of his career, he has earned a reputation as a genial, effective conciliator. By contrast, his predecessor, Boutros Boutros-Ghali, antagonized everyone: He alienated the United States by criticizing U.S. policy in Bosnia and Israeli military actions in Lebanon; he alienated the South by being too beholden to the North; and he alienated U.N. staff by being autocratic and secretive (see "Bye Bye Boutros," January 6, 1997).

Annan has been implementing reform in small and large steps since taking office. In March, he reorganized the top management of the U.N. secretariat into a cabinet-style system to streamline decision-making and improve inter-departmental coordination. He divided the political work of the United Nations into five "core activities": peace and security, development, economic and social affairs, humanitarian affairs and human rights. All the departments within each core activity meet regularly, a big departure from the previous system, in which departments worked in isolation from one another.

In July, Annan presented his complete reform program for the General Assembly's approval. Despite virtually every item in the program being criticized by someone, the General Assembly adopted Annan's reform plan as a single package in a series of votes beginning on November 12.

Annan's primary aim is to make the United Nations' development assistance more effective by consolidating aid agencies and freeing up more money for development programs. In December, Annan described the type of organization he hopes to build: "A United Nations that has found its voice and can convince those countries with the greatest capacity to give to help the poorer nations; a United Nations that can incite governments to move towards development and social development; a United Nations that will maintain the pressure for sustainable development."

Annan has come up with an innovative plan to reconcile the seemingly contradictory demands of cost-cutting and increasing development assistance. To appease U.S. critics, he plans to cut the administrative share of the U.N. budget from 38 percent to 25 percent by eliminating 1,000 posts through attrition by 1999, instituting hundreds of small efficiency measures, investigating fraud and cutting "information services"