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House Passes Economic Recovery Package

Funding Included for Several Alliance and UNCA Priorities

Responding to President Obama's inaugural call for "bold and swift" action on the economy, the new Congress is working to quickly adopt an \$800-900 billion economic recovery bill. The package, which has been approved by the House and awaits final action in the Senate, includes many provisions of interest to Alliance and UNCA member agencies and that affect low-income populations more generally.

Little Bipartisan Support So Far

With rising unemployment and no end in sight to the nation's economic slide, President Obama has made economic recovery the focus of his initial work in office. Obama has called for a plan that creates or saves between three and four million jobs.

House Democrats released their initial draft of the American Recovery and Reinvestment Act (H.R. 1) on January 15. In late January, Senate and House committees held markups, giving members from both parties an opportunity to offer amendments. The House approved its \$819 billion recovery package by a vote of 244 to 188 on January 28. The Senate is nearing approval of its version of the bill.

So far, most congressional Republicans have opposed both packages. Upon release of the initial House proposal, Rep. John A. Boehner (R-OH), the Republican leader, said "Oh, my God...I just can't tell you how shocked I am at what I'm seeing." Following its passage in committee, Rep. Lee Terry (R-NE) commented, "most of the new spending will simply increase the size of the federal government, creating a new baseline which is not sustainable."

In response to Republican concerns, Majority Leader Steny Hoyer (D-MD) said, “the opposition to this bill can speak out against the recovery plan all they want...but their policies have not worked...[and] America voted for change.”

To smooth over partisan conflicts, President Obama held numerous meetings with Republican leadership, agreeing to cut Medicaid family planning spending from the package, but holding a hard line on other elements. When the House package was passed on January 28, no Republicans voted for the bill. Commenting on the vote, White House Chief of Staff Rahm Emanuel said, “the most important number here for this recovery plan is how many jobs it produces, not how many votes it gets.”

Bipartisanship may be more important in the Senate, where Democrats lack the 60 votes needed to overcome a filibuster. So far, some moderate Republican senators have voted for the package in committee, raising hope that the package will find the requisite support. Obama explained, “what we can’t do is drag our feet or allow the same partisan differences to get in our way.”

Provisions of Interest to Alliance / UNCA

The House and Senate recovery packages differ slightly, with the Senate version projected to cost \$888 billion, \$69 billion more than the House version. The most notable difference between the two packages is the Senate inclusion of a one-year patch to the alternative minimum tax (AMT), preventing it from affecting millions of middle class Americans.

Much of the spending in each package is designed to prevent cuts in state-level spending. According to a report from the Center on Budget and Policy Priorities released in January, 45 states and the District of Columbia now face budget shortfalls totaling \$350 billion. Since almost every state, unlike the federal government, must balance its budget, these budget gaps are likely to produce substantial service cuts without federal assistance.

Already, many states have been forced to cut Medicaid spending, decisions that can be especially detrimental to children in the child welfare system. The House package includes \$88 billion in funding for state Medicaid programs to help prevent further cuts. The change is made through an increase in the Federal Medical Assistance Percentage (FMAP), the federal share of program costs.

This increase would also boost funding for Title IV-E, the Medicaid stream dedicated to funding child welfare services. To learn more about how an \$88 billion FMAP increase would be distributed to your state visit:

<http://www.familiesusa.org/assets/pdfs/critical-care.pdf>.

The House package would also extend existing moratoria on six pending Medicaid regulations until October 1, 2009. The moratoria are otherwise set to expire in April.

The House package also increases funding for several education programs, including \$2 billion for the child care development block grant, \$2.1 billion for Head Start, as well as tens of billion more to support state education funding and stave off program cuts. The package also invests \$1.2 billion in summer youth employment activities through the Workforce Investment Act, \$1 billion in the Community Development Block Grant (CDBG), \$1 billion in the Community Service Block Grant (CSBG), \$5 billion in the Public Housing Capital Fund, and \$20 billion in the Supplemental Nutritional Assistance Program (SNAP).

A forthcoming analysis of the recovery package and how it impacts Alliance / UNCA agencies will be available shortly on the public policy portion of the Alliance / UNCA web site.

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Congress Set to Reauthorize SCHIP

Bill Will Expand Access to Health Care for Millions of Uninsured Children

After twice passing bills in the last session of Congress to expand the State Children’s Health Insurance Program (SCHIP) and twice encountering presidential vetoes, Congress is on the verge of sending legislation renewing the program to a president who has already said he will sign it into law. The bill is expected to reach President Obama’s desk in early February, signaling the end of a long-fought battle to reauthorize and expand the program that provides health insurance coverage to children whose parents make too much to qualify for Medicaid but are unable to afford private insurance.

The bill, H.R. 2, will reauthorize SCHIP for 4 ½ years and cover more than 4 million previously uninsured children, bringing the total number of children on SCHIP to 11 million. The costs of this expansion will be offset in large part by a 61-cent increase in the cigarette tax. H.R. 2 was originally passed by the House in January, and the Senate passed a slightly modified version of the bill two weeks later. The House is expected to approve the Senate's changes without sending the bill to conference committee to negotiate a compromise.

Of particular interest to Alliance and UNCA members are provisions in the bill that require parity in mental health coverage, allow states to extend coverage to legal immigrants who were previously ineligible for SCHIP, and create a commission to study the adequacy of Medicaid reimbursement rates. Although this commission was not included in the original House version, it is likely to be approved with the other Senate changes to the bill.

- **Mental Health Parity:** Both versions of H.R. 2 expressly extend mental health parity to SCHIP beneficiaries for the first time, specifying that cost-sharing and treatment limitations on mental health services may not be more restrictive than they are for physical health. The bill also eliminates a provision in current law that allows states to decrease their mental health coverage for children to 75 percent of the coverage provided in benchmark plans.
- **Coverage for Legal Immigrant Children:** Both the Senate and the House bill give states the option to provide Medicaid and SCHIP coverage to legal immigrant children and pregnant women who meet the programs' other eligibility requirements, effectively ending the current 5-year waiting period for these individuals to receive Medicaid.
- **Medicaid and CHIP Payment and Access Commission:** Among several differences in the two bills is a Senate-approved provision to create the Medicaid and CHIP Payment and Access Commission (MACPAC) to study the adequacy of Medicaid reimbursement rates and the link between provider reimbursement and

patients' access to health services. MACPAC will provide unbiased and timely information to assist Congress in formulating Medicaid policies related to provider payment. The creation of MACPAC may be an important step forward for those seeking increases to Medicaid reimbursement rates.

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Health IT is Key Component of Economic Recovery Bill

Proposals Offer Billions in Incentives for Adoption of Electronic Health Records

As part of the American Recovery and Reinvestment Act of 2009 (ARRA), Congress is set to provide billions of dollars in incentives to encourage the adoption of electronic health records and other types of health information technology (health IT). Competing versions of the bill in the House and the Senate have many differences, but propose virtually identical language on health IT.

In late January, the House voted 244-188 for a recovery bill that contains \$20 billion for investments in health IT. The Senate version will likely include at least \$18 billion for nearly the same provisions. These provisions include incentive payments to providers and hospitals who adopt electronic health records (EHRs), the establishment of a formal office within the Department of Health and Human Services to oversee and coordinate the development of a national health IT infrastructure, and the development of national standards of functionality and interoperability.

Proponents of the bills estimate that the health IT provisions could save the government \$10 billion and generate additional savings throughout the health care system by improving the quality, efficiency, and coordination of care.

Payments to Medicaid Providers

Under the bills, providers with a high volume of Medicaid patients would be eligible for subsidies to offset the costs of adopting and maintaining an electronic health record or other health IT projects, such as e-prescribing or telemedicine. Physicians will be eligible for \$40,000 to

\$65,000, and hospitals will be eligible for up to several million dollars. Federally qualified health centers, rural health clinics, and children's hospitals will also be eligible for subsidies or incentive payments. The bills also offer grants to providers other than physicians for the development and implementation of EHRs.

Privacy Provisions

Patient and privacy advocates have long expressed concerns that inadequate privacy protections in federal health IT legislation could jeopardize the security of personal medical information. Both the House and Senate bills address these concerns by prohibiting the sale of personal health information, requiring audit trails to help detect improper disclosures of private health information, mandating that patients be notified when their records are lost or improperly accessed, and allowing for stricter enforcement of the laws by state attorneys general. The House version includes an additional provision encouraging the use of encryption technologies to protect the security of information that is transmitted electronically.

Some business and industry groups have objected to these privacy proposals, saying they would impose significant administrative burdens that would undermine widespread adoption of EHRs and create barriers to effective information sharing and coordination of care. Lawmakers have repeatedly voiced their commitment to ensuring that a national HIT infrastructure protects sensitive health information without disrupting patients' care.

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In Brief

Obama Halts Regulations, Pending Administration Review, Including Rehab, TCM: President Obama used his second day in the Oval office to order all federal agencies to place a halt on pending regulations until his administration has had a chance to review them. The order will apply to a proposed Bush administration regulation on rehabilitative services issued by the Centers for Medicare and Medicaid Services (CMS). Implementation of the regulation was delayed until April 1, 2009 through legislation enacted by Congress last

year. It is less clear whether the Obama order will apply to a separate regulation restricting Targeted Case Management (TCM) services. When Obama issued the order, the TCM regulation had already been finalized but had not yet taken effect due to a moratorium. Opponents of the regulations are working to extend the existing moratoria to give the new administration additional time to determine to how address and/or reverse them permanently.

Entitlement Reform Summit: President Obama plans to convene a "Fiscal Responsibility Summit" in February focused on entitlement reform. The summit will be held immediately prior to the release of Obama's first budget and in the context of increasingly high budget deficits expected for 2009. Commenting on entitlement reform, Obama said, "there are going to be very difficult choices and issues of sacrifice and responsibility. You have a president who is willing to spend some political capital on this."

The summit comes as Senate Budget Chairman Kent Conrad (D-ND) and ranking member Judd Gregg (R-NH) have begun circulating a proposal to create a bipartisan fiscal task force to overhaul Social Security, Medicare, and Medicaid. Conrad and Gregg (who has since been nominated to head the Department of Commerce) want the entitlement reform task force's recommendations to be "fast-tracked" through Congress and plan to use the economic recovery package as a vehicle to create the task force. "Congress is obviously focused on the imminent crisis," a spokeswoman for Senator Gregg commented. "We also have to think about the long-term crisis."

Health Spending Growth Slowed in 2007: The Center for Medicare and Medicaid Services reported this month that health spending in 2007 rose at a rate of 6.1 percent, the slowest pace in nine years. Even so, it continued to expand at a faster rate than the rest of the economy. Health spending in 2007 was \$2.2 trillion, making up a record high of 6.2 percent of the gross domestic product. Analysts attributed much of the slowdown to slower growth in spending on prescription drugs, which rose at a rate of only 4.9 percent in 2007, compared to 9.4 percent the year before. Spending for doctors' services also slowed, in part because of a reduction in Medicare payments to doctors for imaging services. Out-of-pocket spending increased 5.3 percent, slower than total health care spending but significantly faster than household income.

CBO Releases Cost Estimates on Options for Health Care Overhaul:

The number of uninsured Americans will grow to 55 million by 2019 if Congress does not overhaul the health care system, according to a new report from the Congressional Budget Office (CBO). The report, issued in December, provides cost and savings estimates for over 100 health-related proposals. Among other findings, CBO found that reducing the current tax exemption for health benefits would increase federal revenues by \$452 billion through 2018 and that replacing the tax exemption with a tax deduction would raise revenues by \$552 billion. Lawmakers hoped the report would give them a glimpse into how CBO might score less easily-evaluated proposals, such as improving prevention or funding research on the comparative effectiveness of different health treatments. The report did not give specific cost estimates for prevention measures, but did estimate that comparative effectiveness research would cost the federal government \$860 million through 2019.

Implementing the Fostering Connections to Success and Increasing Adoptions Act of 2008: New Help for Children Being Raised by Grandparents FAQ: Eighteen collaborating organizations, including the Alliance for Children and Families, have compiled a Frequently Asked

Questions (FAQ) document on the kinship care provisions in the new Fostering Connections to Success and Increasing Adoptions Act. The document includes an overview of the new law and detailed information on the sections of the law pertaining to grandparents and other relatives raising children who would otherwise be in foster care. Staff members of the Children's Defense Fund and Center for Law and Social Policy were instrumental in putting together the document, which runs close to 100 pages. The link to the document can be found on the public policy section of the Alliance website here: www.alliance1.org/Public_Policy/welfare/raised_by_relatives.pdf.

Welfare Enrollment Surges as Unemployment Climbs: For the first time since federal welfare legislation was reformed in 1996, welfare rolls are increasing in a growing number of states. Applications are also rising in other states. Middle class workers who have lost jobs due to the deteriorating economy comprise a significant portion of the increase. When Aid to Families with Dependent Children (AFDC) was replaced in 1996 by Temporary Assistance to Needy Families (TANF), strict time limits and job requirements were set in an effort to lower welfare rolls. The law is scheduled to be renewed in 2010.

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About the Alliance for Children and Families and United Neighborhood Centers of America

The Alliance for Children and Families, a nonprofit association, was formed by the 1998 merger of Family Service America and the National Association of Homes and Services for Children. The Alliance represents over 370 nonprofit organizations across the nation that provide services and economic empowerment to children and families. Alliance agencies cover a wide spectrum of providers, including a diversity of faith-based organizations and nonsectarian agencies. Together, these organizations deliver more than \$2 billion annually in services to more than 8 million people in nearly 6,700 communities across the United States. More information about the Alliance is available at www.alliance1.org.

United Neighborhood Centers of America (UNCA) is a voluntary, nonprofit, national organization with neighborhood-based member agencies throughout the United States. Formerly known as the National Federation of Settlements and Neighborhood Centers, it was founded in 1911 by Jane Addams and other pioneers of the settlement movement. More information about UNCA is available at www.unca.org.