



September 4, 2007

Secretary Michael Leavitt
Department of Health and Human Services
200 Independence Avenue, S.E.
Washington, DC 20201

Dear Secretary Leavitt:

On behalf of the American Public Human Services Association (APHSA) and its affiliate, including the National Association of State Medicaid Directors (NASMD), we are writing to express our deep concern regarding the August 17, 2007, State Health Official letter on crowd-out in the State Children's Health Insurance Program. The letter effectively changes the nature of the SCHIP program by seriously limiting the states' flexibility in designing programs, imposing mandatory cost sharing requirements, requiring additional reporting mandates, and imposing burdensome waiting periods.

First authorized ten years ago, SCHIP now covers more than six million children and pregnant women. As states, we are proud of the success of the SCHIP program and are working with the Administration and Congress to ensure its timely reauthorization.

At a time when the number of Americans without health insurance has now grown to 47 million, this reversal of a decade-long policy of state flexibility to expand coverage is inexplicable and deeply troubling. Even more troubling was the manner in which the new policy was communicated without any consultation with the states. We have worked hard to promote the state and federal partnership on health care and hope to continue this relationship in the future.

This letter limits the authority given to states to craft and operate programs that are best tailored to their constituents. The stated reason for the release of the letter is that the Administration is concerned that there will be crowd-out of private payers for health insurance, but to date, there is limited evidence to suggest that there is a problem for this population.

According to the new requirements, states would no longer be allowed to expand their coverage above 250 percent of poverty unless they can guarantee that they have successfully enrolled 95 percent of the eligible children who are below 200 percent of poverty in either SCHIP or Medicaid. There is no information included in the letter as to whether the Administration is referring to 250 percent of gross or net income. For all of these reasons, states have indicated that this essentially will eliminate the opportunity to expand the program.

Page Two

States would further be required to provide the Administration with evidence that the number of children in the target population insured through private employers has not decreased by more than two percentage points over the prior five-year period. This new rule does not take into account that nationwide employer-sponsored health insurance is declining. There is no evidence to link the decline in employer-sponsored health insurance to public coverage for children.

The letter also requires states to impose a one-year waiting period for coverage regardless of circumstances. While most states have already imposed waiting periods in an effort to deter families from dropping private coverage, this rule would have the effect of forcing children to go without preventive care for a full year. This one year waiting period is also extended to pregnant mothers which could result in no prenatal care.

We urge the Administration to reaffirm its commitment to providing health care to low-income, uninsured children through Title XXI by rescinding the August 17, 2007, state health official letter and by working with the states to ensure a timely reauthorization of the SCHIP program. Please do not hesitate to contact Martha Roherty, Director of the National Association of State Medicaid Directors, at (202) 682-0100 if we can be of assistance.

Sincerely,



Bruce Goldberg
Chair, Policy Council
American Public Human Services Association



David Parrella
Chair, Executive Committee
National Association of State Medicaid Directors



Jerry W. Friedman
Executive Director
American Public Human Services Association

