Major Improvements in the Senate Finance Children's Proposal

- The draft of the Senate Finance proposal (June 11, 1997) improved significantly by the time it passed. Major changes include:

	Before	After
Uses of Funds:	Health insurance or direct services (e.g., (clinics, transportation)	Health insurance only
Benefits:	Basic health insurance (e.g., no drugs)	Health insurance equivalent to Federal Employee Health Benefit, with HHS Secretary review
Financial Incentives:	Larger for grant (e.g., 75% matching rate which is higher than Medicaid option for 35 states)	Same for both Medicaid and grant
Qualifications for Funding:	None for grant; cover poor children up to 18 in Medicaid option	Cover poor children up to 18 in both options
Accountability:	No rules for state contribution	Medicaid rules for both options (no provider taxes and donations).

- Additionally, the grant is no longer run through the Maternal and Child Health (MCH) block grant.

Children's Proposal in the Senate Finance Committee

- **Phase-in older children.** In order to receive either the grant or the Medicaid enhanced match, states must cover all poor children 18 and younger in Medicaid.

  This covers about 1 million uninsured children (half of the children in the Medicaid option under Chafee-Rockefeller)

- **Choice.** States have the choice of Medicaid or a grant approach for all children above poverty (for children 6 to 18) or above 133 percent of poverty (for children 0 to 5).

  - **Same matching rate.** Under both options, a state will receive its current Medicaid matching rate plus 15 percentage points (with a maximum of 90 percent).

  - **Benefits**. Medicaid benefits for Medicaid, FEHB-like benefits (with Secretarial certification) for the grant. There is no direct service option.

    It is unclear whether cost sharing protections for low-income children covered by the grant are included.

  - **Accountability**. States that already cover children through Medicaid options will continue to do so. Additionally, states' contribution to the expansion cannot include provider taxes and donations (same as under Medicaid).

- **Allotment**. States will receive an allotment based on their proportion of children in families below 200 percent of poverty. It is not clear whether the Medicaid expansion is funded from this allotment. It does not appear that the grant is run through the Maternal and Child Health (MCH) block grant.

- **12-month continuous coverage option**. Regardless of which option is chosen, states have the option to extend 12-month coverage to their Medicaid children.

June 18, 1997

COMPARISON OF CHILDREN'S HEALTH PROPOSAL

	COMMERCE	PRELIM. FINANCE	BIPARTISAN PLAN	FINAL FINANCE
Pre-conditions to receiving funds	**Medicaid and Grant:** None	**Medicaid:** Cover poor children up to 19 **Grant:** None	**Medicaid and Grant:** Cover poor children up to 19 Provide 12-month coverage for children < 133% of poverty	**Medicaid and Grant:** Cover poor children up to 19
Matching Rate	**Medicaid:** Medicaid + 30% of State share **Grant:** 85%	**Medicaid:** Medicaid + 30% of Federal share **Grant:** 75%	**Medicaid:** Medicaid + certain percent **Grant:** Medicaid + certain percent	**Medicaid:** Medicaid + 15 percentage pts. **Grant:** Medicaid + 15 percentage pts
Services Covered	**Medicaid:** Medicaid's current benefits **Grant:** Health insurance or direct services; no standard	**Medicaid:** Medicaid's current benefits **Grant:** Health insurance or direct services; no standard	**Medicaid:** Medicaid's current benefits **Grant:** Health insurance equivalent to high quality group health plan	**Medicaid:** Medicaid's current benefits **Grant:** Health insurance equivalent to FEHB plan, with Secretarial review
Accountability	**Medicaid:** Current law **Grant:** No rules	**Medicaid:** Current law **Grant:** No rules	**Medicaid:** Current law **Grant:** Medicaid rules	**Medicaid:** Current law **Grant:** Medicaid rules

"PRELIM FINANCE" is from a document dated 6/11/97.