

Lone Star Spending Spree

Give George W. Bush credit. He's drawn a lot of criticism for not doing more to control federal spending over the past six years. But he is now deep into a spending fight against a sacred liberal program. And he isn't backing away.

In recent weeks, Mr. Bush has confronted Congress over the State Children's Health Insurance Program—which is substantially funded by the federal government and up for congressional reauthorization this year. Mr. Bush understands Schip has become a wedge for expanding government-run health care in Texas.

In 1997, Congress and President Bill Clinton created Schip to provide health insurance for children of families that are living up to twice the federal poverty line. Many Republicans foolishly thought they could create a limited health-care program for kids and avoid ending up with full blown HillaryCare. What they didn't seem to appreciate was that Schip was itself a baby step toward universal health care.

But that gets ahead of the story. In 1999, Texas Republicans were divided on whether to authorize creating the program in the Lone Star State. Some GOP legislators opposed it. But Mr. Bush, then one year into his second term and preparing to run for the White House, favored it. He worked with Democrats, then in control of the legislature, to create Texas's Schip program.

It was supposed to have limits. Schip's champions argued that the program would not be an open-ended entitlement, obligating the state to pay for anyone who met eligibility requirements and signed up. Instead they promised to cap the costs at a specific dollar amount each year. If too many people sought to sign up, Schip administrators were to draw up waiting lists and halt enrollment.

It didn't work out that way, of course. Once it was up and running, the program mushroomed in cost and few officials wanted to control its growth. In 2001, its first full year, Texas's Schip cost \$381 million. One year later, the program was up to \$679 million and the state was headed into a \$10 billion budget deficit. (The state has budgeted more than \$900 million for the program for 2008.)

Not coincidentally, in 2002 Republicans won control of the legislature for the first time in more than 100 years. Shortly thereafter, Republicans cleaned up the Schip program by requiring that beneficiaries apply every six months instead of once a year (circumstances often change throughout year), and by mandating that those enrolled in the program meet specific income and assets tests. These reforms aimed to make sure the program really was a last resort for poor parents seeking health care for their children.

The assets test revealed evidence of abuse. Under the reforms, families were generously allowed to exempt up to \$15,000 in value of one vehicle and up to \$4,650 for a second. But several Texans were caught collecting Schip benefits while driving expensive, late model luxury cars. One person had three automobiles worth more

Austin, Texas

George Bush may save Texas Republicans from themselves.

than \$50,000 after the exemptions. Another family was denied enrollment when found to have \$150,000 in IRAs.

The number of people enrolled in the program fell precipitously between 2003 and 2005, to 326,557 from 507,259. The Texas Health and Human Services Commission estimates that 84% of that decline was a result of the reforms.

But this year, the state was flush with a \$14 billion surplus and Texas Republicans were backsliding. Advocates argued to stop dropping people from the program just because they no longer met eligibility requirements. Some argued that the state should figure out who chose not to reapply for benefits and convince them not to drop out of the program. Many wanted to loosen restrictions that stopped beneficiaries from owning expensive cars and eliminate waiting periods that deterred Schip from acting as a welfare magnet for enrollment.

Republicans capitulated. In the session that ended in May, GOP legislators noted that loosening Schip eligibility was the least expensive item on the Democrats' wish list.

Rep. Sylvester Turner, a Democrat and Schip supporter, said on the House floor: "Would I like to see more kids added? Absolutely. Would I like to see 700,000 kids that would qualify for [S]chips on the rolls? Absolutely." He also urged his colleagues to "do the right thing for kids today, hoping that as we move forward, we'll take another step for kids tomorrow, and the day after tomorrow." In the end, only a handful of Texas legislators voted against expanding the program by loosening eligibility standards, relaxing the assets test and reversing other 2003 reforms. Gov. Rick Perry has already signed it into law.

This is where President Bush's experience in Texas comes to play a role in his fight at the national level, where Schip must be reauthorized this year. As the governor who signed Schip into law in the state, he can remember the arguments and the promises made during the initial debates of the program. He can see how Schip has been used to expand government control of health care and how it has been abused. He can see how a program that started out for poor children has become an instrument for universal and, increasingly, socialized medicine.

Mr. Bush comes to this fight with an understanding of how Schip has played out in the states, which is why his administration recently instituted reforms to the program that aim to restrict eligibility to those it was originally intended to serve—the truly needy—and not provide an incentive for middle class parents to drop their private health insurance. Moreover, he has threatened to veto federal legislation that would allow states to expand their Schip programs.

It would be easy for Mr. Bush to give in on this fight. He is, after all, in the twilight of his administration. But next month, he'll square off against Congress to oppose an incremental advance of socialized medicine. We are fortunate he is today willing to do so at a time when Republicans in his home state were quick to abandon the fight.

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CROSS COUNTRY
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