

## Medicaid

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## **Dispute Simmers over Distribution of Funds for Children's Health Care June 17, 1997**

**New York Times News Service**

By Robert Pear

Even though President Clinton and Congress have agreed to spend \$16 billion on health care for uninsured children in the next five years, a major dispute has broken out over whether the states or the federal government should decide how to use the money.

Disagreements that have been bubbling just below the surface in the last two months will burst into public view this week as the Senate Finance Committee votes on legislation to carry out the budget agreement.

The basic question is whether to expand Medicaid, a well-established program that already covers 22 million children, or give each state a lump sum of federal money, with broad discretion to devise its own health-care plan.

Sen. John Chafee (R-R.I.) and many Democrats, led by Rep. Henry Waxman of California, want to build on Medicaid.

However, many Republican lawmakers, including Sen. Phil Gramm of Texas, and governors of both parties say the federal money should flow to the states as a block grant so local officials can decide how to use it.

Sen. John Breaux, a Louisiana Democrat on the Finance Committee, said: "There is a real argument about how we will give this money to the states. I have real concern that if we give it to them as a block grant, it may or may not be used to insure extra kids."

In an interview Monday, Gramm said: "We're at an impasse. Senator Chafee and I disagree profoundly. He has faith in the ability of the federal government to decide these matters. He thinks Uncle Sam knows best. I believe federal mandates are inefficient because they stifle innovation. With a block grant, we'd get much more innovation. We'd have 50 different programs."

The committee chairman, Sen. William Roth Jr. (R-Del.), would let states choose between the two options with no requirement that they spend any of the money on Medicaid, but he may not have the votes to sustain his position. The committee session could turn into a political free-for-all as senators seek allies across party lines.

Aides to Sen. Orrin Hatch (R-Utah) said Monday that he would urge the committee to increase federal tobacco taxes to finance health insurance subsidies for children, beyond the \$16 billion.

Hatch galvanized the campaign for children's health insurance in March when he and Sen. Edward Kennedy (D-Mass.) offered such a proposal. The House Ways and Means Committee rejected an increase in tobacco taxes last week, but Hatch hopes to revive the idea in the Senate, where a similar plan won 45 out of 100 votes last month.

Chafee said Monday that he had bipartisan support for a compromise that would earmark \$12 billion for Medicaid and \$4 billion for the block grant. To get the block grant money, states would have to offer Medicaid to all children under 19 with family incomes up to 33 percent above the poverty level (up to \$21,400 a year for a family of four).

Raymond Scheppach, executive director of the National Governors' Association, said many states would be unable to meet these requirements.

The bipartisan budget agreement reached last month by Clinton and congressional leaders stipulates that the federal government will spend \$16 billion over five years "in the most cost-effective manner possible to expand coverage and services for low-income and uninsured children." The goal, it said, is to serve half of the 10 million children who have no insurance.