TESTIMONY TO ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS

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Chair Torres and Members of the Assembly Committee on Government Affairs,

Nevada Policy opposes Assembly Bill 28 which would require the State Treasurer to establish a trust account and deposit $3,200 into that account for every child in Nevada subject to coverage under Medicaid or CHIP at birth. We are concerned the baby bonds program would be too broad and promise an entitlement to beneficiaries who may never need it.

Medicaid eligibility parameters were expanded dramatically by Sandoval administration 10 years ago, to now include single, able-bodied adults of working age earning up to 138 percent of the federal poverty level in reportable income. The Department of Health and Human Services projects that Medicaid enrollment will approach one million individuals during the upcoming biennium. That level of enrollment is nearly triple the enrollment figures from 10 years ago and would represent nearly one-third of the state population.

Currently, a single adult can receive this free comprehensive medical coverage as long as their reportable income does not exceed $16,753. Any child born to a parent enrolled in Medicaid would automatically be eligible for Medicaid.

Under CHIP, a child is eligible for coverage as long as their household income does not exceed 200 percent of the federal poverty level, which is currently $50,200 for a family of four. The median household income in Nevada is $65,686, which is slightly less than the nationwide median of $70,784. In other words, a substantial proportion of Nevada households qualify for this entitlement program.

In total, 364,938 children in Nevada are currently enrolled in either Medicaid or CHIP in Nevada, according to data from the federal Center for Medicaid and CHIP Services. That amounts to 48 percent of Nevada residents under the age of 19.

"Reportable income" is a key phrase within the eligibility requirements. There are multiple ways to commit fraud within means-tested entitlement programs by excluding income. A person could gain either illicit income or contract for income that is not reported to state agencies. A person could also hold more than one job earning reportable income but only present paystubs from one job to state agencies as proof of income. In states without personal income taxes like Nevada, it can be difficult for state agencies to detect this fraud. A recent report from the Congressional Research Service shows that Nevada's rate of errors and fraud within SNAP is the highest in the nation and more than double the national average. These are only the payments that were subsequently discovered as being erroneous or fraudulent.

The additional new entitlement program contemplated by AB 28 is not narrowly targeted to the most underprivileged children. Roughly half of children born in Nevada would become eligible.

Beneficiaries would not receive this entitlement until they have reached the age of adulthood, by which time their socioeconomic status may have changed markedly. Since households tend to move up the income scale as the head of household ages, children born to young families may qualify for this benefit but could be wealthy or affluent by the time they receive a payout. According to a recent report from the nonpartisan Congressional Research Service, there is significant income mobility of American households over time. Over 20 years, the overwhelming majority of American households will move to a different income quintile. One in 20 households in the bottom income quintile will move to the top income quintile. Seven percent of those in the top quintile will move to the bottom quintile. The majority of those in the second quintile will move to a higher quintile while 48 percent of those in the bottom quintile will do the same. This is why welfare programs are typically based on earnings in the current year so that they reflect a household's actual economic standing.

Moreover, they would be able to use this money in almost any way they please. Although Sec. 9(2)(c) nominally restricts the use of these funds, almost any expense could qualify under paragraph 4, which says the beneficiary can "invest in financial assets or personal capital that provides a long-term gain to the designated beneficiary's wages or wealth." The purchase of any material good can be argued to increase a person's overall wealth while any service could add to their "personal capital." If lawmakers are intent on creating this misguided new entitlement program, they should at least address this glaring loophole in Section 9.