

MEMORANDUM

TO: Health staff of the House and Senate Budget Committees, the House Energy and Commerce Committee, and the Senate Finance Committee

FROM: Jeanne De Sa and Eric Rollins, CBO

DATE: February 20, 2007

RE: Approximate costs of covering more children in Medicaid and SCHIP

We have received several requests for information on the budgetary effects of increasing the number of children enrolled in Medicaid or the State Children's Health Insurance Program (SCHIP). Since we are still in the early stages of the legislative process, we believe that the most useful guidance we can provide at this juncture consists of generic estimates of the costs of covering a specified number of additional children—we are using one million, for simplicity—in each program. The figures in this memo do *not* reflect any specific legislative proposal.

As shown in the table below, we estimate that enrolling an additional one million children in Medicaid in 2008 would increase federal spending by about \$6 billion over the 2008-2012 period and \$16 billion over the 2008-2017 period. The costs of enrolling another one million children in SCHIP in 2008 would be about \$4 billion and \$10 billion, respectively, over the same periods. We assumed for those figures that policies that add one million children to the rolls in 2008 would cover about 1.1 million children by 2017 due to growth in the eligible population.

Approximate cost of enrolling an additional one million children		
	<u>FY 2008-12</u>	<u>FY 2008-17</u>
Medicaid	\$6 billion	\$16 billion
State Children's Health Insurance Program	\$4 billion	\$10 billion

The figures above are based on CBO's projections of per capita spending on benefits and administrative costs for children now enrolled in the two programs. They also reflect the likelihood that newly enrolled children would, on average, be somewhat healthier—and thus less expensive—than those already enrolled. We also assumed that all current rules in each program, such as benefits and federal matching rates, would apply to newly enrolled children.

Please note also that those figures are for a million children receiving benefits at some point during the year. Since many children are covered for only part of the year, the increase in average monthly enrollment would be smaller—about 20 percent less in Medicaid (those

children are enrolled, on average, for about 80 percent of the year) and about 40 percent less in SCHIP (those children are enrolled, on average, for about 60 percent of the year).

The figures in the table can be added together and scaled up or down depending on your policy objectives. For example, the total cost of covering another one million children in each program would be roughly \$26 billion over the next ten years, while the cost of covering another 500,000 children in SCHIP alone would be about \$5 billion over the same period. However, please keep in mind that proposals to increase enrollment in Medicaid or SCHIP would likely increase enrollment in both programs.

As always, please contact either of us at 6-9010 if you have any questions.