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## STATEMENT BY ROBERT GREENSTEIN ON CBO REPORT ON SCHIP

The Congressional Budget Office today released a report analyzing the State Children's Health Insurance Program (SCHIP), which must be reauthorized by Congress this year. Congress is now considering how to strengthen and improve the SCHIP and Medicaid programs and make further significant progress towards reducing the number of uninsured low-income children in the United States.

CBO reports that the SCHIP and Medicaid programs have substantially reduced the percentage of low-income children who are uninsured since SCHIP was established in 1997. This success occurred despite the substantial erosion of private health insurance that has occurred for adults (including the parents of these children) and children in recent years. But if SCHIP funding levels are not increased to reflect rising health care costs and other circumstances, CBO estimates that the number of children covered by SCHIP would fall substantially over the coming decade.

After a careful review of the available research evidence, CBO concludes that a majority — between 50 percent and 75 percent — of the children covered by SCHIP would otherwise have been uninsured. In the other cases, public insurance coverage substituted for existing private health insurance coverage of children. Given the increases in premium charges for private insurance in recent years and the restrictions on coverage under some private plans, it is not surprising that some children in low-wage families ended up in more affordable public programs rather than in private coverage.

It is important to note that *any* effort to expand health insurance— whether through expansions of public programs like SCHIP or Medicaid or providing tax deductions or credits for the purchase of private insurance — will inevitably lead to some substitution for existing health insurance coverage. For example, providing a tax deduction or credit for the purchase of health insurance in the individual health insurance market would encourage some employers no longer to offer health insurance to their workers.

Professor Jonathan Gruber of M.I.T., one of the nation's leading health economists, has determined that despite the "crowd-out" effects, expanding public programs is the most efficient, targeted option to cover the insured, particularly in comparison to approaches such as providing tax deductions or credits.<sup>1</sup> Gruber has concluded that "no public policy can perfectly target the uninsured, and public insurance expansions like SCHIP remain the most cost-effective means of expanding health insurance coverage. I have undertaken a number of analyses to compare the public sector costs of public sector expansions such as SCHIP to alternatives such as tax credits. I find that the public sector provides much more insurance coverage at a much lower cost under SCHIP than these alternatives. Tax subsidies mostly operate to 'buy out the base' of insured without providing much new coverage."<sup>2</sup>

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<sup>1</sup> See, for example, Jonathan Gruber, "Tax Policy for Health Insurance," Working Paper 10977, National Bureau of Economic Research, December 2004.

<sup>2</sup> Letter from Jonathan Gruber to Rep. John Dingell, Chairman of the House Energy and Commerce Committee, March 2007.