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Contact: Carol Guthrie
(202) 224-4515

CONGRESSIONAL BUDGET OFFICE DOCUMENTS SUCCESS OF CHILDREN'S HEALTH INSURANCE PROGRAM

*Lower-income kids receive most help from historic effort;
Baucus says renewal, improvement of program is Finance panel's top health priority*

Washington, DC – In a study requested by the Senate Finance Committee, the Congressional Budget Office (CBO) has found that the ten-year-old State Children's Health Insurance Program (CHIP) has reduced by 25 percent the number of uninsured children in America's lower-income families. CBO determined that children living in families at 100 to 200 percent of the poverty level were uninsured at a rate of 22.5 percent before CHIP's creation in 1997, but that figure had dropped to 16.9 percent by 2005. CBO also found that instances of CHIP coverage replacing available private health care coverage have been on track with or even lower than early predictions. As Congress prepares to renew and improve CHIP, CBO also estimated a need for significant additional funding just to continue coverage for the 6.6 million children currently enrolled. Finance Committee Chairman Max Baucus (D-Mont.) has said that the Committee's upcoming CHIP legislation will not only fund existing coverage, but will seek to reach six million additional American children who are eligible for public health programs but not enrolled.

“CBO's report underscores CHIP's great success in getting health coverage to lower-income American kids. Thanks to the Children's Health Insurance Program, the number of uninsured kids between 100 and 200 percent of the poverty level has fallen by 25 percent. The fact that uninsurance for children in higher-income families has stayed about the same means that CHIP is helping the lower-income families it's meant to serve,” said Baucus. **“When the Finance Committee renews and improves CHIP in new legislation, we'll find ways to cover more lower-income children who desperately need this health care.”**

CHIP eligibility is determined by family income, as set by individual states. Ninety-five percent of CHIP-covered children are in families living at less than 200 percent of the poverty level. The current poverty level for a family of three in the U.S. is \$17,170. CBO suggests that the best opportunity to further reduce the number of uninsured children, without supplanting private coverage, is to target enrollment efforts toward more families below 200 percent of poverty. Baucus obtained \$50 billion in the Senate's FY2008 budget to keep covered kids covered and to reach uninsured children who are eligible, but not enrolled.

“In the next ten years, CHIP has to keep pace with the growing number of uninsured American children and with the higher costs of health care. I worked to get \$50 billion in the budget to help more youngsters through CHIP, and we want to target those who need health coverage the most,” said Baucus. **“CBO estimates that flat funding for CHIP would cut the number of covered kids by nearly four million by 2017. We have to strengthen, not abandon, our commitment to America's children.”**

CBO's report found little evidence that CHIP caused significant "crowd-out," or substitution of available private coverage for children in the program. It is important to note that most CHIP programs are modeled after private insurance and use private plans to deliver benefits. CBO estimates that 25 to 50 percent of CHIP-covered children might be able to have other private coverage, allowing that crowd-out in CHIP may be even lower than their original 1996 prediction of 40 percent. Significantly, CBO found evidence that the biggest reasons children end up covered by CHIP instead of available private insurance are that CHIP is a more affordable option for parents than the private coverage offered, or that CHIP's benefit package is simply better. And in one example, the number of families who might refuse employer-sponsored coverage in favor of CHIP was estimated around one percent. CBO found no evidence that employers chose not to offer or to reduce private coverage because CHIP was available to their lower-income employees, although some apparently raised the cost of family coverage for their workers. It is necessary to note that CBO also offered no supporting evidence for claims that low-income parents might forgo jobs with employer-sponsored health coverage for jobs with higher wages due to the availability of CHIP.

"Every public health program covers some Americans who might have private coverage instead, but that happens less often with CHIP, particularly in families where incomes are lowest. It's also clear that when children get CHIP instead of available private coverage, it's usually because CHIP was what their parents could best afford or because CHIP offered better care," said Baucus. **"It's important to remember that the families CHIP targets traditionally have less access to private coverage than families with higher incomes. And just because families are offered private coverage doesn't mean they can always afford it. That's why CHIP has to exist."**

CBO listed a number of issues Congress might consider when renewing CHIP, such as how to reach more eligible children, whether to change the formula determining state allotments and how to help states operate within their CHIP allotments, and whether to change the rules about who CHIP can cover.

Baucus intends for the Finance Committee to consider CHIP reauthorization in early June.

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