



The Children's Health Insurance Program Reauthorization Act of 2009: **TARGETING HEALTH CARE TO THE NEEDIEST KIDS**

Any option to reduce the number of uninsured inevitably results in some people who previously had health coverage choosing the public program instead. This is also called "crowd-out." Crowd-out occurred with the implementation of the new Medicare prescription drug benefit. CBO estimates that crowd-out in CHIP is lower – and Congress was aware of the issue when CHIP was created on a bipartisan basis in 1997. Misinformation on crowd-out in the CHIP legislation could result in eligible, uninsured, low-income American children going without the health care they need.

Rhetoric: *Most CHIP-covered children could have private health insurance instead.*

Reality: **CHIP offers an alternative to parents who can't afford private coverage.**

- The Congressional Budget Office has reported that most parents who choose CHIP over available employer coverage do so because CHIP is more affordable, or the benefits are better, or both.¹
- All public programs replace some private coverage, but that happens less often with CHIP. Three-quarters of Medicare beneficiaries had some form of drug coverage before the Part D benefit was enacted.²

Rhetoric: *The CHIP Reauthorization Act of 2009 does nothing to prevent kids from leaving private coverage for public coverage.*

Reality: **The CHIP Reauthorization Act of 2009 takes a number of steps to minimize crowd-out and improve access to private coverage.**

- The bill creates a new option for states to subsidize employer sponsored coverage rather than enrolling in CHIP. It allows states to offer a premium assistance subsidy for qualified, cost-effective employer-sponsored coverage to low-income families who have access to such coverage.
- The bill improves access to private coverage by expanding on current premium assistance options for states. It changes the federal rules governing employer-sponsored insurance to make it easier for states to offer premium assistance programs.
- The bill directs incentive payments for states only to enrollment of the lowest income children who are least likely to have access to private coverage. States will only receive bonus payments for the number of children – above a certain target – who are enrolled in Medicaid. No states will receive incentive payments for enrolling children in CHIP.

¹ Congressional Budget Office (CBO), "The State Children's Health Insurance Program," May 2007.

² CBO, Issues in Designing a Prescription Drug Benefit for Medicare, October 2002.