

# JOINT ECONOMIC COMMITTEE

## Fact Sheet

Senator Charles E. Schumer, Chairman  
Congresswoman Carolyn Maloney, Vice Chair

### CHILDREN'S HEALTH INSURANCE PROGRAM MAKES ECONOMIC SENSE

**CHIP has dramatically reduced the percentage of uninsured children.** The Children's Health Insurance Program (CHIP) provides health coverage to 6.7 million children. Since its creation in 1997, CHIP has helped reduce the uninsured rate of low-income children by about one-third, from 22 percent to 15 percent.<sup>1</sup>

**Together with Medicaid, CHIP has ensured that disadvantaged children receive critical preventive care.** Research demonstrates that low-income children who have health insurance are more likely to have regular well-child and dental visits and have fewer unaddressed medical needs compared with their uninsured counterparts. Children who receive preventive care are less likely to use more expensive acute and emergency room care, resulting in lower overall health care costs.<sup>2</sup>

**Investing in children's health insurance is a sound public investment.** Research demonstrates that individuals who lack health insurance have higher rates of serious health problems. Beyond the direct economic impact of higher health care expenditures resulting from acute and emergency room care, parents of children with serious health problems may be more likely to miss work, lose income, and have lower productivity compared with parents of healthy children.<sup>3</sup>

**Children with health insurance are more likely to enter adulthood with greater employment and earnings potential.** Children in poor health are more likely to miss school and thus fall behind educationally. This is especially true for poor children, whose parents may be less able to manage chronic health problems. As a result, they are more likely to enter adulthood with lower employment and earnings prospects, thus generating lower

tax revenues, greater dependence on public assistance, and lower economic output.<sup>4</sup>

**CHIP is a cost-effective way to ensure that millions of low-income, uninsured children receive quality health care.** Opponents of the CHIP expansion worry that expanding CHIP will lead to some decline in private coverage, either through employers cutting back their coverage or through employees newly eligible for publicly-funded coverage declining employer-based coverage. However, as leading health economist Jonathan Gruber has noted, any "crowd-out" effect is likely to be lower when only certain family members, e.g. children, are covered by the expansion. Importantly, in analyzing CHIP in particular, Gruber found no evidence that the program has eroded private coverage. Further, in comparing alternatives such as health tax credits and deductions, Gruber has concluded that "public insurance expansions like CHIP remain the most cost-effective means of expanding health insurance coverage."<sup>5</sup>

**CHIP is not "government-run health care".**

Although CHIP is publicly financed, most children enrolled in the program actually receive care through private managed care plans.

**Despite CHIP's success, about nine million children remain uninsured.** That total includes 5.5 million low-income children, who are eligible for but not enrolled in Medicaid or CHIP. More than 60 percent of uninsured children have at least one parent who works full-time, full-year. Given the dramatic decline in employer-based health coverage since 2000, publicly-financed health insurance will be more critical than ever in closing the insurance gap.<sup>6</sup>

## ENDNOTES

- <sup>1</sup> Centers for Medicare and Medicaid Services, FY 2006 Annual Enrollment Report, revised; Center for Children and Families, Georgetown University Health Policy Institute, “Too Close to Turn Back: Covering America’s Children,” December 12, 2006, available at <http://ccf.georgetown.edu/pdfs/121206tooclosereport.pdf>.
- <sup>2</sup> Dubay, Lisa and Genevieve Kenney, “Health Care Access and Use Among Low-Income Children: Who Fares Best?,” *Health Affairs*, Volume 20, Number 1, January/February 2001; Centers for Disease Control and Prevention, Children’s Dental Health Project Policy Brief, “Cost Effectiveness of Preventive Dental Services,” February 23, 2005, available at [http://www.cdc.gov/OralHealth/library/burdenbook/pdfs/CDHP\\_policy\\_brief.pdf](http://www.cdc.gov/OralHealth/library/burdenbook/pdfs/CDHP_policy_brief.pdf).
- <sup>3</sup> Schwartz, Karyn, “Spotlight on Uninsured Parents: How a Lack of Coverage Affects Parents and Their Families,” The Kaiser Commission on Medicaid and the Uninsured, June 2007, available at <http://www.kff.org/uninsured/upload/7662.pdf>; Holzer, Harry, testimony before the House Ways and Means Committee, January 24, 2007, available at <http://waysandmeans.house.gov/hearings.asp?formmode=view&id=5398>.
- <sup>4</sup> Case, Anne, Darren Lubotsky, and Christina Paxson, “Economic Status and Health in Childhood: The Origins of the Gradient,” National Bureau of Economic Research Working Paper Number 8344, June 2001.
- <sup>5</sup> Gruber, Jonathan, “Tax Policy for Health Insurance,” National Bureau of Economic Research Working Paper 10977, December, 2004; and letter to Representative John Dingell, Chairman of the House Energy and Commerce Committee, February 28, 2007, available at [http://energycommerce.house.gov/Press\\_110/110-ltr.022807.Gruber\\_ltr\\_to\\_Dingell.pdf](http://energycommerce.house.gov/Press_110/110-ltr.022807.Gruber_ltr_to_Dingell.pdf).
- <sup>6</sup> [Peterson, Chris Congressional Research Service, testimony before the House Energy and Commerce Health Subcommittee, February 14, 2007, available at [http://energycommerce.house.gov/cmte\\_mtgs/110-health/021407.Peterson-Testimony.pdf](http://energycommerce.house.gov/cmte_mtgs/110-health/021407.Peterson-Testimony.pdf); Bureau of the Census, U.S. Department of Commerce, Table HI10, Number and percent of children under 19 at or below 200% of poverty by health insurance coverage and state: 2005, available at [http://pubdb3.census.gov/macro/032006/health/h10\\_000.htm](http://pubdb3.census.gov/macro/032006/health/h10_000.htm), and Table HI01, Health Insurance Coverage Status and Type of Coverage by Selected Characteristics: 2005, available at [http://pubdb3.census.gov/macro/032006/health/h01\\_001.htm](http://pubdb3.census.gov/macro/032006/health/h01_001.htm), and *Income, Poverty, and Health Insurance Coverage in the United States: 2005*, Table C-1, available at <http://www.census.gov/prod/2006pubs/p60-231.pdf>.]