

MAKING ROOM FOR KIDS' HEALTH SCHIP Catches Kids Crowded Out of Insurance

Since 1997, the federal State Children's Health Insurance Program (SCHIP) has been implemented across the country to increase child health insurance coverage. While health costs have risen dramatically and economic forces have driven down employer-provided health insurance, SCHIP has successfully reduced the number of uninsured children in America from 13 million to about 9 million. It covers many U.S. children in low-income families who otherwise would be uninsured.

This year, many in Congress are working to expand SCHIP to cover additional children and reduce the number of uninsured in America by two-thirds. This requires \$50 billion in additional federal funding over the next five years. Just to maintain the current numbers, SCHIP would need to be expanded since costs continue to climb. The current system produces shortfalls in coverage for many states, including Iowa. Millions of kids whose families are eligible currently are not reached.

The Bush administration has launched a late campaign to stop the bipartisan momentum that has built for an expansion of SCHIP. In virtually identical letters by Bush appointees to newspapers in Iowa and Pennsylvania,¹ regional directors of the Department of Health and Human Services attempt to make it appear that a SCHIP expansion would benefit far fewer of our children than health experts estimate. Further, the administration's strategy attempts to portray SCHIP as something that results in less insurance, with self-contradictory rhetoric²:

"This might make sense if SCHIP funds were actually reducing the number of uninsured. But the further SCHIP moves away from its initial target, the more it 'crowds out' private insurance."

Health and Human Services Secretary Michael Leavitt

SCHIP undeniably, as noted above, has reduced the number of uninsured, contrary to this familiar argument claimed by opponents of SCHIP expansion. The Leavitt remark rests in part on an estimate plucked without full context from a Congressional Budget Office (CBO) report, suggesting that for every 100 children in SCHIP, 25 to 50 formerly had private insurance. Even if those numbers were taken at face value, they would mean two to four times as many people in the SCHIP-eligible population would have health coverage – 100, compared to 25 or 50.

Further CBO comment, meanwhile, pointed out that any attempt by government to reduce uninsurance will have some effect on private insurance – and that research indicates approaches such as SCHIP are more effective at reaching the uninsured and avoiding a public-for-private substitution of coverage than alternatives such as tax credits, promoted by the Bush administration and Secretary Leavitt.³

"This is a necessary trade-off that's involved in any significant effort to reduce the ranks of the uninsured."

Peter Orszag, director of the Congressional Budget Office

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In addition, CBO has estimated that if the Bush (and Leavitt) plan for SCHIP were adopted, 1.4 million children and pregnant women would lose health coverage between the years of 2007 and 2012.⁴

What SCHIP opponents have chosen to ignore is the fact that the United States' employer-based health insurance system is under increasing strain simply to continue to provide the coverage it currently offers. Each year employers increase co-pays and deductibles and sometimes eliminate family coverage. The primary impact of cutting support for public health programs would be to further "crowd out" the beneficiaries of these services. This would be particularly pronounced among the child population.

Critical facts must be noted about employer-sponsored health coverage:

- **Costs have increased dramatically.** This is particularly the case with private coverage. Between 2000 and 2005 alone, average premiums for employer-sponsored family coverage have risen drastically, in some cases almost doubling.⁵ Employers, particularly smaller businesses and those not in highly professional or high-technology industries, faced major strains in picking up those costs.
- **Employers have had to contain costs.** As a result, employers have increased premiums and deductibles, increasing the employee's share of costs, or have dropped coverage. This is a "crowding out" effect on working families for which SCHIP and Medicaid provide a safety net.
- **Job growth has moved away from employer-sponsored coverage.** This has been a trend nationally and in Iowa.⁶ Employment trends have seen increases in sectors that tend to offer lower pay and fewer benefits, and job declines in sectors that traditionally have offered better pay and benefits.
- **Employees needing coverage for children are likely to have less access to health benefits through their jobs.** Employees with young children are more likely to be in entry level positions or early in their careers, in lower-wage positions. Most children covered under SCHIP are in families making less than 200 percent of the federal poverty level.

NO DISTRACTIONS NECESSARY

Despite the late drive to stop a meaningful reauthorization of SCHIP, key points about the performance and potential of this program should be kept in mind:

- The SCHIP program — known in Iowa as *hawk-i*, for Health and Well Kids in Iowa — has been exceedingly popular and successful.
- SCHIP has been well-managed and filled a gap in coverage for children. Only by expanding it will it be able to reach more children. Only with more federal funding will an expansion be possible.
- The Bush administration proposals would result in children losing health coverage. Given the success of SCHIP, no reduction in coverage should be permitted in reauthorization of the program.

¹ Fred Schuster letter in *The Des Moines Register*, June 17, 2007; Gordon Woodrow letter in the *Pittsburgh Post-Gazette*, June 20, 2007.

² Michael Leavitt column, *The Hill*, June 6, 2007 <<http://thehill.com/leading-the-news/congress-should-reauthorize-schip-2007-06-06.html>>

³ Peter Orszag remarks, "CBO: Expanding SCHIP Likely to Shift from Private Insurance," *Congress Daily*, May 11, 2007.

⁴ Edwin Park and Matt Broaddus, Center on Budget & Policy Priorities, "CBO Estimates President's Schip Proposal Would Lead To Large Enrollment Declines And Funding Shortfalls," March 13, 2007.

⁵ Kaiser Family Foundation, "Employer Health Benefits 2006 Annual Survey," <<http://www.kff.org/insurance/7527/>>.

⁶ See *The State of Working Iowa 2005*, The Iowa Policy Project, <<http://www.iowapolicyproject.org/SOWI.html>>.