



JOINT ECONOMIC COMMITTEE
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SCHUMER: CHIP A PROVEN SUCCESS IN EXPANDING HEALTH INSURANCE COVERAGE TO LOW-INCOME CHILDREN; CONGRESS MUST REAUTHORIZE AND EXPAND PROGRAM

*Since Creation of CHIP, the Number of Uninsured Low-Income Children Has
Dropped by About 33%*

Joint Economic Committee Paper Proves CHIP Makes Economic Sense

As the Senate prepares to reauthorize the Children's Health Insurance Program (CHIP), Senator Charles E. Schumer, Chairman of the Joint Economic Committee and a member of the Senate Finance Committee, released a new fact sheet highlighting the benefits of reauthorizing and expanding CHIP. According to the fact sheet, entitled "*CHIP Makes Economic Sense*," CHIP has dramatically reduced the number of uninsured children since its creation in 1997. Over one million children currently covered by the program stand to lose coverage under the President's reauthorization proposal, as states would face a total federal funding shortfall of as much as \$7.6 billion over the next five years.

"With skyrocketing private health insurance premiums and ever increasing costs, CHIP has been a lifeline for families struggling to provide health care for their kids," Schumer said. **"CHIP has proven cost-effective and successful, and it is a moral imperative to extend its benefits to those who work hard but still cannot afford health insurance for their kids. There are nine million reasons that we must act now – nine million American children are still uninsured."**

The full JEC fact sheet is available at www.jec.senate.gov. According to it, CHIP currently provides health insurance 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% to 15%. Despite CHIP's success in reducing the numbers of uninsured, about nine million children still lack health care coverage. Nearly two out of every three uninsured children live with adults who earn a modest income and work full time.

Fully funding CHIP and expanding its coverage to the 5.5 million children who qualify for the program but are not enrolled and to all children of parents making less than 300% of the poverty level (up from 200% in the current program), is a sound public investment. As highlighted in the JEC fact sheet, individuals without health insurance and access to preventative care tend to have higher rates of serious health problems and more frequently use the more expensive services of emergency rooms and acute 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.

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. Children with health insurance are more likely to enter adulthood with greater employment and earnings potential, because children in poor health are more likely to miss school and fall behind academically, thus generating lower tax revenues later in life while having greater dependence on public assistance.

Economists generally agree that CHIP is a cost effective way to expand health insurance coverage. Expanding public insurance leads 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. Leading health economist Jonathan Gruber noted that any “crowd-out” effect of public insurance expansions is likely lower when only certain family members, for example children qualifying for CHIP, are covered by the expansion. Further, Gruber concludes the most cost-effective method of expanding health insurance coverage remains expanding public insurance programs like CHIP.

The current CHIP authorization expires on September 30, 2007. The reauthorization bill pending in the Senate Finance Committee would raise the federal excise tax on cigarettes by 61 cents (to \$1 a pack) in order to pay for a \$35 billion expansion of CHIP over five years, covering an additional 3.3 million children. President Bush has proposed a \$5 billion increase in federal funding for CHIP over five years, which according to the Congressional Budget Office would not be enough to continue to cover the children currently enrolled in the program.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

www.jec.senate.gov

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