



Crowd-Out and SCHIP Reauthorization

An Alliance for Health Reform Toolkit

September 12, 2007

Introduction

One inevitable consequence of expanding public programs in a voluntary, mixed public-private system is the substitution of private coverage for public coverage known as “crowd-out.”

Both Medicaid and the State Children’s Health Insurance Program (SCHIP), according to research reports, have enrolled children who previously had private or other health coverage. SCHIP, a federal-state partnership designed to cover low income uninsured children, has been in existence since 1997. It has contributed to the reduction in the proportion of uninsured near-poor children from a rate of 23.3 percent in 1996 to 17.5 per cent in 2002. Much of this reduction can be attributed to Medicaid, but SCHIP, which covers more than six million children over the course of a year, has also been a factor.

The most recent figures released by the U.S. Census Bureau indicate that children in poverty were uninsured at the rate of 19.3 percent in 2006. With these new data available, the SCHIP law due to expire on September 30, 2007, and the passage of House and Senate SCHIP reauthorization bills this summer, interest in crowd-out has come to the fore.

The Congressional Budget Office estimates that more than 7 million children would be enrolled in SCHIP in 2012 under the reauthorization bill recently passed by the House. However, more than 2 million of these individuals would otherwise be insured privately, CBO predicts – the crowd-out factor. The Senate has also proposed SCHIP legislation with a slightly reduced expansion rate and a similar crowd-out effect.

Major differences in the two bills come from the proposed funding provisions – a tobacco tax increase in the Senate version and a combination of tobacco tax and Medicare Advantage cutbacks in the House version. In order for the process to go forward, a conference committee will need to convene, but conferees have yet to be named.

With the September 30 deadline looming, does this mean a continuing resolution is likely? And with states like New York ready to challenge the recently issued guidelines

from the Centers for Medicare and Medicaid Services regarding SCHIP expansions, are forces aligning for a lengthy ideological battle?

Because of the high level of interest in the crowd-out issue, the Alliance sponsored a briefing on the subject for Congressional staff and others in late August. This toolkit contains resources from that briefing and additional resources that have become available since then. These materials define “crowd-out,” offer views on how significant the effect might be, describe state experiences with implementing regulations/tools designed to minimize crowd-out, and consider the public policy challenges that face decision makers in the reauthorization of SCHIP.

What is Crowd-Out?

Does Public Insurance Crowd Out Private Insurance?

David M. Cutler and Jonathan Gruber

National Bureau of Economic Research Working Paper No. 5082

April 1995

Free abstract available at: www.nber.org/papers/w5082.v5.pdf

In this paper, authors Cutler and Gruber introduce and offer research support for the crowd-out concept.

Crowd-Out Ten Years Later: Have Recent Public Insurance Expansions Crowded Out Private Health Insurance?

Jonathan Gruber and Kosali Simon

National Bureau of Economic Research Working Paper No.12858

January 2007

Free abstract available at: www.nber.org/papers/w12858

This paper revisits crowd-out using improved data and new research approaches. It concludes that crowd-out is significant, reporting a rate of 60 per cent - that is, for every 100 persons newly enrolled in a public program, 60 of them would otherwise have had private coverage. The paper also reports findings on provisions aimed at countering crowd-out.

Who's Counting? What is crowd-out, how big is it and does it matter for SCHIP?

Alliance for Health Reform Briefing, August 29, 2007

www.allhealth.org/briefing_detail.asp?bi=112

How much private coverage is displaced – “crowded out”—when public programs like SCHIP and Medicaid are expanded? This briefing, supported by the United Health Foundation, explored the issue, including the types of crowd-out, anticipated crowd-out effects of recently passed House and Senate legislation, and how to minimize these

effects. Includes links to the briefing webcast, transcript, podcast, list of experts and websites, and many helpful resources.

SCHIP Expansion and the Crowd-out Effect

The State Children's Health Insurance Program

A CBO Paper

May 2007

www.cbo.gov/ftpdocs/80xx/doc8092/05-10-SCHIP.pdf

This paper provides an overview of the program, including federal spending, the difference between the federal match provision in SCHIP and the one in Medicaid, state eligibility thresholds, the effect of SCHIP on children's health insurance coverage, and an analysis of funding and policy options to sustain the program. CBO concludes that the reduction in private coverage among children is between 25 per cent and 50 per cent of the increase in public coverage resulting from SCHIP.

Letter to John Dingell from Jonathan Gruber

February 2007

http://energycommerce.house.gov/Press_110/110-ltr.022807.Gruber_ltr_to_Dingell.pdf

In this letter, Dr. Gruber clarifies his findings, shares corrected data tables, and states that he and co-author Kosali Simon, in their "most general specifications found no evidence of crowd-out associated with SCHIP per se."

Who's Counting: What Is Crowd-Out, How Big Is It, And Does It Matter For SCHIP?

On August 29, 2007, the Alliance for Health Reform held a Capitol Hill briefing for congressional and executive branch agency staff, media representatives, and interested others from non-government agencies and not-for-profit organizations. A distinguished panel of researchers, state and federal administrators and an insurance industry representative presented their views and findings on crowd-out and SCHIP. A transcript, along with background materials and presentations from the briefing, can be found at www.allhealth.org/briefing_detail.asp?bi=112

Has the Jury Reached a Verdict? Early Experiences with Crowd-Out under SCHIP

Amy Westpfahl Lutzky and Ian Hill

June 2001

www.urban.org/url.cfm?ID=310218

This qualitative study examines how 18 states are addressing crowd-out, the degree to which state officials perceive crowd-out to be occurring, and the implications of crowd-

out prevention strategies on enrollment. The strategies studied include waiting periods, cost sharing, subsidizing employer-sponsored coverage, and others.

SCHIP Reauthorization: Key Questions in the Current Debate

July 20, 2007

www.kff.org/medicaid/upload/7675.pdf

This issue brief highlights some key questions underlying the policy debate regarding SCHIP reauthorization. It includes a side-by-side comparison of the House and Senate legislative provisions.

The SCHIP Open: Hidden Incentives for States to Spend Federal Funds

Robert B. Helms, American Enterprise Institute

August 28, 2007

www.aei.org/docLib/20070828_22104HPO10Helms_g.pdf

This policy brief compares the provisions in the House and Senate proposals to the intent of the original legislation, and raises the issue of entitlement versus block grant funding.

Public Insurance Expansions Crowd-Out Private Health Insurance

Andrew Grossman, Heritage Foundation

September 5, 2007

This opinion piece posted in The Heritage Foundation Health Care blog argues that public policies should avoid plans that encourage families to replace private coverage with a public program. It refers to recent research by Jonathan Gruber and cites a 60 per cent crowd-out rate in that paper's findings.

www.heritageblogs.org/index.php/1064_public-insurance-expansions-crowd-out-private-health-insurance

SCHIP Reauthorization: Recent Developments

CMS Letter to State Health Officials

SHO #07-001

August 17, 2007

www.allhealth.org/briefingmaterials/CMSSCHIPletter-857.pdf

In this letter the Centers for Medicare and Medicaid Services identifies crowd-out prevention strategies that state plans should include. It provides guidance especially for states that expand eligibility above 250 per cent of FPL requiring these states to establish a one-year minimum for uninsurance prior to CHIP enrollment; and provide assurance of a 95 percent enrollment rate for children below 200 percent FPL.

U.S. Rejects New York's Bid to Insure More Children

Robert Pear, NY Times

September 8, 2007

www.nytimes.com/2007/09/08/nyregion/08insure.html?_r=1&ref=todayspaper&oref=slogin

New York's expansion proposal was rejected based on the CMS guidance issued August 17. According to the NY Times, "Federal officials said the change would divert resources from lower-income children and 'crowd out' private health insurance."

On Covering The Kids' Health

Jonathan Cohn, The New Republic

September 8, 2007

www.cbsnews.com/stories/2007/09/07/opinion/main3242379.shtml

The author reminds us that two important provisions in both the Senate and House SCHIP expansion bills regard recruitment and outreach to encourage currently eligible kids' to enroll in existing Medicaid and SCHIP programs. He explains that the expansion to higher income populations will inevitably attract some children from families who have private coverage but most of the money will still be spent on poor kids. Mr. Cohn outlines some reasons why middle-class families might need government assistance to get health insurance, especially in states with very high costs of living. He concludes with his solution for avoiding crowd-out.

Selected Experts and Websites

Analysts/ Advocates

Joseph Antos, <i>American Enterprise Institute</i> ...	202/862-5938
Donna Cohen Ross, <i>Center on Budget and Policy Priorities</i>	202/408-1080
Sherry Glied, <i>Columbia University</i>	212/305-0299
Anne Gauthier, <i>The Commonwealth Fund</i>	202/292-6700
Jonathan Gruber, <i>Massachusetts Institute of Technology</i>	617/253-8892
Jack Hadley, <i>Urban Institute</i>	202/261-5438
Genevieve Kenney, <i>Urban Institute</i>	202/261-5568
Leighton Ku, <i>Center on Budget and Policy Priorities</i>	202/408-1080
Risa Lavizzo-Mourey, <i>Robert Wood Johnson Foundation</i>	888/631-9989
Wendy Lazarus, <i>Children's Partnership</i>	310/260-1220 x11
Bruce Lesley, <i>First Focus</i>	703/535-3835
Eugene Lewit, <i>Packard Foundation</i>	650/917-7175
Cindy Mann, <i>Center for Children and Families, Georgetown University</i>	202/687-0880
Nina Owcharenko, <i>Heritage Foundation</i>	202/608-6221
Jane Perkins, <i>National Health Law Program</i>	919/968-6308
Karen Pollitz, <i>Institute for Health Care Research & Policy, Georgetown U.</i>	202/687-0880
Diane Rowland, <i>Kaiser Commission on Medicaid and the Uninsured</i>	202/347-5270
Edward Schor, <i>The Commonwealth Fund</i>	212/606-3866
Nicole Ravenell, <i>Southern Institute on Children and Families</i>	803/779-2607
Grace-Marie Turner, <i>Galen Institute</i>	703/299-8900
Judith Wooldridge, <i>Mathematica Policy Research</i>	609/275-2370

Stakeholders

Christine Burch, <i>National Association of Public Hospitals</i>	202/585-0100
Leslie Champlin, <i>American Academy of Family Physicians</i>	913/906-6000 x5227
Sister Carol Keehan, <i>Catholic Health Association</i>	202/296-3993
Robert Hall, <i>American Academy of Pediatrics</i>	202/347-8600
Karen Ignagni, <i>America's Health Insurance Plans</i>	202/778-3200
Charles (Chip) Kahn, <i>Federation of American Hospitals</i>	202/624-1500
Greg Martin, <i>American Academy of Family Physicians</i>	202/232-9033
Alicia Mitchell, <i>American Hospital Association</i>	202/626-2339
Martha Roherty, <i>National Association of State Medicaid Directors</i>	202/682-0100
Matt Salo, <i>National Governors' Association</i>	202/ 624-5336
Tom Van Coverden, <i>Nat'l Association of Community Health Centers</i>	301/347-0400
Peters Willson, <i>National Association of Children's Hospitals</i>	703/797-6006

Websites

<i>Alliance for Health Reform</i>	www.allhealth.org/
<i>American Enterprise Institute</i>	www.aei.org
<i>Center for Health Care Strategies, Inc.</i>	www.chcs.org
<i>Centers for Medicare & Medicaid Services</i>	www.cms.hhs.gov
<i>Center on Budget and Policy Priorities</i>	www.cbpp.org
<i>Child Health Insurance Research Initiative</i>	www.ahrq.gov/chiri
<i>Child Welfare League of America</i>	www.cwla.org
<i>Children's Defense Fund</i>	www.childrensdefense.org
<i>The Commonwealth Fund</i>	www.commonwealthfund.org
<i>Covering the Uninsured</i>	www.coveringtheuninsured.org
<i>Families USA</i>	www.familiesusa.org
<i>Georgetown Center for Children and Families</i>	http://ccf.georgetown.edu/about.html
<i>Heritage Foundation</i>	www.heritage.org
<i>Insure Kids Now, HRSA</i>	www.insurekidsnow.gov
<i>Kaiser Family Foundation</i>	www.kff.org/
<i>KidsHealth (Nemours Foundation)</i>	www.kidshealth.org
<i>Mathematica Policy Research</i>	www.mathematica.org/health
<i>National Academy for State Health Policy</i>	www.nashp.org
<i>Voices for America's Children</i>	www.voices.org
<i>National Association of Children's Hospitals</i>	www.childrenshospitals.net
<i>National Association of Public Hospitals and Health Systems</i>	www.naph.org
<i>National Conference of State Legislatures</i>	www.ncsl.org
<i>National Governors Association</i>	www.nga.org
<i>Robert Wood Johnson Foundation</i>	www.rwjf.org
<i>Southern Institute on Children and Families</i>	www.thesoutherninstitute.org%20
<i>State Coverage Initiatives</i>	www.statecoverage.net
<i>Urban Institute</i>	www.urban.org

This toolkit was created by Deanna Okrent.