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ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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CHAIRMAN

February 28, 2007

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Jonathan Gruber, Ph.D.
Professor of Economics, MIT
c/o 83 Pleasant Street
Lexington, Massachusetts 02421

Dear Dr. Gruber:

One of the priorities of the Congress and of the Committee in 2007 will be children's health care, specifically, the reauthorization of the State Children's Health Insurance Program (SCHIP). This program, according to its Federal evaluation by the Department of Health and Human Services, is "successful in nearly all of the areas examined." The major goal of the program is to expand coverage to children who do not qualify for Medicaid but cannot afford private insurance. Indeed, national surveys show that the rate of low-income, uninsured children has dropped substantially in the last decade. The program also enjoys the bipartisan support of the President, Members of Congress, and several of our Nation's Governors.

One question raised when the program was created, which is resurfacing today, is "crowd out," or the loss of private coverage attributable to the expansion of public programs. At the time that the program was created, the Congressional Budget Office (CBO) estimated that 40 percent of enrollees in SCHIP would have previously had private coverage. As a result, Congress mandated that evaluation surveys be conducted of recent enrollees in SCHIP. The surveys found that only 28 percent had private insurance during the 6 months before they enrolled, and, of those, one-half had lost coverage involuntarily and, therefore, did not voluntarily substitute private for public coverage. This suggests, as the Congressionally-mandated evaluation concludes, that, "The program did not lead to widespread substitution of SCHIP for employer coverage, even though almost all families enrolling their child had at least one working parent."

At the first hearing on February 14, 2007, held by the Subcommittee on Health that focused on SCHIP, one witness criticized SCHIP, claiming that "public program expansions also impact the stability of private coverage." Ms. Owcharenko, Senior Health Care Policy Analyst at the Heritage Foundation, cited the recent study co-authored by you and Kosali Simon in saying, "the number of privately insured falls by about 60 percent as much as the number of publicly insured rises." The Galen Institute used your study to state "perhaps as much as half of the new

Jonathan Gruber, Ph.D.

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SCHIP enrollment was offset by declining private coverage.” Because this conclusion differs from others, I wanted to clarify the meaning of your results and their comparability to other estimates.

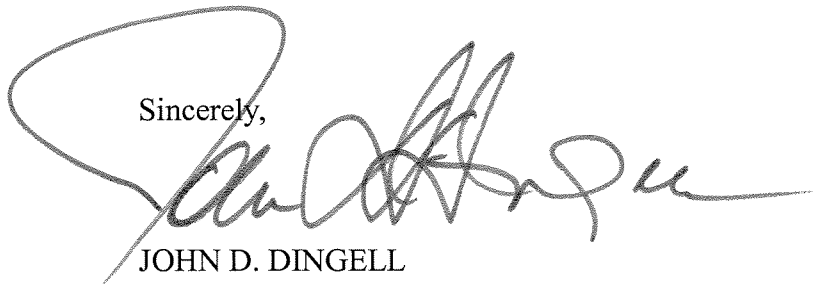
Specifically:

- Is your estimate of 60 percent crowd-out associated with SCHIP comparable to the CBO and Federal evaluation which define crowd-out as the percent age of children enrolled in the program who substituted public for private coverage?
- What would be the estimate of crowd-out if you only focused on children eligible for Medicaid or SCHIP, since many eligible children’s parents are not all eligible for Medicaid or SCHIP themselves?
- Has private coverage eroded in the last decade, irrespective of SCHIP? If Medicaid and SCHIP had not expanded in the past decade, would there have been an increase in the rate of uninsured children?
- In your expert opinion, would the crowd-out of employer-based coverage be higher under reauthorization of SCHIP, with policies to improve outreach, or the President’s proposed changes to the tax exclusion for employer contributions to health coverage?

Because our second SCHIP hearing is on March 1, 2007, and I want to be fully informed as to the difference of opinion about SCHIP and crowd-out at that hearing, I would ask that you provide response promptly. Your response may be e-mailed or faxed directly to Bridgett Taylor, Chief Health Finance Policy Advisor to the Committee on Energy and Commerce, at bridgett.taylor@mail.house.gov or (202) 225-2525. If you have any questions, please contact Ms. Taylor at (202) 225-2927.

With every good wish.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Dingell", written over a large, stylized, circular flourish.

JOHN D. DINGELL
CHAIRMAN