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Representative John Dingell
Chairman, Committee on Energy and Commerce
U.S. House of Representatives

Dear Representative Dingell,

Thank you for giving me the opportunity to clarify the evidence on the impacts of the SCHIP program on health insurance coverage. The SCHIP program represents the single most important expansion of health insurance coverage in the U.S. over the past fifteen years. Thanks to this program millions of children in the U.S. have gained insurance coverage. I am proud to have been part of the Clinton Administration team that developed and initially implemented the SCHIP program.

As a result, I am somewhat disheartened to see my recent research being used to attack this valuable program. I am glad to have the chance to set the record straight, and will do so in response to your questions. In particular, I want to emphasize a conclusion that has been consistent throughout my research: public insurance expansions are by far the most cost-effective means of expanding insurance coverage in the U.S. today.

Let me begin by clarifying what Kosali Simon and I find in our recent research paper. In that paper we find that expanding public insurance leads to some erosion in private insurance coverage. That is not a particularly controversial conclusion; policy-makers have recognized the problem of "crowd-out" as a significant one since before SCHIP was put in place. At issue is the magnitude of such crowd-out.

In their initial evaluation of SCHIP, the CBO assumed that 40% of children joining SCHIP would have previously had private health insurance. There is nothing in our study which contradicts that estimate. The estimates of crowd-out that are being cited from our paper are estimates of the *total impact of expanding public insurance to families*. The relevant estimate for interpreting the crowd-out effects of SCHIP differ in two important ways from this total impact.

First, **SCHIP expansions may have a smaller crowd-out effect if they apply to only some members of the family and not all family members.** As noted in our paper, the effect of public insurance expansions on both public and private coverage are much larger when the entire family is covered (60%) then when only certain members are

covered (20-30%). To the extent that SCHIP expansions covered only certain members of the family, the associated crowd-out may have been lower than the 60% family figure.

Second, **when we attempt to estimate the particular crowd-out impacts of SCHIP, our estimates are much less reliable.** In fact, in our most general specifications (the bottom panels of Tables 6 and 7), we find *no evidence* of crowd-out associated with SCHIP per se. That is, in our regression models, we find that there is no statistically significant effect of the SCHIP expansions per se on private insurance coverage.
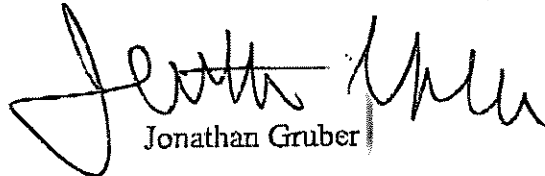
This may have escaped notice in the working paper version of our paper because we made a number of errors in Tables 6 and 7. In particular, the crowd-out estimates in the second and fourth panels of those tables were wrong. The revised tables are attached to this letter (and will be included in the published version of the paper). As you can see, our estimates of crowd-out associated in particular with SCHIP are never statistically significant, and switch signs when we move from the more restrictive to the more general specification in the second and fourth panels of Tables 6 and 7.

I regret that these typos in the working paper version could lead to an inference that is highly unfavorable to SCHIP. This program has, in my view, been a huge success.

In closing, allow me to highlight the important point that **no public policy can perfectly target the uninsured, and that public insurance expansions like SCHIP remain the most cost-effective means of expanding health insurance coverage.** I have undertaken a number of analyses to compare the public sector costs of public sector expansions such as SCHIP to alternatives such as tax credits. I find that the public sector provides much more insurance coverage at a much lower cost under SCHIP than these alternatives. Tax subsidies mostly operate to "buy out the base" of insured without providing much new coverage.

Thank you for your consideration.

Sincerely,

Jonathan Gruber

Table 6

Effect of Eligibility for Medicaid and SCHIP on Insurance Status (Months interaction)

		Public only	Private only	Both public and private	Crowd 1	Crowd 2	Employer coverage only	Non group coverage only	Both public and non group	Both public and employer coverage
Own eligibility										
Baseline	Medicaid	0.101***	-0.026	0.016**	0.36	0.26	-0.025	-0.002	0.002*	0.014*
		(0.03)	(0.02)	(0.01)			(0.02)	(0.01)	(0.001)	(0.01)
	SCHIP	0.054*	-0.023	0.013	0.54	0.43	-0.009	-0.014	0.006***	0.006
		(0.03)	(0.03)	(0.01)			(0.03)	(0.01)	(0.001)	(0.01)
	SCHIP*months	-0.011**	0.006	0.003	0.59	0.34	0.006	0.001	0.0001	0.004
		(0.01)	(0.01)	(0.003)			(0.01)	(0.003)	(0.0002)	(0.002)
All interactions	Medicaid	0.078	-0.025	-0.021	0.07	0.32	-0.024	-0.001	0.005	-0.024
		(0.11)	(0.03)	(0.28)			(0.03)	(0.02)	(0.01)	(0.28)
	SCHIP	0.011	0.02	-0.002	--	--	0.052	-0.032*	0.007**	-0.01
		(0.06)	(0.05)	(0.14)			(0.04)	(0.02)	(0.003)	(0.14)
	SCHIP*months	-0.004	-0.007	0.001	--	--	-0.01	0.003	-0.001***	0.003
		(0.01)	(0.01)	(0.02)			(0.01)	(0.004)	(0.001)	(0.02)
Family eligibility										
Baseline	Medicaid	0.145***	-0.086***	0.029**	0.66	0.59	-0.086***	0.0002	0.003	0.027**
		(0.04)	(0.03)	(0.01)			(0.03)	(0.02)	(0.002)	(0.01)
	SCHIP	0.051	-0.027	0.01	0.61	0.53	-0.028	0.001	0.008**	0.002
		(0.05)	(0.05)	(0.01)			(0.06)	(0.02)	(0.003)	(0.01)
	SCHIP*months	-0.017	0.003	0.008**	1.1	1.24	0.002	0.001	0.0003	0.009**
		(0.01)	(0.01)	(0.004)			(0.01)	(0.004)	(0.001)	(0.004)
All interactions	Medicaid	0.217***	-0.163***	0.028	0.78	0.75	-0.156**	-0.008	0.004	0.026
		(0.06)	(0.05)	(0.02)			(0.06)	(0.02)	(0.004)	(0.02)
	SCHIP	0.009	0.049	-0.009	--	--	0.024	0.025	0.006	-0.015
		(0.04)	(0.06)	(0.02)			(0.07)	(0.03)	(0.01)	(0.02)
	SCHIP*months	-0.009	-0.018	0.012***	0.33	1.44	-0.019	0.0004	-0.001	0.014***
		(0.01)	(0.02)	(0.004)			(0.02)	(0.01)	(0.001)	(0.004)

Notes: Standard errors are in parentheses. Each set of estimates (Medicaid, SCHIP and SCHIP*months) is from a separate regression. * indicates statistical significance at the 10% level; ** indicates significance at the 5% level; and *** indicates significance at the 1% level. Number of observations is 405,389.

Table 7
Effect of Eligibility for Medicaid and SCHIP on Insurance Status (Cost Sharing Interactions)

		Public only	Private only	Both Public and private	Crowd 1	Crowd 2	Employer coverage only	Non group coverage only	Both Public and non group	Both Public and employer coverage
Own eligibility										
Baseline	Medicaid	0.105***	-0.03	0.015*	0.39	0.30	-0.028	-0.001	0.002	0.014*
		(0.03)	(0.02)	(0.01)			(0.02)	(0.01)	(0.001)	(0.01)
	SCHIP	0.052	-0.005	0.008	0.22	0.10	0.015	-0.021	0.004**	0.003
		(0.04)	(0.03)	(0.01)			(0.03)	(0.01)	(0.002)	(0.01)
	SCHIP*%costs	-0.383**	0.148	0.054	0.87	0.79	0.091	0.058	0.011	0.055
		(0.19)	(0.15)	(0.03)			(0.15)	(0.08)	(0.01)	(0.04)
All interactions	Medicaid	0.094***	-0.023	0.004	0.28	0.24	-0.02	-0.002	0.004	0.001
		(0.03)	(0.03)	(0.01)			(0.03)	(0.02)	(0.002)	(0.01)
	SCHIP	0.015	-0.01	0.018	0.85	0.67	0.02	-0.03	0.003	0.016
		(0.03)	(0.04)	(0.01)			(0.03)	(0.02)	(0.003)	(0.01)
	SCHIP*%costs	-0.233	0.285	-0.005	0.34	3.5	0.179	0.106	0.01	-0.019
		(0.18)	(0.28)	(0.06)			(0.25)	(0.12)	(0.01)	(0.06)
Family eligibility										
Baseline	Medicaid	0.154***	-0.088***	0.027**	0.64	0.57	-0.085***	-0.003	0.003	0.026*
		(0.04)	(0.03)	(0.01)			(0.03)	(0.02)	(0.002)	(0.01)
	SCHIP	0.072	-0.015	0.01	0.30	0.21	0.006	-0.021	0.005	0.005
		(0.06)	(0.05)	(0.01)			(0.05)	(0.02)	(0.003)	(0.01)
	SCHIP*%costs	-0.838**	0.182	0.102	0.80	0.09	-0.073	0.256*	0.02	0.104
		(0.33)	(0.22)	(0.08)			(0.22)	(0.14)	(0.02)	(0.08)
All interactions	Medicaid	0.222***	-0.168***	0.027	0.78	0.76	-0.156***	-0.012	0.004	0.025
		(0.06)	(0.05)	(0.02)			(0.06)	(0.02)	(0.004)	(0.02)
	SCHIP	0.034	0.011	0.013	0.04	--	0.023	-0.012	0.0004	0.012
		(0.06)	(0.05)	(0.02)			(0.06)	(0.02)	(0.01)	(0.02)
	SCHIP*%costs	-0.635	-0.122	0.132	3.30	0.07	-0.572**	0.449***	0.02	0.123
		(0.50)	(0.27)	(0.15)			(0.27)	(0.16)	(0.03)	(0.15)

Notes: Standard errors are in parentheses. Each set of estimates (Medicaid, SCHIP and SCHIP*%costs) is from a separate regression. * indicates statistical significance at the 10% level; ** indicates significance at the 5% level; and *** indicates significance at the 1% level. Number of observations is 405,389.