



July 24, 2007

The Honorable Max Baucus  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

In response to your letter of July 10, the Congressional Budget Office (CBO) has examined available estimates of the number of children who lack health insurance but are eligible for Medicaid or the State Children's Health Insurance program (SCHIP). Some empirical studies have found that there are between 5 million and 6 million such children. In contrast to those studies, the Administration recently estimated that a much smaller number, 1.1 million children, lack health insurance but are eligible for Medicaid or SCHIP.

A major reason that the Administration's figure is much lower than other estimates is that they address different questions. In particular, the Administration's estimate addresses how many children are uninsured for an entire year and are eligible for Medicaid or SCHIP. That estimate does not include all uninsured children who are eligible for the programs, however, because substantial numbers of children are uninsured for part of the year and are eligible for public coverage during that period. Consequently, the Administration's estimate understates the number of uninsured children who might participate in Medicaid or SCHIP under policies aimed at expanding enrollment.

The other estimates from the research literature are instead based on the number of children who are uninsured and eligible for Medicaid or SCHIP at a particular point in time. That concept provides a more appropriate measure of the number of children who are uninsured and eligible for public coverage on average over the course of the year, which is the more relevant concept for both policy judgments and budget scoring. (For example, consider two children, one of whom is uninsured for the first six months of the year and the second of whom is uninsured for the second six months of the year. The Administration's estimates would not count either child as uninsured, because neither was uninsured for the entire year. In any month, however, one of them would be uninsured and potentially eligible for coverage under a public program.)

Two recent studies that use data from different household surveys conclude that about 5.4 million children are uninsured and eligible for Medicaid or SCHIP at any given point in time. One study used data from the Current Population Survey (CPS) by the Bureau of the Census.<sup>1</sup> The authors of that study, like CBO, interpret CPS estimates as approximating the number of people who are uninsured, on average, at any point in time. The second study used data from the Medical Expenditure Panel Survey (MEPS).<sup>2</sup>

The researchers who developed the Administration's recent estimates used the CPS but, unlike the authors of the first study cited, they interpreted the estimates as measuring the number of people uninsured all year.<sup>3</sup> Although the CPS is theoretically intended to measure that concept, evidence indicates that the survey's estimates more closely approximate the number of people who are uninsured at a particular point in time—a fact that the Census Bureau acknowledges.<sup>4</sup>

The study using the MEPS, cited above, examined the same concept as the one addressed by the Administration's estimates—the number of children uninsured all year rather than at a point in time—but obtained different estimates. Using data from the MEPS, researchers from the Agency for Healthcare Research and Quality have estimated that 2.7 million children are uninsured all year and eligible

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1. John Holahan, Allison Cook, and Lisa Dubay, *Characteristics of the Uninsured: Who Is Eligible for Public Coverage and Who Needs Help Affording Coverage?* (Washington, D.C.: The Henry J. Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, February 2007), available at [www.kff.org](http://www.kff.org).
  2. Congressional Research Service, "Description of the Varying Estimates of Uninsured Children Who Were Eligible for Public Coverage" (based on estimates prepared by the Agency for Healthcare Research and Quality, June 21, 2007).
  3. The Administration's new estimates are presented in Kenneth Finegold and Lisa Giannarelli, "TRIM3 Simulations of Full-Year Uninsured Children and their Eligibility for Medicaid and SCHIP" (Washington, D.C., The Urban Institute, June 14, 2007).
  4. The assumption of whether or not the CPS measures the number of people who are uninsured at a point in time or all year influences how researchers make certain adjustments to the data that determine the final estimates. The assessment that estimates in the CPS more closely approximate the number of people who are uninsured at a point in time is based on comparisons with estimates from other surveys that are thought to measure insurance coverage more accurately than the CPS. See Congressional Budget Office, *How Many People Lack Health Insurance and for How Long?* (May 2003), and U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2005* (August 2006), p. 20.


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for either Medicaid or SCHIP.<sup>5</sup> Why those estimates from the MEPS are over twice as high as the Administration's recent estimates using the CPS is not known. But the MEPS is widely regarded as yielding better estimates of the number of people who are uninsured all year than the CPS: For the MEPS, people are interviewed multiple times during the year, whereas for the CPS, people are interviewed in March about their insurance coverage over the previous calendar year, so their responses may be less accurate (to the extent that respondents do not remember or accurately report coverage during earlier months of that year).

In summary, CBO regards the estimates of between 5 million and 6 million children who are uninsured and eligible for Medicaid or SCHIP as more appropriate for considering policies aimed at enrolling more eligible children in those programs.

I hope that this information is useful to you. If you or your staff have any questions, please feel free to contact me at (202) 226-2700 or Lyle Nelson at (202) 226-2666.

Sincerely,



Peter R. Orszag  
Director

cc: Honorable Charles E. Grassley  
Ranking Member

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5. Congressional Research Service, "Description of the Varying Estimates of Uninsured Children Who Were Eligible for Public Coverage."