

MEMORANDUM

TO: Health staff of the House and Senate Budget Committees, the House Energy and Commerce Committee, and the Senate Finance Committee

FROM: Jeanne De Sa and Eric Rollins, CBO

DATE: March 13, 2007

RE: Clarifications to our estimates of the costs of covering more children in Medicaid and SCHIP

On February 20, we issued a memo that included rough estimates of the costs of covering an additional one million children in Medicaid or the State Children's Health Insurance Program (SCHIP). There has been some confusion about how to use those figures to estimate the cost of providing coverage to uninsured children who are eligible for Medicaid or SCHIP, so we would like to make some additional points about those estimates.

First, our earlier memo provided the approximate cost of covering an additional one million children *at some time* during the year. As we noted in our February 20 memo, many children are covered for only part of the year, and the increase in enrollment *averaged over the course of the year*—sometimes known as average monthly enrollment—would be smaller. (Children in Medicaid are enrolled, on average, for about 80 percent of the year, while children in SCHIP are enrolled, on average, for about 60 percent of the year.) As a simplified example, consider a proposal that enrolls two additional children: one for the first six months of the year and the other for the second six months of the year. The increase in enrollment *averaged over the course of the year* (or average monthly enrollment) would be one child. The increase in terms of children covered *at some time* during the year, however, would be two children. Our February 20 memo provided rough cost estimates for this latter concept, while noting that it differed from the average monthly enrollment concept.

The table below provides separate estimates of the approximate cost of covering an additional one million children, measured for both concepts. The first set of estimates assumes that a total of one million children would be enrolled *at some time* during the year, which would increase average enrollment over the course of the year (that is, average monthly enrollment) by about 800,000 for Medicaid or about 600,000 for SCHIP. The second set of estimates assumes that average enrollment *over the course of the year* would increase by one million children, which would raise the number of children who are enrolled at some time during the year by about 1.25 million for Medicaid or about 1.67 million for SCHIP.

Second, estimates of the number of uninsured children who are eligible for Medicaid or SCHIP are typically based on data from the Census Bureau's Current Population Survey

(CPS). The CPS is intended to collect information on health insurance coverage during the entire previous year. However, based on comparisons with other surveys, the Census Bureau has noted that CPS estimates more closely approximate the number of people who are uninsured at a specific point in time.¹ CBO shares this view.²

Approximate cost of enrolling an additional one million children		
	<u>FY 2008-12</u>	<u>FY 2008-17</u>
<i>One million more children enrolled at some time during the year:</i>		
Medicaid	\$6 billion	\$16 billion
State Children's Health Insurance Program	\$4 billion	\$10 billion
<i>An average of one million more children enrolled over the course of the year (average monthly enrollment):</i>		
Medicaid	\$7.5 billion	\$20 billion
State Children's Health Insurance Program	\$6.7 billion	\$16.7 billion

Therefore, if you want to estimate the approximate cost of covering some portion of the uninsured children who eligible for Medicaid or SCHIP, and the measure of the number of children who would be affected is based on the CPS, the second set of estimates from the above table is the appropriate one to use.

Finally, please keep in mind that the figures in the table assume that an additional one million children would be enrolled immediately, and that they represent the cost of additional benefits and administration for those children only. The number of additional children that would actually enroll, and how quickly they would join the rolls, would depend on the specifics of each legislative proposal. Our figures also do not include any additional costs that might be incurred in order to get those children enrolled.

As always, please contact either of us at 6-9010 if you have any questions.

¹ U.S. Census Bureau, "Income, Poverty, and Health Insurance Coverage in the United States," August 2006.

² Congressional Budget Office, "How Many People Lack Health Insurance and for How Long?," May 2003.

MEMORANDUM

TO: Health staff of the House and Senate Budget Committees, the House Energy and Commerce Committee, and the Senate Finance Committee

FROM: Jeanne De Sa and Eric Rollins, CBO

DATE: February 20, 2007

RE: Approximate costs of covering more children in Medicaid and SCHIP

We have received several requests for information on the budgetary effects of increasing the number of children enrolled in Medicaid or the State Children's Health Insurance Program (SCHIP). Since we are still in the early stages of the legislative process, we believe that the most useful guidance we can provide at this juncture consists of generic estimates of the costs of covering a specified number of additional children—we are using one million, for simplicity—in each program. The figures in this memo do *not* reflect any specific legislative proposal.

As shown in the table below, we estimate that enrolling an additional one million children in Medicaid in 2008 would increase federal spending by about \$6 billion over the 2008-2012 period and \$16 billion over the 2008-2017 period. The costs of enrolling another one million children in SCHIP in 2008 would be about \$4 billion and \$10 billion, respectively, over the same periods. We assumed for those figures that policies that add one million children to the rolls in 2008 would cover about 1.1 million children by 2017 due to growth in the eligible population.

Approximate cost of enrolling an additional one million children		
	<u>FY 2008-12</u>	<u>FY 2008-17</u>
Medicaid	\$6 billion	\$16 billion
State Children's Health Insurance Program	\$4 billion	\$10 billion

The figures above are based on CBO's projections of per capita spending on benefits and administrative costs for children now enrolled in the two programs. They also reflect the likelihood that newly enrolled children would, on average, be somewhat healthier—and thus less expensive—than those already enrolled. We also assumed that all current rules in each program, such as benefits and federal matching rates, would apply to newly enrolled children.

Please note also that those figures are for a million children receiving benefits at some point during the year. Since many children are covered for only part of the year, the increase in average monthly enrollment would be smaller—about 20 percent less in Medicaid (those

children are enrolled, on average, for about 80 percent of the year) and about 40 percent less in SCHIP (those children are enrolled, on average, for about 60 percent of the year).

The figures in the table can be added together and scaled up or down depending on your policy objectives. For example, the total cost of covering another one million children in each program would be roughly \$26 billion over the next ten years, while the cost of covering another 500,000 children in SCHIP alone would be about \$5 billion over the same period. However, please keep in mind that proposals to increase enrollment in Medicaid or SCHIP would likely increase enrollment in both programs.

As always, please contact either of us at 6-9010 if you have any questions.