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## Put the children back in SCHIP

By Devon M. Herrick

A hot topic in the halls of state and federal government these days is health insurance, specifically children's health insurance.

The number of uninsured children in the U.S. is estimated at 8 million and counting. So many uninsured children must mean we're a failure on a grand scale. It means the government must step in to fix the crisis before children start dropping dead in the streets.

If you listen to most politicians, the oft-repeated policy prescription is to expand the State Children's Health Insurance Program (SCHIP). The SCHIP program is a shared-responsibility entitlement. States pay an average of 30 percent of the program costs, and receive federal matching funds based on the state's population, its number of low-income children, and its number of low-income without insurance. States have three years to use their federal allotment or lose it.

In 2003, states had to return nearly \$1 billion to the federal government. They quickly learned their lesson, however,

and started expanding their SCHIP programs in an attempt to maximize their federal subsidies.

Yet after 10 years of throwing tax dollars at this problem, an estimated 17 states now face budget shortfalls and, surprisingly, fewer children have insurance. How can this be? When states sought to use up their funds, they started covering children above the income requirement and started adding adults to the roles. In many cases, single adults with no children.

For example, of Minnesota's SCHIP enrollees, 87 percent were adults in 2005. Arizona has one of the highest rates of uninsured children in the country at 16 percent, yet 56 percent of its SCHIP enrollees are adults.

So, a program named for helping children now cannot help many uninsured children because the money is tied up covering adults. From this experience, it would seem intuitive that spending more money to continue down this path will do little for the 8 million uninsured children nationwide.

In 2003, when the states had to return the \$1 billion, there was a major push to spend the leftover funds on outreach programs. Presumably, there was unspent money because not all eligible children were enrolled.

There are now an estimated 5.75 million children eligible for government aid but not enrolled (this includes Medicaid and SCHIP). That's more than 70 percent of uninsured children. So much for outreach.

Another reason this program's expansion offers little hope for reducing the number of uninsured children is what economists call "crowd-out." When government raises the income qualification, people who already have insurance often drop their private coverage, including employer coverage, to join an entitlement program they think is free. In fact, an estimated 50 cents to 75 cents spent on expanding government entitlement programs cover those who dropped private insurance.

That means we will spend more money to cover people who already had insurance.

When states spend all their money, they come to back to the federal government with their hands out for more. And under SCHIP's provisions, they'll get it.

Rather than spend billions of taxpayer dollars to encourage parents to drop private coverage, we should encourage states to reform their insurance regulations to create more competition in health insurance, and as a result, more affordable and attractive options.

For instance, states should let insurers create health plans that do not have to cover a host of expensive mandated benefits. Taking it a step further, if the government

allowed interstate competition in health insurance, any insurer licensed in one state would be free to offer products to residents in other states.

Another idea would be for states to subsidize private coverage when parents have access to an employer plan but have not enrolled themselves or their children because they couldn't afford their share of the premiums. Oregon has tried a similar idea for their Medicaid beneficiaries, with much success.

SCHIP was designed to achieve one specific goal: insurance for children. That goal has been lost in the mad scramble to not lose federal money. SCHIP should be

scaled back to fulfill its original intent, and we need to explore better options for achieving that intent.

Throwing money at a problem has never worked. It didn't work in 1997 when SCHIP started, and it won't work today. We need better solutions that don't involve burdening American taxpayers and stunting our economy. Our children deserve better, and so do our hard-working, tax-paying adults.

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