

Conservatives combat S-CHIP with fuzzy math: Chip Off

by Jonathan Cohn

Only at **TNR Online** | Post date 06.15.07

<http://www.tnr.com/doc.mhtml?i=w070611&s=cohn061507>

In the last 30 years or so, few arguments have hindered liberalism more than the charge that government programs are miserable failures. And it is true: Some government programs really have turned out pretty badly. Building colossal concrete housing projects and then filling them exclusively with very poor people, for example, didn't turn out to be such a hot idea.

But it's become harder to make such arguments recently, since the federal government has junked a lot of those less successful programs while concentrating on new, more promising initiatives. Alas, that hasn't stopped conservatives from making their case--even if it means being, shall we say, a bit selective in the evidence they cite. Perhaps nowhere has that been more apparent than in the current fight over whether to sustain and expand a popular program that provides health insurance to children.

The State Children's Health Insurance Program (S-CHIP) offers government-provided health insurance to children whose families don't already qualify for Medicaid--typically, because the families are too wealthy to meet Medicaid's eligibility guidelines but too poor to buy insurance on their own. It dates back to 1997, when a bipartisan coalition pushed it through Congress and President Clinton signed it. Now it is up for reauthorization. In 2005, the last year for which figures are available, the program provided coverage to around 4 million children at any one time, according to the Kaiser Family Foundation. Democrats--including leading presidential candidates Hillary Clinton, John Edwards, and Barack Obama--want to expand the program, but most conservatives (not surprisingly) do not, since expanding coverage would cost money.

Can the additional expense be justified? Absolutely. Money spent on children's health pays economic dividends down the road, since those kids end up healthier and more productive. In addition, most Americans think all kids should get health care when they need it. That's an awfully compelling moral argument.

And maybe that's why many conservatives, rather than argue against the program's rationale, have tried to question its effectiveness--by suggesting it's responsible for what policy geeks like me call "crowd-out." While S-CHIP has given health insurance to some people, they argue, it's taken coverage away from others. And this, they suggest, means it's not worth doing. As David Gratzer, a conservative health care writer, explains in the new issue of the *Weekly Standard*, "[T]he reality is that most program expansion has led to private insurance being replaced by public coverage. ... For every dollar spent on SCHIP, Jon Gruber of MIT estimates, 60 cents out of the Treasury simply replaces private insurance."

Strictly speaking, this description of Gruber's work is true. As government makes subsidized health insurance available to more people, there is less pressure on employers to provide coverage. As a result, employers, particularly those with low-income workers, will be less likely to offer their employees insurance.

And if that were the end of the story, the conservatives would be right: S-CHIP would be a solution as bad, if not worse, than the problem. But that's not the end of the story at all. What Gruber's research also showed is that the number of people who will become insured because of S-CHIP more than

offsets the number who will become uninsured. In other words, for every six people that will lose their insurance because of an S-CHIP expansion, Gruber found, ten will gain coverage.

And--wait--there's more. When I contacted Gruber to double-check the math, he helpfully pointed out a more recent study, by the Congressional Budget Office, which showed that his estimate of crowd-out was probably too high. The CBO concluded that the real effect was between 25 and 50 percent, not 60. So the net gain is even bigger than Gruber first estimated.

Of course, if you think that government health insurance is inherently evil, as some conservatives do, then none of this really matters. By this logic, it's worth having, say, an extra few million kids and their families struggling with their hospital bills and forgoing recommended care in order to avoid intruding on the free market.

On the other hand, if you think providing insurance to these people--and, eventually, to all Americans--is good thing, then maybe we should expand S-CHIP after all, eventually using it as the foundation for a universal health care system. Don't let the conservatives fool you. When it comes to health care, government isn't the problem. It's the solution.

JONATHAN COHN is a senior editor at *The New Republic*, a senior fellow at Demos, and the author of *Sick: The untold story of America's health care crisis--and the people who pay the price* (HarperCollins).