

# The Business Case for CHIP

How the Children's Health Insurance Program benefits working-class families and businesses

The Children's Health Insurance Program (CHIP) helps ensure that more than 8 million children are healthy and ready to learn, and helps working class families stay above the poverty line.

## What does CHIP do?

CHIP provides low-cost health insurance to children in families who earn too much to qualify for Medicaid but cannot afford private insurance.<sup>1</sup> Over 8.4 million children—one in ten kids in the U.S.—were enrolled in 2016.<sup>2</sup>

The federal government covers 90% of the cost of CHIP, while states play a greater role in running the program.<sup>3</sup> Twenty-nine states have combined CHIP/Medicaid programs, 8 states cover CHIP kids through Medicaid, and 13 states have stand-alone CHIP programs.<sup>4</sup>

## CHIP benefits the bottom line

- **Boosting parents' productivity:** When children are sick, parents often have to miss work. Research shows that sick days and days of low productivity due to illness cost the U.S. economy nearly \$260 billion per year.<sup>5</sup>
- **Keeping families out of poverty:** Out-of-pocket medical expenses are one of the leading reasons U.S. families fall into poverty or file for personal bankruptcy.<sup>6</sup>



In 2015, the child poverty rate would have been 3.4 percentage points lower (and 2.5 million children would have been kept out of poverty) had it not been for families' medical expenses. On average, families pay 80% less for CHIP and receive better benefits compared to private insurance.<sup>7</sup> This not only benefits families but also helps businesses by increasing discretionary income that can be used for purchasing goods and services.

- **Preparing the future workforce:** CHIP addresses both mental and physical health conditions in kids that, left untreated, impair their productivity as adults. Healthcare also ensures that children are ready to learn, ultimately preparing them for the workforce. For example, CHIP decreases two of the leading causes of chronic absenteeism, by cutting asthma symptoms in half and preventing oral health issues.<sup>8</sup>
- **A strong return on investment:** Preventive healthcare for kids reduces costs in the long term. For example, evidence-based mental health therapy has net benefits to society of up to \$7,800 per child.<sup>9</sup>

## Two decades of success

Since CHIP's enactment, the rate of uninsured children has dropped from 14% in 1997 to an all-time-low of 5% in 2016.<sup>10</sup> CHIP has received bipartisan support from Congress, governors, and state legislatures.

## Reauthorizing CHIP benefits businesses and families

CHIP funding will expire on September 30, 2017 without action from Congress. Without reauthorization, millions of working families will lose access to high-quality healthcare for their kids, which will have serious implications for the current and future workforce.

<sup>1</sup> 200%-300% of poverty. CMS (2017). "Medicaid and CHIP Eligibility Levels."

<sup>2</sup> CMS (2016). 2015 Number Ever Enrolled Report.

<sup>3</sup> CMS (2017); Kaiser Family Foundation (2014).

<sup>4</sup> Kaiser Family Foundation (2015). "CHIP Program Name and Type."

<sup>5</sup> Davis, et al. (2005). The Commonwealth Fund.

<sup>6</sup> Census Supplemental Poverty Measure (2015); Zhu, Ning (2011) The Journal of Legal Studies.

<sup>7</sup> \$158/child SCHIP vs. \$891 employer plan. Finder, B. (2016). MACPAC; Kaiser Family Foundation (2016).

<sup>8</sup> Jackson et al. (2011). American Journal of Public Health; 9.5 vs. 3.8 asthma attacks and 11% vs. 3% hospitalized. Szilagyi et al. (2006). Pediatrics.

<sup>9</sup> Washington State Institute for Public Policy (2016). "Benefit-Cost Results: Remote CBT for anxious children."

<sup>10</sup> CDC (2017). "Lack of health insurance coverage and type of coverage."

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