

# GAO Highlights

Highlights of [GAO-20-12](#), a report to congressional requesters

## Why GAO Did This Study

CHIP is a public insurance program established in 1997 that finances health care for over 9 million low-income children whose household incomes do not qualify them for Medicaid. States have flexibility in structuring their CHIP programs under broad federal requirements, and their income eligibility limits vary. Policymakers have had concerns that some states' inclusion of children from families with higher income levels could result in some families substituting CHIP for private insurance (i.e., crowd-out). Crowd-out may occur when, because of CHIP availability, (1) employers make decisions about offering health insurance; or (2) employees make decisions about enrolling in employer-sponsored health insurance.

GAO was asked to examine CHIP crowd-out. This report describes (1) the information on potential indicators of crowd-out reported by states and estimates of crowd-out; and (2) the procedures CMS and states use to address potential crowd-out.

GAO reviewed federal laws and guidance and state CHIP documentation, including their 2017 annual reports (the latest available at the time of GAO's review); conducted a literature review of studies published between 2013 and 2018; and interviewed CMS officials, stakeholders from national health policy organizations, and researchers. GAO also interviewed a non-generalizable selection of officials from nine states chosen to obtain variation in CHIP programs, such as income eligibility levels and geography.

HHS provided technical comments on a draft of this report, which GAO incorporated as appropriate.

View [GAO-20-12](#). For more information, contact Carolyn L. Yocom at (202) 512-7114 or [yocomc@gao.gov](mailto:yocomc@gao.gov).

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# CHILDREN'S HEALTH INSURANCE PROGRAM

## Efforts to Measure and Address Potential Substitution for Private Health Insurance

### What GAO Found

Limited information exists about Children's Health Insurance Program (CHIP) crowd-out—that is, substituting CHIP for private health insurance. The Centers for Medicare & Medicaid Services (CMS), within the Department of Health and Human Services (HHS), asked the 42 states that have separate CHIP programs to report on two crowd-out indicators for the 2017 annual reports: (1) the percentage of individuals who are enrolled in CHIP that have access to private health insurance and (2) the percentage of CHIP applicants who cannot be enrolled because they have private health insurance. The 2017 reports showed that:

- 4 states reported 0.5 percent to 7 percent of CHIP applicants had access to private health insurance; and
- 21 states reported denying CHIP enrollment to 0 percent to 18 percent of applicants because they had private insurance.

Not all of these 42 states reported on these indicators and GAO found that those that do may calculate them differently. CMS officials acknowledged that not all states report on these indicators; however, they noted that states operating separate CHIPs have other processes in place to prevent children with other health insurance from enrolling in CHIP. Further, some states may have other processes for directly measuring CHIP crowd-out. GAO also identified three studies published between 2013 and 2018 that estimated CHIP crowd-out. However, these studies used different methods to calculate crowd-out, and as a result produced varied estimates. For example, one study attributed a portion of increased enrollment in CHIP and other public insurance to crowd-out, while another study found no evidence of crowd-out.

According to CMS's 2017 annual reports and other information, the 42 states with separate CHIP programs reported implementing at least one of six types of crowd-out prevention procedures.

#### Crowd-Out Prevention Procedures among 42 States with Separate CHIP Programs

Crowd-out prevention procedure	Number of states
Enrollment application asks applicant about other private or group health insurance coverage for parents and children.	42 states
State charges enrollment fees, premiums, or other cost sharing (such as coinsurance, copayments, or deductibles).	35 states
State matches applicants to a database that identifies other sources of health insurance coverage.	16 states
State requires child to be uninsured for up to 90 days prior to being eligible for CHIP enrollment.	15 states
State measures against a threshold of unacceptable crowd-out and takes additional action if that threshold is exceeded.	15 states
State assists enrollees in their purchase of available private health insurance.	8 states

Source: GAO analysis of information from the Centers for Medicare & Medicaid Services, state Children's Health Insurance Programs (CHIP), and a Kaiser Family Foundation and Georgetown Center for Children and Families survey on Medicaid and CHIP programs. | GAO-20-12