



January 11, 2018

Honorable Frank Pallone Jr.
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Re: Cost Estimate of Extending Funding for the Children's Health Insurance Program for 10 Years

Dear Congressman:

At your request, the Congressional Budget Office and the staff of the Joint Committee on Taxation (JCT) have completed a preliminary estimate of the budgetary effects of extending funding for the Children's Health Insurance Program (CHIP) for 10 years using specifications provided by your staff. Under those specifications, the provisions of S. 1827, the Keep Kids' Insurance Dependable and Secure Act of 2017 (KIDS Act), would be extended. In particular, all of the provisions that would be in place in 2022, the final year of funding under that Act, would continue unchanged for the remainder of the 2023-2027 period. The agencies estimate that enacting such legislation would decrease the deficit by \$6.0 billion over the 2018-2027 period.

On January 5, 2018, CBO and JCT estimated that S. 1827 would increase the deficit by \$0.8 billion over the next ten years after accounting for the enactment of Public Law 115-97, which repealed the penalties related to the individual health insurance mandate starting in 2019, and for administrative action.¹

Extending funding for CHIP for 10 years yields net savings to the federal government because the federal costs of the alternatives to providing coverage through CHIP (primarily Medicaid, subsidized coverage in the

1. See Congressional Budget Office, updated cost estimate for S. 1827, the Keep Kids' Insurance Dependable and Secure Act of 2017 (January 5, 2018), www.cbo.gov/publication/53442.

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marketplaces, and employment-based insurance) are larger than the costs of providing coverage through CHIP during that period.² The extension would increase the deficit in each year between 2018 and 2020 and reduce the deficit each year thereafter. The change from annual increases in the deficit to decreases over the 2021-2027 period primarily occurs because the federal matching rate for CHIP would decline relative to its level in prior years—from an average of 93 percent in 2019 to 81.5 percent in 2020 and 70 percent in 2021 and subsequent years—lowering the federal costs of coverage through CHIP as states become responsible for more of the program's costs.

I hope this information is useful to you. If you need additional information on this proposal, the CBO staff contacts are Kate Fritzsche, Emily King, and Robert Stewart.

Sincerely,



Keith Hall
Director

Attachments

cc: Honorable Greg Walden
Chairman

2. For additional discussion of projected changes in health insurance coverage under the expiration of CHIP, see Congressional Budget Office, cost estimate for S. 1827, the Keep Kids' Insurance Dependable and Secure Act of 2017 (October 20, 2017), www.cbo.gov/publication/53234.

Preliminary Budgetary Effect of S. 1827, Keep Kids' Insurance Dependable and Secure Act of 2017, Extended Through 2027

Based on specifications provided by staff of the House Committee on Energy and Commerce

Billions of dollars, by fiscal year

January 11, 2018

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018- 2022	2018- 2027
INCREASES OR DECREASES (-) IN DIRECT SPENDING												
CHIP	2.7	9.9	8.5	6.9	7.3	7.8	8.2	8.7	9.2	9.6	35.4	78.9
Medicaid	-0.9	-3.5	-2.2	-2.1	-2.0	-2.0	-2.1	-2.3	-2.4	-2.6	-10.6	-22.1
Marketplaces	-0.7	-3.0	-3.9	-4.5	-5.3	-5.8	-6.2	-6.6	-7.0	-7.4	-17.3	-50.3
Other	*	*	*	*	*	*	*	*	*	*	0.1	0.4
Total Direct Spending	1.2	3.5	2.5	0.3	0.1	0.1	-0.1	-0.2	-0.3	-0.3	7.6	6.9
INCREASES IN REVENUES												
Marketplaces	*	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.5	1.6
Employment-based insurance	0.1	0.6	0.8	1.0	1.1	1.3	1.4	1.5	1.6	1.7	3.7	11.2
Mandate penalties	0	*	0	0	0	0	0	0	0	0	*	*
Total Revenues	0.2	0.7	0.9	1.1	1.3	1.5	1.6	1.7	1.8	2.0	4.3	12.9
<i>Change in on-budget revenues</i>	<i>0.1</i>	<i>0.5</i>	<i>0.6</i>	<i>0.7</i>	<i>0.9</i>	<i>1.0</i>	<i>1.1</i>	<i>1.2</i>	<i>1.2</i>	<i>1.3</i>	<i>2.9</i>	<i>8.6</i>
<i>Change in off-budget revenues</i>	<i>0.1</i>	<i>0.2</i>	<i>0.3</i>	<i>0.4</i>	<i>0.4</i>	<i>0.5</i>	<i>0.5</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>1.4</i>	<i>4.2</i>
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Net Change in the Deficit	1.0	2.7	1.6	-0.8	-1.2	-1.4	-1.7	-1.9	-2.1	-2.3	3.4	-6.0
<i>On-Budget</i>	<i>1.1</i>	<i>3.0</i>	<i>1.9</i>	<i>-0.4</i>	<i>-0.7</i>	<i>-0.9</i>	<i>-1.1</i>	<i>-1.3</i>	<i>-1.5</i>	<i>-1.6</i>	<i>4.8</i>	<i>-1.7</i>
<i>Off-Budget</i>	<i>-0.1</i>	<i>-0.2</i>	<i>-0.3</i>	<i>-0.4</i>	<i>-0.4</i>	<i>-0.5</i>	<i>-0.5</i>	<i>-0.6</i>	<i>-0.6</i>	<i>-0.6</i>	<i>-1.4</i>	<i>-4.2</i>

Notes: CHIP = Children's Health Insurance Program; "Other" includes outreach and enrollment grants, the child obesity demonstration project, and the pediatric quality measures program; * = between - \$50 million and \$50 million; components may not add to totals because of rounding.