



# VIEWPOINT

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## Government Health Care Expansion Inefficient

By: Marc Kilmer

### Summary

Marc Kilmer analyzes the recent expansion of government insurance for children. He finds that such plans usually induce a crowd-out effect, and concludes a more efficient way of helping the uninsured would be to subsidize the private insurance premiums of those who can't pay.

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When Governor Strickland entered office, he made it a priority to expand the state's health insurance program for children. Claiming that it was needed to help those whose families could not afford insurance, Strickland and the General Assembly expanded coverage for children living in families up to 300 percent of the Federal Poverty Level (FPL). If history is any guide, however, this expansion will do little to help uninsured children and will likely result in taxpayers picking up the tab for children who left private insurance to use the government program.

In 2004, the last year for which there are detailed numbers on Ohio's uninsured, there were 93,200 uninsured children living in families with incomes between 200 percent and 300 percent of FPL (to give you an idea of what this means, a family of four making almost \$63,000 is at 300 percent of FPL). That is an uninsured rate of 8.4 percent. When Governor Strickland proposed extending state health insurance coverage to children in this range, he claimed that this would mean an additional 20,000 kids would receive coverage.

Looking at the numbers, however, it is unclear where he obtained that figure. Children who live in families with incomes below 200 percent of FPL are already eligible for the program. However, 6.3 percent of these children are uninsured. It is safe to assume that the newly eligible children will not use the program at a rate higher than those who are already eligible, which means that it is likely that only around 10,829 new children will sign up for the state's health insurance program.

Of this number, though, it is likely that a large number (perhaps a majority) will either leave or refuse to sign up for private health insurance to use the government program. A few studies have been done recently about how government health care programs "crowd out" private insurance. That is, having a free or essentially free government program leads people to choose it over private coverage. One estimate put this number as high as 60 percent -- or, six out of ten children signed up either had or would have had private coverage. Others put the number between 25 percent and 50 percent.



Moving people on to the state's health insurance program is an ineffective way of helping those in need.

So if 10,829 kids sign up for Ohio's expanded children's health insurance program, how many would be moving from private insurance to government insurance? At the low end, if 25 percent of the children are doing this, it means the taxpayers of Ohio are paying for 2,707 kids who otherwise would have had insurance. If the 50 percent "crowd out" number is correct, that means 5,415 kids are being unnecessarily included. If the 60 percent number is the real estimate, then 6,497 kids would have taxpayer coverage who did not need it.

This is a fact that politicians like Governor Strickland choose to ignore. He said recently that children in this income range are from families that could not afford health insurance. The fact that at least 80 percent of the kids in this income range live in families with private health insurance clearly shows this to be untrue.

Unfortunately, for those children who lose private insurance and switch to government health care, they will find that the quality of their care will decrease. Patients with Medicaid often have trouble finding doctors and report they would rather be on private insurance. It makes no sense for the government to set up incentives to move to lower-quality care.

Instead of expanding government health insurance, Governor Strickland should have embraced a plan to help pay for the private premiums of families in this income range who are having trouble paying them on their own. Something similar to this was part of his campaign plan but he has made no mention of it since. Trying to keep people on private health insurance is what Ohio needs. The taxpayers of this state should not have to shoulder the burden for people who drop private insurance to go onto the public rolls.

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