FIRST FOCUS
MAKING CHILDREN & FAMILIES THE PRIORITY

The Children's Health Insurance Program:
Key Facts About CHIP and How it Helps Kids

Lisa Shapiro
April 2017

What is the Children's Health Insurance Program (CHIP)?

The Children's Health Insurance Program (CHIP) was enacted by a bipartisan group of lawmakers as part of the Balanced Budget Act of 1997 (P.L. 105-33) to provide funding to states to reduce the numbers of uninsured children. CHIP focuses on low-income children in working families who don't have access to job-based coverage, but earn too much to qualify for Medicaid. In 1997, an astounding 23% of low-income children in America, those at or below 200% of the Federal Poverty Level (FPL), were uninsured. Since CHIP was enacted, the uninsurance rate for children age 18 and under has fallen by 67.9%, from 14.9% to 4.8%. In 2015, there were 4.1 million uninsured children, down from 10.7 million in 1997. In 2014, there was a 91% participation rate for children eligible for CHIP and Medicaid.

- According to the Medicaid and CHIP Payment and Access Commission (MACPAC), in FY 2015 there were 8.4 million children enrolled in CHIP-funded coverage and 36.8 million children in Medicaid-funded coverage. Together, Medicaid and CHIP cover more than 40% of all children in the U.S. It is important to note recent gains in CHIP and Medicaid coverage occurred through the 2008 recession and at a time when private, employer-sponsored coverage was in decline.

- In 2009, the Children's Health Insurance Program Reauthorization Act (CHIPRA) (PL 111-3) reauthorized CHIP and provided $32.8 billion to fund the program for an additional 5 years.

- In 2010, the Affordable Care Act (ACA) (P.L. 111-148, 111-152) extended CHIP's authorization through 2019 and provided new funding for CHIP through September 30, 2015.

- In 2015, the Medicare Access and CHIP Reauthorization Act (MACRA) (P.L. 114-10) passed by Congress in spring 2015, extended CHIP funding for two years, through September 30, 2017. Congress must act to extend CHIP funding if the program is to continue into the future.

How Does CHIP Financing Work Between the Federal Government and the States?

CHIP is a federal-state partnership designed to give governors broad flexibility in administering their CHIP programs. Unlike Medicaid, CHIP was originally funded as a 10-year capped block grant to states rather than as an individual entitlement program. Under CHIP, each state is given a certain amount of money per year, determined by a formula that was established by Congress. A state receives federal matching funds up to its annual allotment, and is able to use this money over a two-year period. After the two-year period, unspent funds are redistributed to states which have spent their entire allotments. If these states are unable to spend the redistributed funds within a certain period of time, the funds are returned to the United States Treasury.

To give states the incentive to cover this population of low-income children, under CHIP the federal government provides states with an enhanced matching rate in comparison to Medicaid. Until 2015, the federal matching percentage (FMAP) for CHIP ranged from 65-81.5% of total program costs – significantly higher than the 50-74% Medicaid (FMAP). As part of the ACA, each state's CHIP FMAP was increased by an additional 23 percentage points for FYs 2016-2019. With the ACA CHIP match increase, state CHIP FMAPs currently range from 88-100%. Including the ACA increase in the CHIP enhanced match, on

average, the federal government is covering 93.8% of state CHIP program costs. The ACA enhanced FMAP expires on September 30, 2019.

In order for a state to qualify for federal matching funds under CHIP, states must submit–and the HHS Centers for Medicare and Medicaid Services (CMS) must approve–state plans that describe the state program, and outline strategic objectives and performance goals. States must contribute to the federal funds they receive for covering eligible children but the program provides enhanced federal matching rates for CHIP. CHIP's unique structure has helped states manage the costs of uncompensated care while reducing the number of uninsured kids and improving health outcomes. CHIP has been a winner for states and children alike. According to CBO, total federal outlays for CHIP are estimated at $14.5 billion in FY 2017.

How is CHIP Implemented in the States?

CHIP offers states broad flexibility to design and implement their CHIP programs, provided they meet certain minimal standards. States have the option to expand coverage for children by building off of their Medicaid program, creating a new separate/stand-alone CHIP program, or using a combination approach.

As of January 2017, 49 states cover children with incomes up to at least 200% FPL through Medicaid and CHIP. This includes 19 states that cover children with incomes at or above 300% FPL. Only two states (ID and ND) limit children's eligibility to below 200% FPL.

As of May 2016, 9 states and the District of Columbia use their CHIP funds to expand coverage for kids through Medicaid (AK, DC, HI, MD, NH, NM, OH, SC, and VT); 13 states operate a separate CHIP program (AL, AZ, CT, GA, KS, MS, OR, PA, TX, UT, WA, WV, and WY); and 29 states use a combination approach, covering some kids (mostly young children under age 6) through Medicaid and older children through a separate CHIP program (AR, CA, CO, DE, FL, ID, IL, IN, IA, KY, LA, ME, MA, MI, MN, MO, MT, NE, NV, NJ, NY, NC, ND, OK, RI, SD, TN, VA, and WI).

States that operate CHIP through their existing Medicaid program are required to provide Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) services for CHIP enrollees, including regular developmental screenings; vision, dental, and hearing assessments; and any necessary follow-up services. EPSDT also requires states to provide medically-necessary health care services. A different and more limited federal standard applies to states that operate separate CHIP programs, though states must comply with minimum benefit requirements, including required coverage for well-baby and well-child care, immunizations, inpatient and outpatient hospital services; physicians' surgical and medical services; and laboratory, X-ray, dental, and emergency services.

All states have the flexibility to establish their own eligibility criteria for CHIP, including qualifying income levels, up to 300% of the Federal Poverty Level (FPL) or 50% above Medicaid cut off. Upper limits for CHIP income eligibility ranges from 175%-405% FPL. According to MACPAC, in FY 2013 almost 90% of kids who relied on CHIP lived in families with incomes below 200% FPL ($40,320 for a family of three in 2016); 97% of kids with CHIP lived in families earning less than 250% FPL $50,400 for a family of three).

States also can adapt coverage based on a child's age. In many states, the youngest children have the broadest eligibility parameters, with income criteria becoming more restrictive as children age. States also

What Makes CHIP Different From Other Types of Coverage?

- CHIP is designed specifically to meet the health and developmental needs of children.
- CHIP ensures that children have access to pediatric-specific provider networks, which usually go above and beyond many private insurance plans in addressing the unique needs of low-income children.
- Like Medicaid, CHIP also allows year-round enrollment so eligible children can sign up at any point during the year.
- CHIP includes important affordability protections that cap a family's out-of-pocket costs for premiums and cost-sharing at 5% of total income.

determine program administration and pricing guidelines, such as whether to charge monthly premiums and cost-sharing for services such as doctor visits and, if so, how much.

It is important to note that the principal way care is delivered to CHIP enrollees is through private managed care organizations, where the state contracts with health plans to provide services to eligible children.

How Does CHIP Stack Up Against Other Coverage in Terms of Family Affordability?

Under CHIP, states have flexibility to set enrollment fees, premiums, deductibles, coinsurance, and copayments for children and pregnant women enrolled in CHIP. The majority of states have adopted coverage that is more generous than the CHIP minimum benchmark option and cost-sharing limits in most cases fall well below the 5% cap. Even though more than half of states charge premiums in CHIP (median monthly premiums ranges from $17 per month at 151% FPL to $35 per month at 251% FPL) the costs are determined on a sliding scale and typically do not apply to those with the lowest incomes. States that operate CHIP plans through Medicaid follow Medicaid parameters and do not charge any cost-sharing. As of January 2016, 25 states required premiums or enrollment fees and 25 states required copayments for children in CHIP. Almost all of the states that operate separate CHIP programs impose some form of cost-sharing.

What Will Happen if CHIP Funding isn't Renewed by Congress?

Without an extension of funding beyond September 30, 2017, the federal investment in CHIP would be cut from $20.4 billion in FY 2017 to $0 in FY 2018. States would only have carry-over money to spend beginning in FY 2018 and funding for CHIP would be fully expended by states by mid-2018. The loss of CHIP in FY 2018 would cause serious coverage disruptions for 8.4 million children estimated by the Congressional Budget Office (CBO) to be enrolled in CHIP in FY 2017. Millions of these children who lose CHIP would face significantly higher costs for coverage in Employee-Sponsored Insurance or in the ACA Marketplace or have no other coverage option to turn to. This decline in coverage would be an enormous step backwards for children, reversing a decades-long trend of significant coverage gains for kids.

A Funding Extension Must be a Congressional Priority

First Focus urges Congress to enact a long-term extension of CHIP funding as soon as possible to keep children's coverage strong and prevent disruptions that will increase the rate of uninsured kids.

CHIP has a proven track record of providing high-quality, cost-effective coverage for low-income children in working families. It is a model program that has reduced the numbers of uninsured children to record lows, even during the economic crisis that began in 2008. Funding for CHIP must continue if we are to protect the coverage that is working well for the 8.4 million kids who rely on CHIP for their health care. At a time when children's coverage rates have hit record highs – with 95 percent of our children enrolled in some type of health coverage – it would be devastating for children and families if states begin to dismantle their CHIP programs.

As Congress continues to work on legislation to achieve broader health system reforms, children's coverage provided through CHIP must be secured. We are hopeful that our nation's leaders can work together and show that children's health transcends partisan politics. We urge Congress to make swift action on a clean, long-term CHIP funding extension an immediate priority.

For more information about CHIP, contact Lisa Shapiro (lisas@firstfocus.org) or Carrie Fitzgerald (carrief@firstfocus.org).