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The Importance of CHIP Reauthorization

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• Executive Summary •

The Children's Health Insurance Program (CHIP) was enacted as part of the Balanced Budget Act of 1997. Under this program, federal and state funds are used to provide coverage to uninsured children who are ineligible for Medicaid and have family incomes between 200% and 250% of the federal poverty level (FPL), which is about \$40,840-\$51,050 for a family of three. The program also provides coverage for pregnant women who have family incomes between 185% and 250% of FPL. Over the past 20 years, CHIP has been reauthorized several times. However, if the program is not reauthorized soon, funding will expire on September 30, 2017.

If CHIP is not reauthorized and funding for the program is allowed to expire, there will be significant consequences for many states, including Tennessee. It is projected that if CHIP is not reauthorized, funds will exhaust in FY 2018. States with CHIP-funded Medicaid expansion programs will be required to accept a lower federal match rate under Medicaid. States with separate CHIP programs may be forced to dissolve these programs. While some CHIP enrollees may be eligible for employer sponsored insurance or subsidized coverage through the marketplace, it is projected that more than one million children would become uninsured. Therefore, it is important to have a long-term reauthorization of the program without any structural changes, so that Tennessee can continue to responsibly run the program and cover children and pregnant women who depend upon it.

CHIP Structure and Enrollment

Under CHIP, states are given funds to provide health insurance coverage to uninsured children whose family incomes are too high to qualify for Medicaid.¹ CHIP builds upon the foundation of Medicaid and together, the programs have helped Tennessee to cover 96% of children.² States are given the option to cover children through a separate CHIP program, expand Medicaid for children beyond June 1997 levels, or combine these two options.³ Tennessee has elected to administer a combination program that includes CoverKids (a separate CHIP program) and TennCare Standard (a Medicaid expansion program).⁴

In Fiscal Year (FY) 2016, more than 8.9 million children were enrolled in coverage financed by CHIP, while over 37 million children were enrolled in coverage funded by Medicaid.⁵ These figures include the 106,000 Tennessee children who were

In 2016, 106,000 children in Tennessee were enrolled in CHIP-funded coverage.

enrolled in CHIP-financed coverage and the more than 873,000 Tennessee children who were enrolled in Medicaid-funded coverage.⁶ In FY 2015, more than half of children enrolled in coverage financed by CHIP were enrolled in Medicaid expansion plans.⁷ In Tennessee, approximately 17% of children with CHIP were enrolled in expanded Medicaid coverage financed by CHIP.⁸ CHIP spending totaled \$13.7 billion in FY 2015, compared to \$556 billion spent on Medicaid.^{9 10}

Eligibility and Benefits

While federal rules establish guidelines that regulate which children states can provide health insurance coverage to with federal CHIP funds, states are given flexibility to set their income eligibility levels for CHIP.¹¹ Most states provide for children who have family incomes less than or equal to 200% of the federal poverty level (FPL),¹² which means a family of three with an annual income of \$40,840 would qualify for coverage. In Tennessee, children can receive CHIP-funded coverage through two programs—TennCare Standard, Tennessee’s Medicaid expansion program for children, or CoverKids, a separate CHIP program.¹³ TennCare Standard is available to children up to age 19 who are losing TennCare, lack access to health insurance through their or a relative’s employer, and are medically eligible or have a gross family income below 200% of FPL¹⁴. CoverKids is available to children up to age 19 who are Tennessee residents, not eligible for or enrolled in TennCare, U.S. citizens or qualified immigrants, and have gross family income that does not exceed 250% of FPL (about \$51,050 for a family of three).¹⁵ Tennessee also provides the option for state employees who do not have access to affordable dependent coverage to enroll their children in CoverKids.¹⁶ Children who are enrolled in CoverKids cannot have other health insurance.¹⁷

In both CoverKids and TennCare Standard, there is cost-sharing relative to income for children and pregnant women.

The Children’s Health Insurance Program Reauthorization Act (CHIPRA) of 2009, allowed states to change their CHIP plans to provide CHIP funds for the health insurance coverage of

pregnant women who have gross family incomes at a minimum of 185% of FPL.^{18 19} The income level that the state establishes must be equal to or greater than the income limits in Medicaid for pregnant women.²⁰ In Tennessee, pregnant women who do not have maternity health benefits can qualify for CoverKids.²¹ These women must be residents of Tennessee, not eligible for or enrolled in TennCare, and have a gross household income that does not exceed 250% of FPL.²² Additionally, pregnant women do not have to demonstrate citizenship to enroll in CoverKids.²³ **Unlike CoverKids for children, pregnant women can have CoverKids and other insurance.²⁴ They qualify for CoverKids if their health insurance does not include maternity health benefits.²⁵**

States that elect to use their CHIP funds to expand Medicaid coverage for children must apply Medicaid program rules on benefits to children who are covered by the Medicaid expansion program.²⁶ In Tennessee, children who are enrolled in TennCare Standard have the same benefits and Early Periodic Screening, Diagnostic, and Treatment (EPSDT) protections as children who are enrolled in TennCare Medicaid.²⁷ This includes benefits such as preventative care, dental services, and vision services. While children enrolled in TennCare Standard do not have to pay premiums for their insurance, those in families with gross incomes that are equal to or exceed 100% of FPL have copays for some services.²⁸ This cost-sharing varies based on the service and the family's income but cannot exceed 5% of the family's income.²⁹

If a state elects to use its CHIP funds to insure children under a separate state program they can select health benefits coverage that is equal to those offered under: (1) a health plan available to the state's employees, (2) the Blue Cross/Blue Shield plan offered to federal employees, or (3) the HMO within the state excluding Medicaid that has the greatest commercial enrollment.³⁰ Tennessee chose the first option. CoverKids is managed by Blue Cross Blue Shield of Tennessee.³¹ **For children, the benefits offered by CoverKids include preventative, dental, and vision care.³²** The program does not offer dental and vision services for pregnant women, but it does include maternity services for these women.³³ While children and pregnant women enrolled in CoverKids do not have to pay premiums, they may have to pay copays for some services.³⁴ The amount of the copay depends on the service and the family's gross income.³⁵

CoverKids benefits are equivalent to those of the state employees' plan. TennCare Standard follows Medicaid program rules.

CHIP Financing and Reauthorization

CHIP is financed jointly by the federal government and the state government.³⁶ Unlike Medicaid, federal CHIP funding is capped and allotments are provided to states annually.³⁷ These allotments are based on the state's recent CHIP funding adjusted for healthcare inflation and child population growth.^{38 39} States are given two years to spend each allotment, at which time unspent funds can be redistributed to other states.⁴⁰ Tennessee has been allotted \$465 million for FY 2017.⁴¹

Under this federal-state partnership, the federal government accepts a larger share of the financing with a federal matching rate that historically ranges from 65 to 81%, an average of 15 percentage points greater than the matching rate for Medicaid.⁴² The Affordable Care Act (ACA)

enhanced this match rate by 23 additional percentage points up to a 100% maximum.⁴³ This enhanced federal match rate, often termed the “23% bump,” will continue until September 30, 2019.⁴⁴ In Tennessee, the enhanced federal match rate is 98.54%.⁴⁵ In FY 2016, \$203 million was spent on Tennessee’s CHIP program, including \$200 million in funds from the federal government and \$2.9 million in funds from Tennessee’s state budget.⁴⁶ More than 90% of these funds went towards benefits for enrollees.⁴⁷

CHIP has been reauthorized several times since being enacted as part of the Balanced Budget Act of 1997.⁴⁸ The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) extended allotments for CHIP through September 30, 2017 and provided \$39.7 billion in funding for the program.⁴⁹ The Affordable Care Act includes a maintenance of effort (MOE) provision that requires states to maintain coverage levels for children on Medicaid and CHIP through September 30, 2019.⁵⁰ **While the MACRA reauthorization provides funding for the MOE and enhanced match rate through FY 2017, if CHIP is not reauthorized states will have trouble meeting these provisions.** If CHIP funding is not provided, states will receive the historical match rate instead of the 23% bump after FY 2019.⁵¹ Additionally, if CHIP is not reauthorized, CHIP funding will exhaust for all states during FY 2018.⁵² **In Tennessee, it is projected that funding will be exhausted by May of 2018.**⁵³ However, under the maintenance of effort requirement, states like Tennessee will be required to maintain 2010 Medicaid and CHIP eligibility levels through FY 2019.⁵⁴ If CHIP is not reauthorized, states would be required to continue their Medicaid-expansion programs and to accept Medicaid’s lower federal matching rate, which would place additional pressures on state’s budgets.⁵⁵ Once federal CHIP funding is exhausted, states may be forced to disband their separate CHIP programs which would require significant time and resources.⁵⁶

Tennessee is projected to exhaust CHIP funding by May 2018.

As September 30th draws closer, the urgency to provide certainty about CHIP’s future grows. The estimates assume that remaining funds will be spent on covering services for enrollees; however, winding down the program would cost time and money that states have not included in their budgets.⁵⁷ As early as October, states would need to begin developing communication plans, reviewing/terminating contracts with providers and third-party administrators, changing enrollment and eligibility systems, and other costly tasks.⁵⁸ Also, parents need sufficient time to make other arrangements to cover their children. While some CHIP enrollees could qualify for employer-sponsored coverage and subsidized coverage on the federal marketplace, it is estimated that as many as 1.1 million children would become uninsured.⁵⁹ This would be a huge step back from the current historic high of 95.2% of children in the U.S. having health insurance.⁶⁰

CHIP needs to be reauthorized by September 2017 to maintain the program at current levels.

Conclusion

If Congress does not act to reauthorize CHIP, funding will expire on September 30, 2017. Without this funding, states like Tennessee will face serious consequences in their budgets. States with CHIP-funded Medicaid expansion programs will be required to accept a lower federal match rate under Medicaid. Once funds are exhausted in FY 2018, some states may have to dissolve their separate CHIP programs. Additionally, more than one million children may become uninsured. Such a disruption in coverage would be devastating for many families and should be avoided by immediately reauthorizing CHIP.

De Vann Sago was the King Child Health Fellow at the Tennessee Justice Center until July 2017. She is currently a first-year law student at Georgetown University Law School.

¹ <http://ccf.georgetown.edu/2017/02/06/about-chip/>

² <http://ccf.georgetown.edu/wp-content/uploads/2016/11/Kids-ACS-update-11-02-1.pdf>

³ <http://ccf.georgetown.edu/2017/02/06/about-chip/>

⁴ <http://files.kff.org/attachment/Report-Medicaid-and-CHIP-Eligibility-as-of-Jan-2017>

⁵ <https://www.medicaid.gov/chip/downloads/fy-2016-childrens-enrollment-report.pdf>

⁶ <https://www.medicaid.gov/chip/downloads/fy-2016-childrens-enrollment-report.pdf>

⁷ https://www.macpac.gov/wp-content/uploads/2015/03/State-Children%E2%80%99s-Health-Insurance-Program_CHIP-Fact-Sheet.pdf

⁸ https://www.macpac.gov/wp-content/uploads/2015/03/State-Children%E2%80%99s-Health-Insurance-Program_CHIP-Fact-Sheet.pdf

⁹ https://www.macpac.gov/wp-content/uploads/2015/03/State-Children's-Health-Insurance-Program_CHIP-Fact-Sheet.pdf

¹⁰ <https://www.macpac.gov/wp-content/uploads/2015/01/EXHIBIT-16.-Medicaid-Spending-by-State-Category-and-Source-of-Funds-FY-2015-millions.pdf>

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¹² <http://ccf.georgetown.edu/2017/02/06/about-chip/>

¹³ <http://files.kff.org/attachment/Report-Medicaid-and-CHIP-Eligibility-as-of-Jan-2017>

¹⁴ <https://www.tn.gov/tenncare/article/categories>

¹⁵ <https://www.tn.gov/coverkids/topic/coverkids-eligibility>

¹⁶ <http://files.kff.org/attachment/Report-Medicaid-and-CHIP-Eligibility-as-of-Jan-2017>

¹⁷ <https://www.kidcentraltn.com/program/coverkids>

¹⁸ https://www.macpac.gov/wp-content/uploads/2015/01/Maternity_Services_Examining_Eligibility_and_Coverage_in_Medicaid_and_CHIP.pdf

¹⁹ <http://ccf.georgetown.edu/2017/02/06/about-chip/>

²⁰ <http://ccf.georgetown.edu/2017/02/06/about-chip/>

²¹ <https://www.tn.gov/coverkids/topic/coverkids-eligibility>

²² <https://www.tn.gov/coverkids/topic/coverkids-eligibility>

²³ <https://www.tn.gov/coverkids/topic/coverkids-eligibility>

²⁴ <https://www.tn.gov/coverkids/topic/coverkids-eligibility>

²⁵ <https://www.tn.gov/coverkids/topic/coverkids-eligibility>

²⁶ <http://ccf.georgetown.edu/2017/02/06/about-chip/>

²⁷ <https://www.tn.gov/assets/entities/tenncare/attachments/benefitpackages.pdf>

²⁸ <http://share.tn.gov/sos/rules/1200/1200-13/1200-13-14.20161229.pdf>

²⁹ <http://share.tn.gov/sos/rules/1200/1200-13/1200-13-14.20161229.pdf>

³⁰ <http://ccf.georgetown.edu/2017/02/06/about-chip/>

³¹ <http://bluecare.bcbst.com/Health-Plans/CoverKids/index.html>

³² <https://www.tn.gov/assets/entities/coverkids/attachments/CoverKidsCopay.pdf>

³³ <https://www.tn.gov/assets/entities/coverkids/attachments/CoverKidsCopay.pdf>

³⁴ <https://www.tn.gov/assets/entities/coverkids/attachments/CoverKidsCopay.pdf>

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- ⁵⁴ <https://www.macpac.gov/wp-content/uploads/2017/03/Federal-CHIP-Funding-When-Will-States-Exhaust-Allotments.pdf>
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