ISSUE BRIEF:

WHAT IS THE CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)?

FIRST FOCUS ON CHILDREN

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 number of uninsured children. CHIP focuses on low-income children in families who earn too much to qualify for Medicaid but don't have access to or can't afford employer-based coverage.

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 more than 60%, from 14.9% to 5.4%.[1] In 2022, roughly 4 million children were uninsured, down from 10.7 million in 1997.[2,3] In 2019, 92% of children eligible for CHIP and Medicaid participated in the programs.[4] According to the Centers for Medicare & Medicaid Services (CMS), as of July 2023 6.9 million children were enrolled in CHIP-funded coverage and 34.1 million children in Medicaid-funded coverage.[5] Together, Medicaid and CHIP cover roughly half of all children in the U.S. and more than half of all children of color.[6]

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 these 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 that 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 incentivize states to cover this population of low-income children under CHIP, the federal government provides states with an enhanced federal medical assistance percentage (eFMAP), or matching rate, that is generally about 15 percentage points higher than the state's Medicaid match rate. While the average eFMAP rate for CHIP is 65%, it varies considerably by state, ranging from 65% to 84.1% of the program's costs.[7]

To qualify for federal matching funds under CHIP, states must submit – and the CMS must approve – state plans that describe the state program and outline strategic objectives and performance goals. CHIP's unique structure and enhanced federal matching rate 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. Total federal outlays for CHIP are estimated at $17.7 billion in FY 2023.[8]

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 or stand-alone CHIP program, or using a combination approach.

As of September 2022, 11 states and the District of Columbia (DC) use their CHIP funds to expand coverage for kids through Medicaid (AK, DC, HI, MD, NH, NM, ND, OH, SC, VT, and WY); two states operate a separate CHIP program (CT and WA); and 38 states use a combination approach, covering some kids (mostly young children under age 6) through Medicaid and older children through a separate CHIP program (AL, AZ, AK, CA, CO, DE, FL, GA, ID, IL, IN, IA, KS, KY, LA, ME, MA, MI, MN, MS, MO, MT, NE, NV, NJ, NY, NC, OK, OR, PA, RI, SD, TN, TX, UT, VA, WV, and WI).[9]

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 to treat, correct, or reduce illnesses regardless of whether the service is covered under a state's plan. 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 as long as they meet minimum federal requirements. As of July 2023, 48 states and D.C. cover children with incomes up to at least 200% FPL through Medicaid and CHIP. This includes 17 states that cover children with incomes at or above 300% FPL (AL, CT, DC, HI, IL, IO, MD, MA, MO, NH, NJ, NM, OR, PA, VT, WV, and WI). Only two states (ID and ND) limit children's eligibility to below 200% FPL.[10] Upper limits for CHIP income eligibility range from 170%-400% FPL.[11]

According to the Medicaid and CHIP Payment and Access Commission (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).[12]

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 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.

CHIP also covers pregnant women and provides prenatal, birth-related, and postpartum care for more than half of all annual births nationwide.[13] This comprehensive coverage helps reduce maternal health disparities as it covers a disproportionate number of mothers of color, young mothers, and mothers in rural areas. While states are required to provide CHIP coverage for up to 60-days postpartum, 41 states (AL, AZ, CA, CO, CT, DE, DC, FL, GA, HI, IL, IN, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, VT, VA, WA, WV, and WY) have elected to expand CHIP and/or Medicaid postpartum coverage to 12 months via a state option made permanent by the Consolidated Appropriations Act, 2023.[14]

States have several options to extend CHIP coverage to pregnant women. The most common options are directly covering pregnant women through an option provided to states so long as they raise their pregnancy Medicaid income eligibility levels to at least 185 percent FPL. This option provides a full CHIP benefit package including all prenatal, labor and delivery, and postpartum care. The other option, referred to as the "unborn child" option, allows states to consider a fetus a "targeted low-income child" for purposes of CHIP coverage, allowing the mother to receive prenatal care and labor and delivery services. This clause allows women to receive prenatal and birth-related care regardless of their immigration status, as the fetus is considered the recipient. Twenty states (AK, CA, CT, IL, LA, ME, MA, MI, MN, MO, NE, OK, OR, RI, SD, TN, TX, VA, WA, WI) have elected to use the unborn child option.[15] Notably, under the unborn child option, pregnancy-related services stop at the birth of the child meaning postpartum care is generally not included.[16] That differs from the direct CHIP pregnant women option, which offers a minimum of 60 days of postpartum coverage.[17]

It is important to note that CHIP enrollees principally receive care through private managed care organizations (MCOs), 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?

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 the costs are determined on a sliding scale (median monthly premiums range from $17 per month at 151% FPL to $35 per month at 251% FPL) and typically do not apply to those with the lowest incomes.[18] States that operate CHIP plans through Medicaid follow Medicaid parameters and do not charge any cost-sharing. As of January 2020, 26 states required premiums or enrollment fees and 21 states required copayments for children in CHIP. [19]

Making CHIP a Permanent Staple in Kids' Health care

First Focus on Children urges Congress to make CHIP permanent to ensure children can access affordable, high-quality, and age-appropriate care and to prevent disruptions that will increase the rate of uninsured kids.

CHIP has a proven track record of providing comprehensive and cost-effective coverage for low-income children. It is a model program that has reduced the number of uninsured children to record lows. However, CHIP is the only federal health insurance program that is not permanent, putting children at a disproportionate risk of losing coverage. CHIP has long been subject to political turmoil and used as a bargaining chip for unrelated policy debates. More details on CHIP's political history are available in the appendix of this document.

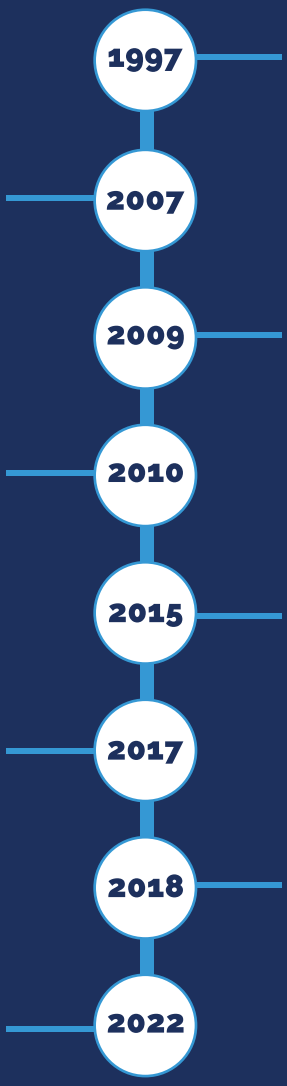
Now is the time for congressional leaders to make CHIP a top priority and protect the 7 million kids who rely on the program for their health care. CHIP must be made permanent before reaching the fiscal cliff in FY 2029. Children insured through CHIP are relying on Congress to secure this critical source of coverage.

ISSUE BRIEF:

WHAT IS THE CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)?

First Focus on Children

The History of the Children's Health Insurance Program (CHIP)



1997 — CHIP is enacted and funded for 10 years to expand coverage to uninsured children.

2007 — Congress passes two CHIP reauthorization bills with strong bipartisan support. President Bush **vetoes both bills** and override attempts fail. In December 2007, a CHIP reauthorization is passed and signed, extending the program through March 2009.

2009 — The Children's Health Insurance Program Reauthorization Act (CHIPRA) (P.L. 111-3) reauthorizes CHIP and provides $32.8 billion to fund the program through FY 2013. The law makes changes to help states avoid funding shortfalls.

2010 — The Affordable Care Act (P.L. 111-148, 111-152) extends CHIP through FY 2019. However, funding is only provided through FY 2015.

2015 — Congress passes the Medicare Access and CHIP Reauthorization Act (MACRA) (P.L. 114-10), providing CHIP funding through FY 2017.

2017 — In an effort to advance completely unrelated legislation, lawmakers use CHIP as a political bargaining tool. Congress fails to fund CHIP for the first time in the program's history. **CHIP goes unfunded for four months causing mass confusion and forcing some states to send out termination notices.**

2018 — In January, Congressional Budget Office (CBO) analysis shows that extending funding for CHIP for 10 years would **reduce** the federal deficit by $6 billion.[20] Later that same month, Congress passes an extension of CHIP through FY 2023 in the HEALTHY KIDS Act (P.L. 115-120). In February, Congress passes an additional extension in the Balanced Budget Act of 2018 (P.L. 115-123), funding CHIP through FY 2027.

2022 — The Consolidated Appropriations Act, 2023 (P.L. 117-328) extends CHIP funding for an additional two years through FY 2029.

Contact

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16. Postpartum care can be covered if postpartum services are included in a payment bundle that includes prenatal, labor and delivery, and postpartum care.

17. States have the option to extend the postpartum coverage period to up to 12 months. As of December 2023, 40 states and D.C. have implemented this option.

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