

Future of the Children's Health Insurance Program: Considerations for States

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About the Authors

Jocelyn Guyer, Deborah Bachrach, Patricia Boozang, and Arielle Traub with Manatt, Phelps & Phillips, LLP prepared this presentation. Manatt Health, a division of Manatt, Phelps & Phillips, LLP, is an integrated legal and consulting practice with over 90 professionals in nine locations across the country. Manatt Health supports states, providers, and insurers with understanding and navigating the complex and rapidly evolving health care policy and regulatory landscape. Manatt Health brings deep subject matter expertise to its clients, helping them expand coverage, increase access, and create new ways of organizing, paying for, and delivering care. For more information, visit www.manatt.com/ManattHealth.aspx

Expiration of CHIP Funding on September 30, 2017 Raises Issues for States



Level of allotment and duration of extension



Whether 23 percent bump will continue



Whether maintenance of effort (MOE) requirements¹ will continue unchanged



Timing of reauthorization

"We urge you to act quickly to provide a five-year extension of funding for the Children's Health Insurance Program (CHIP), at the current enhanced match, to provide certainty for states and families."



CHIP in Context

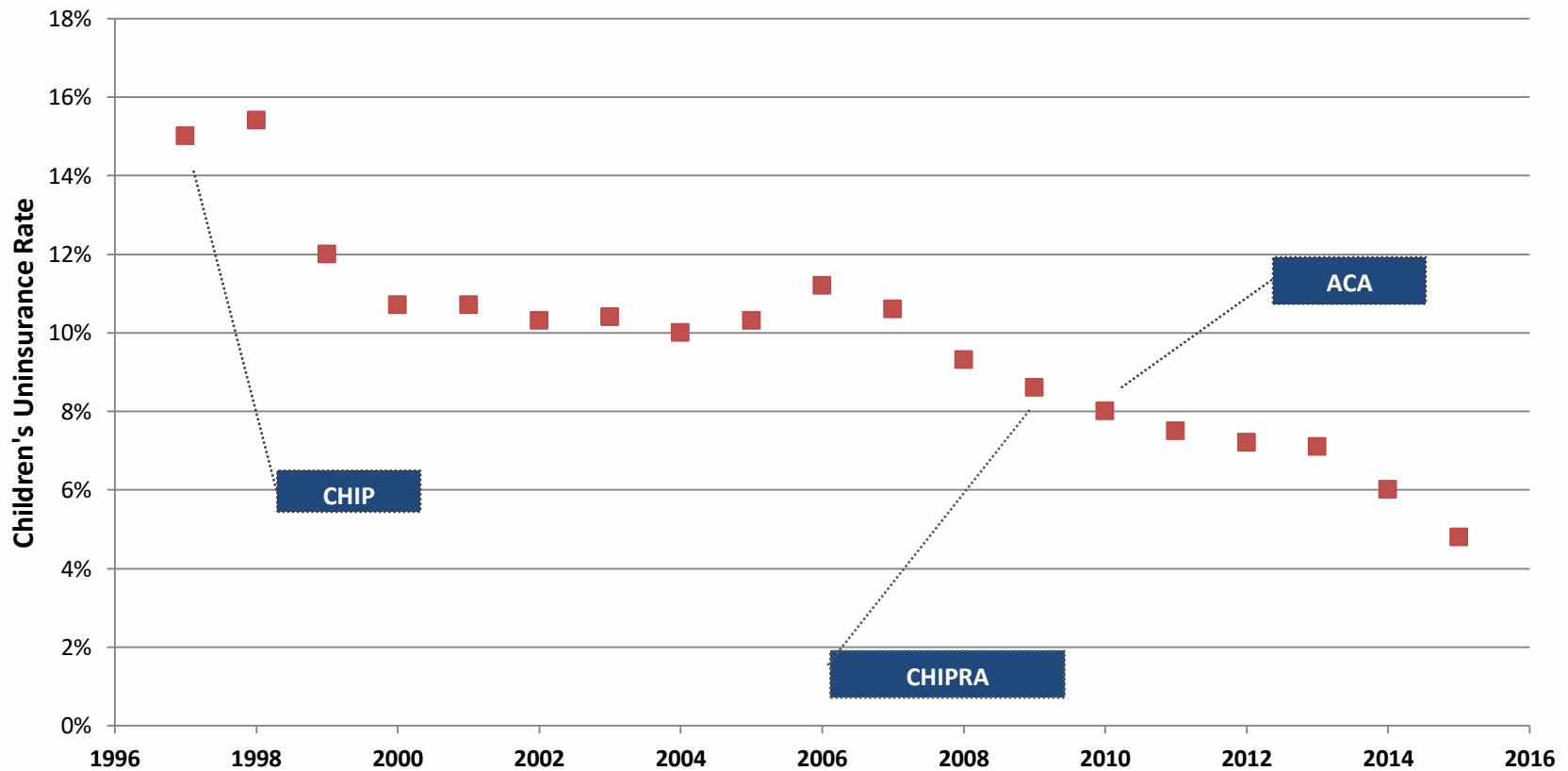
Structure of CHIP

- **CHIP was established in 1997 to provide health coverage for children who exceed Medicaid eligibility but whose families could not afford or had no access to private insurance**
- **Like Medicaid, CHIP is jointly financed by states and the federal government; states receive an enhanced federal match under CHIP**
- **Unlike Medicaid, CHIP is funded through a block grant and federal allotments to states are capped (but over the past decade, allotments have far exceeded state expenditures)**
- **States have flexibility to structure the program as a Medicaid expansion CHIP, separate CHIP or combination program**

CHIP's Role in Coverage

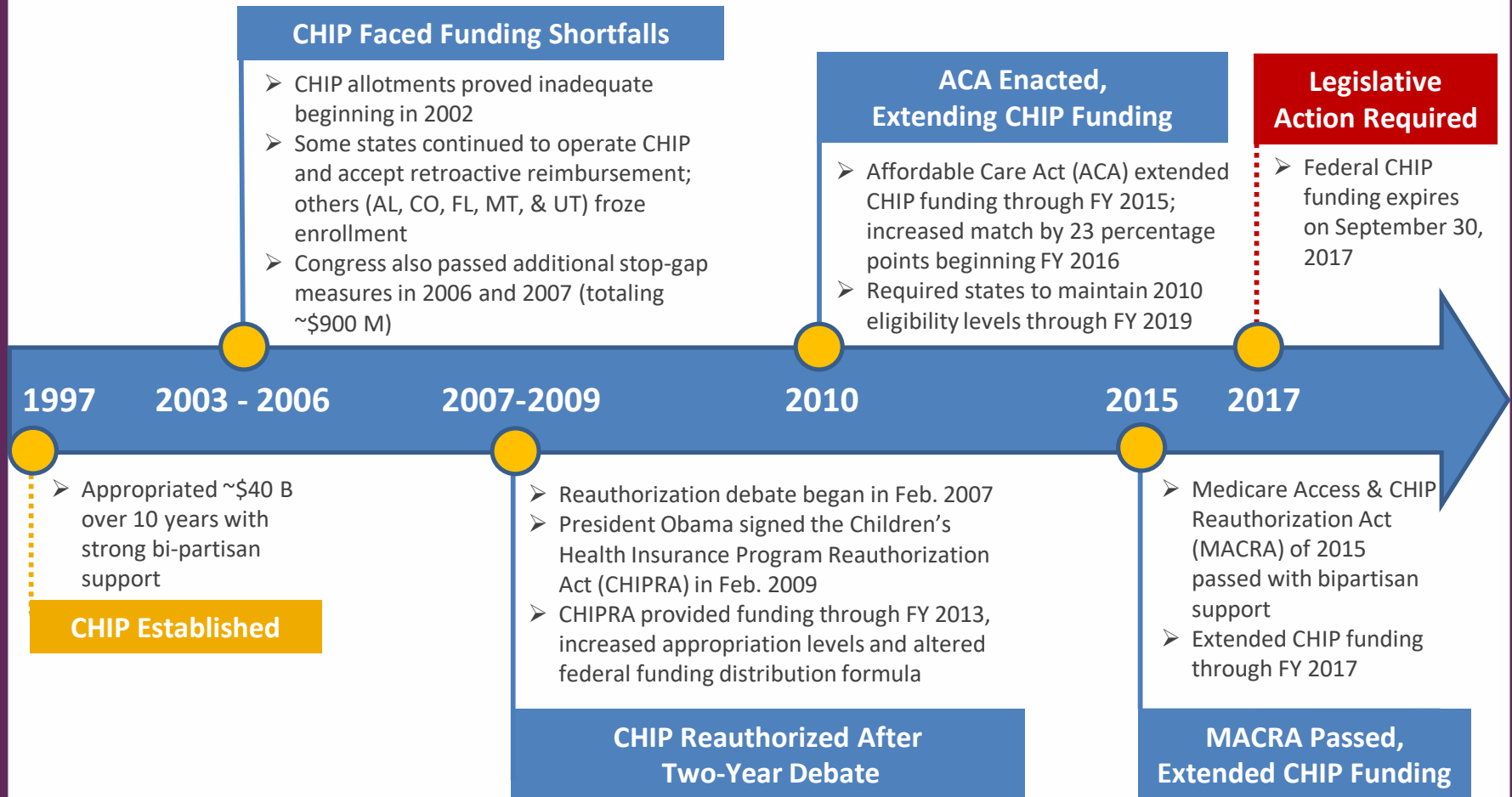
- Medicaid and CHIP cover more than one in three children nationwide
- CHIP eligibility levels vary across states, with 23 states below 250% FPL and 27 states and DC above 250% FPL (see appendix for detail)
 - 97% of enrolled children are in families with income < 250% FPL
- Children enrolled in CHIP are geographically, as well as culturally and ethnically, diverse
 - Enrollees are more likely to live in rural areas compared to the general public
 - Enrollees are 42% White, 29% Hispanic, 23% African American, and 7% “Other”
- CHIP plays a critical role in providing coverage for children with significant health conditions
 - 25% of children in CHIP have asthma, ADHD or another significant health condition

CHIP, with Medicaid, Has Reduced the Children's Uninsurance Rate to 4.8%

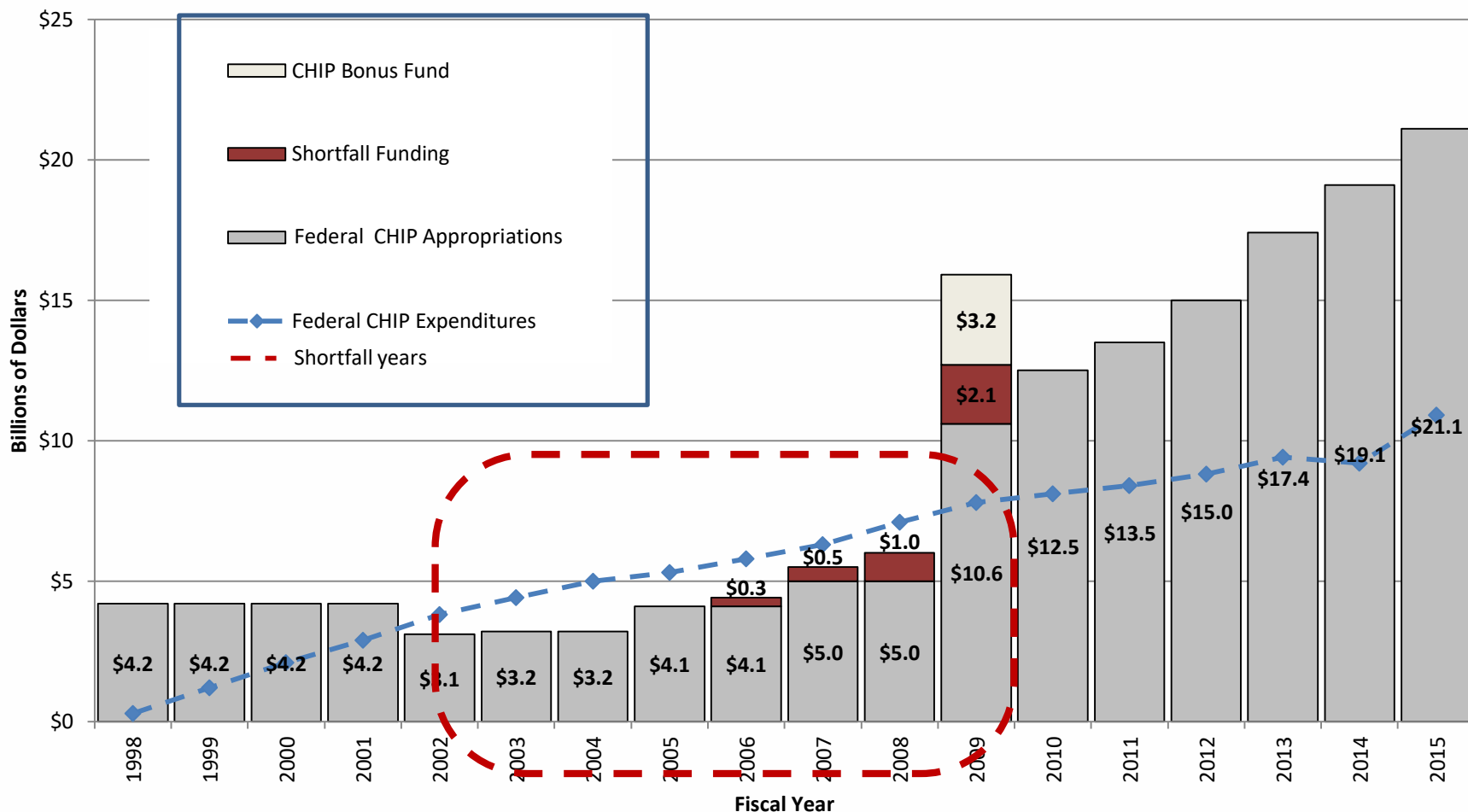


Source: 2008-2015: <http://ccf.georgetown.edu/wp-content/uploads/2016/11/Kids-ACS-update-11-02-1.pdf>; 1999-2007: HI-08. Health Insurance Coverage Status and Type of Coverage by Selected Characteristics for Children Under 18 (All Children). <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-hi/hi-08.2004.html>; 1998: <https://www.census.gov/prod/99pubs/p60-208.pdf>; 1997: https://aspe.hhs.gov/system/files/pdf/77046/rpt_CHIPevaluation.pdf

Despite Bi-Partisan Support, Past CHIP Renewal Efforts Have Been Challenging



Federal CHIP Appropriations Have Not Always Kept Pace with Federal CHIP Expenditures



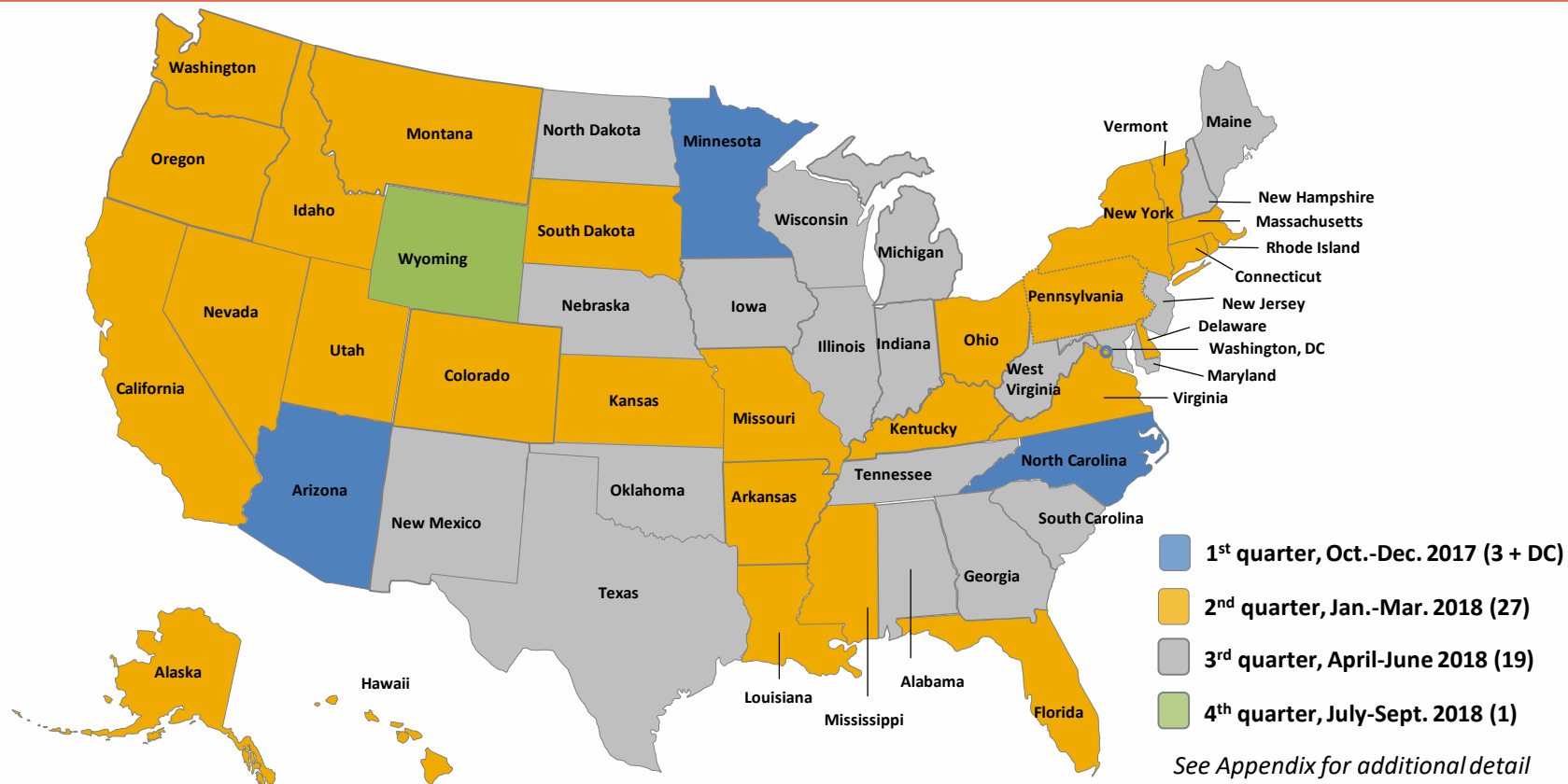
Source: Federal Allotments: <https://www.gpo.gov/fdsys/pkg/GPO-MACPAC-MACBasics-CHIP-2011-09/pdf/GPO-MACPAC-MACBasics-CHIP-2011-09.pdf>. The figure shows amounts explicitly appropriated in statute ; Federal Expenditures: National Health Expenditures By Type Of Service And Source Of Funds: Calendar Years 1960 to 2015, NHE2015, Row 12: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/NHE2015.zip>

Looking Ahead: Critical Considerations for States

Federal Funding for CHIP Expires on September 30, 2017



Three states and D.C. are projected to deplete their current federal CHIP funds by December 2017, and all are expected to run out by September 2018



Cost of CHIP Funding Extension



- CBO preliminarily estimates that extending CHIP funding with the 23 percentage point bump through FY 2019 would *cost* \$6 billion
- Extending CHIP funding for two years *without* retaining the 23 percentage point bump would *save* the federal government \$2 billion

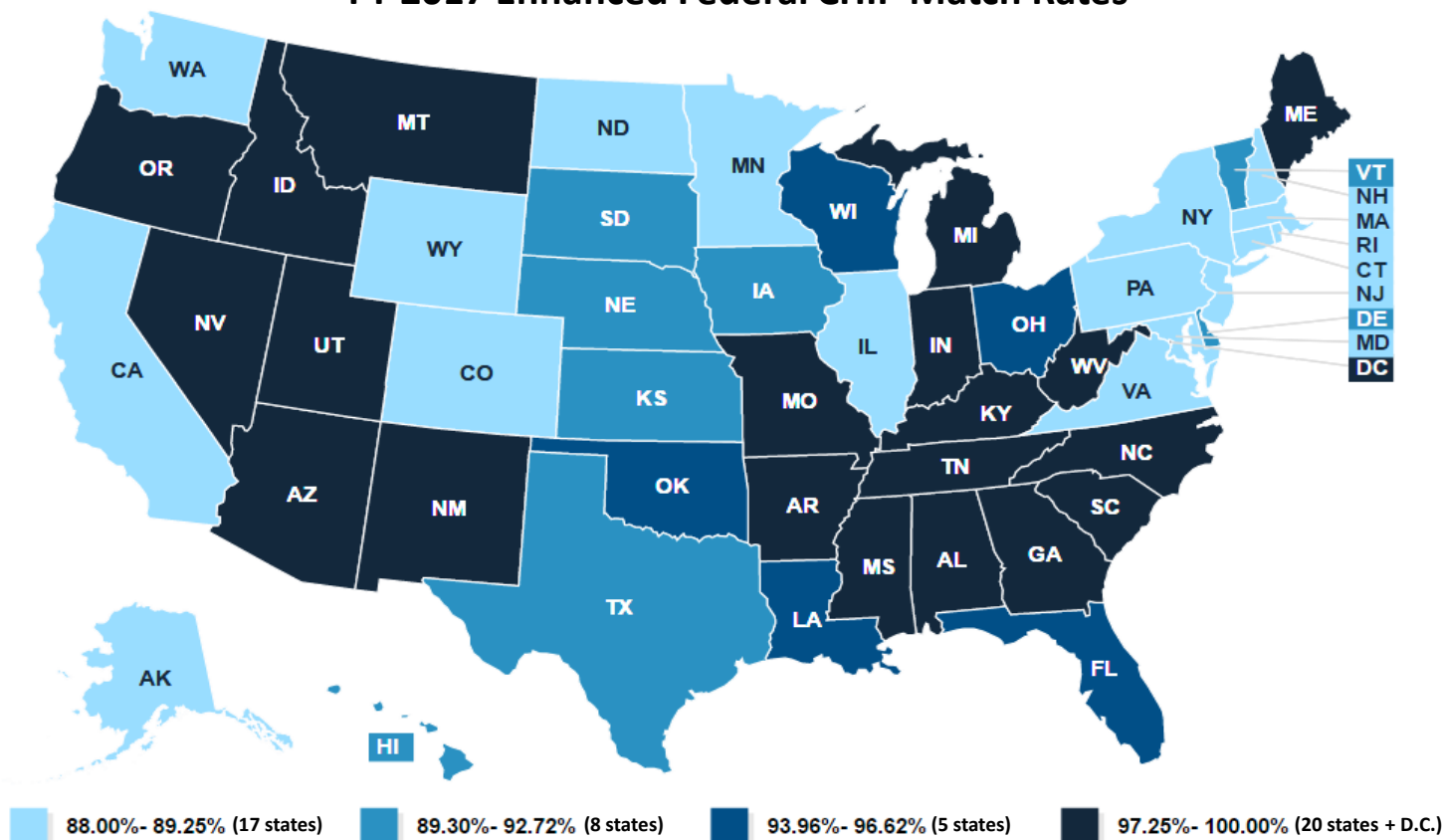
The net cost of extending CHIP is significantly less than the gross cost of the new CHIP allotments for two reasons:

- An extension reduces federal spending on Marketplace, Medicaid and other coverage for children
- Budget rules require CBO to assume that some funds from expiring programs such as CHIP are available beyond the scheduled expiration date

State Impact of 23 Percentage Point Bump



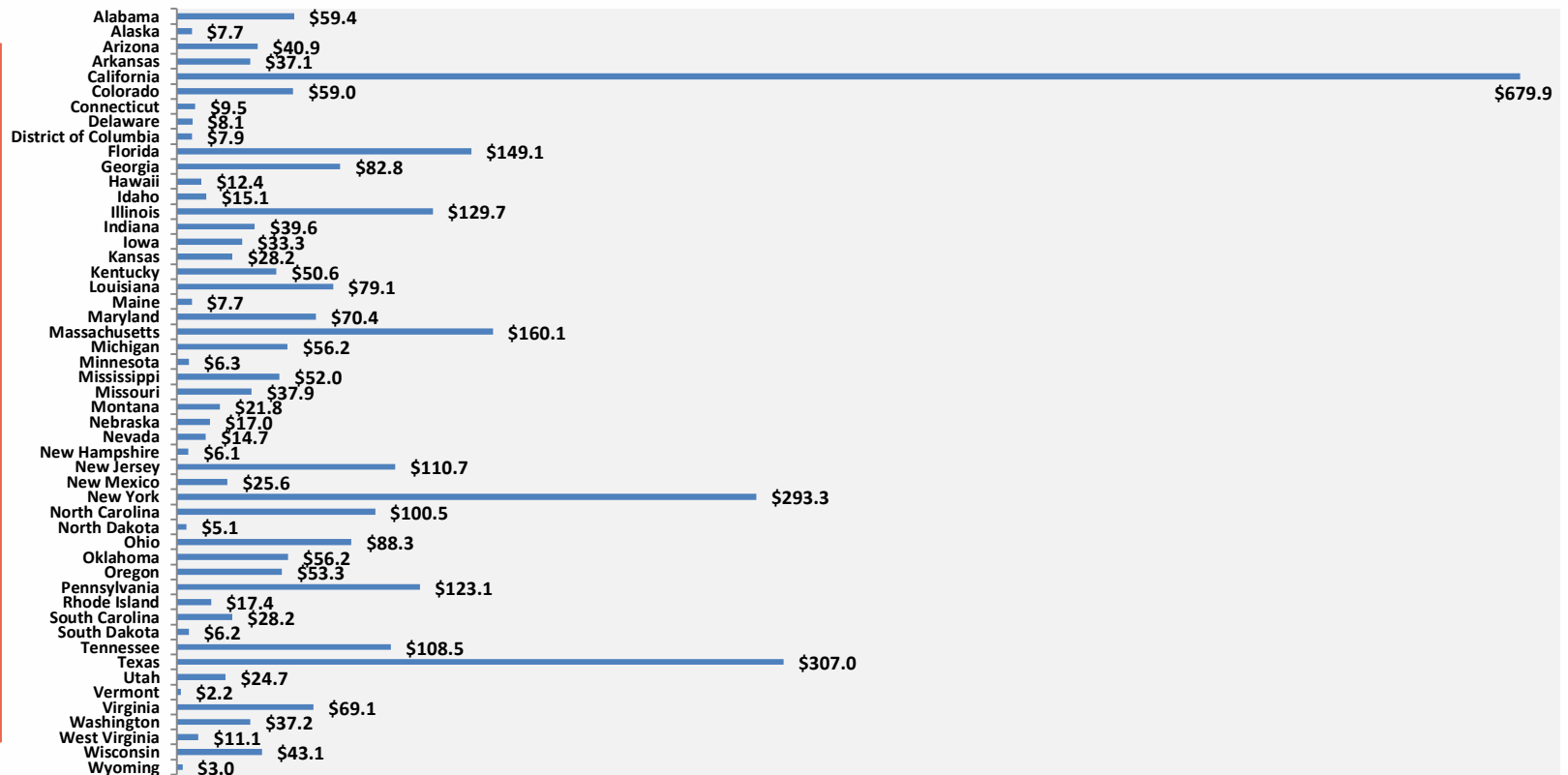
FY 2017 Enhanced Federal CHIP Match Rates



States Will Confront a Funding Challenge if Congress Does Not Extend the “Bump”

States stand to lose nearly \$3.5 billion in federal CHIP funds if Congress does not extend the enhanced 23 point bump

Lost Federal CHIP Funding by State if 23 Point Bump Is Not Extended (in millions, based on FY 2016 spending)



Note: Calculated by applying enhanced FMAP with and without 23-point bump to total computable spending, excluding 2105(g) amounts. Source: Manatt analysis of MACPAC Exhibit 32, <https://www.macpac.gov/wp-content/uploads/2015/01/EXHIBIT-32.-CHIP-Spending-by-State-FY-2016-millions.xlsx>.

Reauthorization Has Implications for ACA MOE Requirement



- If federal funding is exhausted, only states with Medicaid-expansion CHIP must continue to meet the ACA MOE requirement which requires states to maintain 2010 Medicaid and CHIP eligibility levels for children through FY 2019
- Separate CHIP states* are permitted to reduce CHIP eligibility levels or terminate CHIP entirely if Congress fails to reauthorize CHIP, impacting approximately 3.7 million children who are enrolled in a separate CHIP program
- MACPAC estimates that 1.1 million of these children would become uninsured if states terminate their separate CHIP programs
- The remaining 2.6 million would enroll either in subsidized Marketplace coverage** or a parent's employer-sponsored insurance

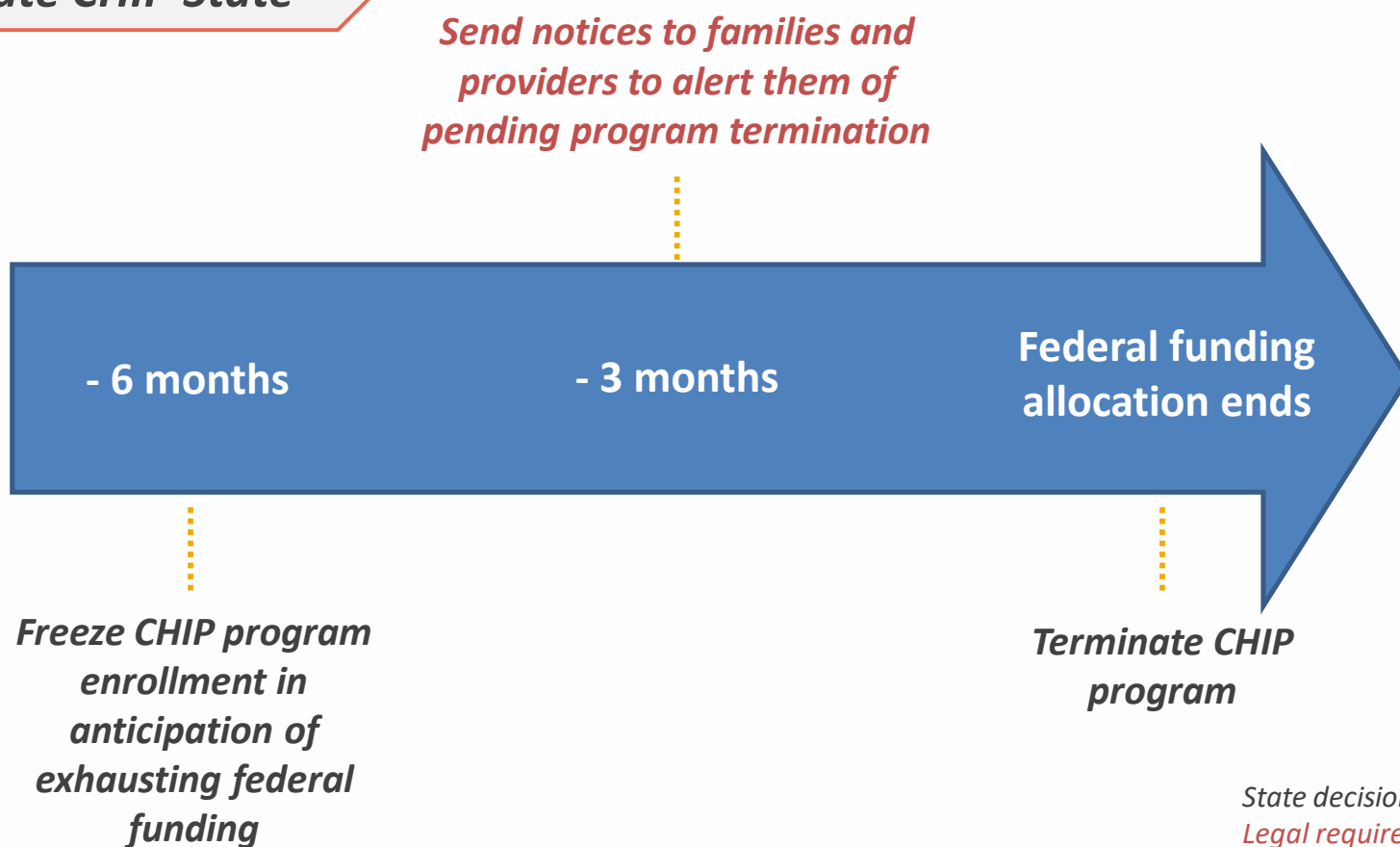
* Separate CHIP states use CHIP funds to establish CHIP programs that are governed by rules that differ from Medicaid

**Estimates do not account for potential changes to the availability of Marketplace subsidies under the Congressional repeal and replace proposals

Illustrative Example of Operational Implications of CHIP Reauthorization Timing



Separate CHIP State



President Trump's Budget Proposes Changes to CHIP

- Provides two-year federal funding extension (through FY 2019)
- Eliminates temporary 23 percentage point increase in the CHIP matching rate two years ahead of schedule
- Drops MOE requirement for children's coverage
- Limits eligibility to no more than 250% of the federal poverty line (FPL)
- Permits states to move children ages 6 to 18 in families with incomes between 100 and 133% FPL back into CHIP, after the ACA transitioned them to Medicaid

We Welcome Your Questions

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Appendix

Medicaid and CHIP Income Eligibility Thresholds by State, January 2017

State	Upper Income Limit	Medicaid Coverage for Infants Ages 0-1 ²		Medicaid Coverage for Children Ages 1-5 ²		Medicaid Coverage for Children Ages 6-18 ²		Separate CHIP for Uninsured Children Ages 0-18 ³
		Medicaid Funded	CHIP-Funded for Uninsured Children	Medicaid Funded	CHIP-Funded for Uninsured Children	Medicaid Funded	CHIP-Funded for Uninsured Children	
Median⁴	255%	195%	217%	149%	216%	138%	155%	254%
Alabama ⁵	317%	146%		146%		146%	107%-146%	317%
Alaska	208%	177%	159%-208%	177%	159%-208%	177%	124%-208%	
Arizona ⁶	205%	152%		146%		138%	104%-138%	205%
Arkansas	216%	147%		147%		147%	107%-147%	216%
California ⁷	266%	208%	208%-266%	142%	142%-266%	133%	108%-266%	
Colorado	265%	147%		147%		147%	108%-147%	265%
Connecticut	323%	201%		201%		201%		323%
Delaware	217%	217%	194%-217%	147%		138%	110%-138%	217%
District of Columbia ⁵	324%	324%	206%-324%	324%	146%-324%	324%	112%-324%	
Florida ⁸	215%	211%	192%-211%	145%		138%	112%-138%	215%
Georgia	252%	210%		154%		138%	113%-138%	252%
Hawaii	313%	191%	191%-313%	139%	139%-313%	133%	105%-313%	
Idaho	190%	147%		147%		138%	107%-138%	190%
Illinois ⁹	318%	147%		147%		147%	108%-147%	318%
Indiana ¹⁰	262%	218%	157%-218%	165%	141%-165%	165%	106%-165%	262%
Iowa	307%	380%	240%-380%	172%		172%	122%-172%	307%
Kansas ¹¹	244%	171%		154%		138%	113%-138%	243%
Kentucky	218%	200%		142%	142%-164%	133%	109%-164%	218%
Louisiana	255%	142%	142%-217%	142%	142%-217%	142%	108%-217%	255%
Maine	213%	196%		162%	140%-162%	162%	132%-162%	213%
Maryland	322%	194%	194%-322%	138%	138%-322%	133%	109%-322%	
Massachusetts ¹²	305%	205%	185%-205%	155%	133%-155%	155%	114%-155%	305%
Michigan ¹³	217%	195%	195%-217%	160%	143%-217%	160%	109%-217%	
Minnesota ¹⁴	288%	275%	275%-288%	280%		280%		
Mississippi	214%	199%		148%		138%	107%-138%	214%
Missouri	305%	201%		148%	148%-155%	148%	110%-155%	305%
Montana	266%	148%		148%		138%	109%-148%	266%

Medicaid and CHIP Income Eligibility Thresholds by State, January 2017, cont.

State	Upper Income Limit	Medicaid Coverage for Infants Ages 0-1 ²		Medicaid Coverage for Children Ages 1-5 ²		Medicaid Coverage for Children Ages 6-18 ²		Separate CHIP for Uninsured Children Ages 0-18 ³
		Medicaid Funded	CHIP-Funded for Uninsured Children	Medicaid Funded	CHIP-Funded for Uninsured Children	Medicaid Funded	CHIP-Funded for Uninsured Children	
Nebraska	218%	162%	162%-218%	145%	145%-218%	133%	109%-218%	
Nevada	205%	165%		165%		138%	122%-138%	205%
New Hampshire	323%	196%	196%-323%	196%	196%-323%	196%	196%-323%	
New Jersey	355%	199%		147%		147%	107%-147%	355%
New Mexico	305%	240%	200%-305%	240%	200%-305%	190%	138%-245%	
New York	405%	223%		154%		154%	110%-154%	405%
North Carolina ¹⁵	216%	215%	194%-215%	215%	141%-215%	138%	107%-138%	216%
North Dakota	175%	152%		152%		138%	111%-138%	175%
Ohio	211%	156%	141%-211%	156%	141%-211%	156%	107%-211%	
Oklahoma ^{5,16}	210%	210%	169%-210%	210%	151%-210%	210%	115%-210%	
Oregon	305%	190%	133%-190%	138%		138%	100%-138%	305%
Pennsylvania	319%	220%		162%		138%	119%-138%	319%
Rhode Island	266%	190%	190%-266%	142%	142%-266%	133%	109%-266%	
South Carolina	213%	194%	194%-213%	143%	143%-213%	133%	107%-213%	
South Dakota	209%	187%	147%-187%	187%	147%-187%	187%	111%-187%	209%
Tennessee ^{5,17}	255%	195%	195%-216%	142%	142%-216%	133%	109%-216%	255%
Texas	206%	203%		149%		138%	109%-138%	206%
Utah	205%	144%		144%		138%	105%-138%	205%
Vermont	317%	317%	237%-317%	317%	237%-317%	317%	237%-317%	
Virginia	205%	148%		148%		148%	109%-148%	205%
Washington	317%	215%		215%		215%		317%
West Virginia	305%	163%		146%		138%	108%-138%	305%
Wisconsin ¹⁸	306%	306%		191%		133%	101%-156%	306%
Wyoming	205%	159%		159%		138%	119%-138%	205%

Notes Medicaid and CHIP Income Eligibility Thresholds by State, January 2017

1. January 2017 income limits reflect Modified Adjusted Gross Income (MAGI)-converted income standards and include a disregard equal to five percentage points of the federal poverty level (FPL) applied at the highest income level for Medicaid and separate CHIP coverage. Eligibility levels are reported as percentage of the FPL. The 2016 FPL for a family of three was \$20,160.
2. States may use Title XXI CHIP funds to cover children through CHIP-funded Medicaid expansion programs and/or separate child health insurance programs for children not eligible for Medicaid. Use of Title XXI CHIP funds is limited to uninsured children. The Medicaid income eligibility levels listed indicate thresholds for children covered with Title XIX Medicaid funds and uninsured children covered with Title XXI funds through CHIP-funded Medicaid expansion programs. To be eligible in the infant category, a child has not yet reached his or her first birthday; to be eligible in the 1-5 category, the child is age one or older, but has not yet reached his or her sixth birthday; and to be eligible in the 6- 18 category, the child is age six or older, but has not yet reached his or her 19th birthday.
3. The states noted use federal CHIP funds to operate separate child health insurance programs for children not eligible for Medicaid. Such programs may either provide benefits similar to Medicaid or a somewhat more limited benefit package. They also may impose premiums or other cost sharing obligations on some or all families with eligible children. These programs typically provide coverage for uninsured children until the child's 19th birthday.
4. Medians for CHIP-funded uninsured children are based on the upper limit of coverage.
5. Alabama, the District of Columbia, Oklahoma, and Tennessee have different lower bounds for adolescents in Title XXI funded Medicaid expansions depending on age. The lower bound for Title XXI funded Medicaid is 18% for children ages 14 through 18 in Alabama, 63% for children ages 15 through 18 in the District of Columbia, 69% for children ages 14 through 18 in Oklahoma, and 29% for children ages 14 through 18 in Tennessee.
6. Arizona's CHIP program, KidsCare, re-opened enrollment in July 2016. Applications were accepted beginning July 26, 2016, and coverage began on September 1, 2016. New enrollment in KidsCare had been closed since December 21, 2009, prior to the Affordable Care Act's (ACA's) maintenance of effort requirement.
7. In California, children with higher incomes are eligible for separate CHIP coverage in certain counties.
8. In Florida, all infants are covered in Medicaid. Florida operates three separate CHIP programs: Healthy Kids covers children ages 5 through 18; MediKids covers children ages 1 through 4; and the Children's Medical Service Network serves children with special health care needs from birth through age 18.
9. In Illinois, infants born to non-Medicaid covered mothers are covered up to 147% FPL in Medicaid and up to 318% FPL under CHIP.
10. Indiana uses a state-specific income disregard that is equal to five percent of the highest income eligibility threshold for the group.
11. Kansas covers children in a separate CHIP program up to an income level that is equivalent to 238% FPL in 2008.
12. Massachusetts also covers insured children in its separate CHIP program with Title XIX Medicaid funds under its Section 1115 waiver.
13. In 2016, Michigan expanded CHIP-funded Medicaid expansion coverage to children with incomes between 212-400% FPL affected by the Flint water crisis.
14. In Minnesota, the infant category under Title XIX-funded Medicaid includes insured and uninsured children up to age two with incomes up to 275% FPL.
15. In North Carolina, all children ages 0 through 5 are covered in Medicaid while the separate CHIP program covers children ages 6 through 18 with incomes above Medicaid limits.
16. Oklahoma offers a premium assistance program to children ages 0 through 18 with income up to 222% FPL with access to employer sponsored insurance through its Insure Oklahoma program.
17. In Tennessee, Title XXI funds are used for two programs, TennCare Standard and CoverKids (a separate CHIP program). TennCare Standard provides Medicaid coverage to uninsured children who lose eligibility under TennCare (Medicaid), have no access to insurance, and have family income below 216% FPL or are medically eligible.
18. In Wisconsin, children are not eligible for CHIP if they have access to health insurance coverage through a job where the employer covers at least 80% of the cost.

Projected Month for Each State to Exhaust Federal CHIP Funding

State	Estimated unspent FY 2017 allotments A	Unspent FY 2017 allotments available in FY 2018 B = A × .67	FY 2018 projected redistribution funding from prior year allotments C	Total FY 2018 projected CHIP funding D = B + C	FY 2018 projected federal CHIP spending E	Month projected to exhaust CHIP funding F
Total	\$6,346.2	\$4,230.8	\$2,949.4	\$7,180.2	\$17,372.4	N/A
Alabama	176.9	118.0	37.4	155.3	284.4	April 2018
Alaska	17.8	11.8	5.4	17.2	35.7	March 2018
Arizona	0.0	0.0	60.1	60.1	267.9	December 2017
Arkansas	96.3	64.2	28.7	92.9	191.9	March 2018
California	192.2	128.1	710.0	838.1	3291.4	January 2018
Colorado	87.5	58.3	55.1	113.4	303.7	February 2018
Connecticut	24.3	16.2	14.3	30.5	79.9	February 2018
Delaware	10.6	7.1	6.3	13.4	35.2	February 2018
District of Columbia	1.6	1.1	10.9	11.9	49.4	December 2017
Florida	135.7	90.5	204.6	295.1	1002.2	January 2018
Georgia	220.6	147.1	56.6	203.6	399.1	April 2018
Hawaii	17.4	11.6	8.2	19.8	48.1	February 2018
Idaho	22.2	14.8	15.4	30.2	83.4	February 2018
Illinois	349.1	232.7	36.6	269.3	395.7	June 2018
Indiana	144.8	96.5	19.9	116.4	185.2	May 2018
Iowa	75.8	50.6	19.4	70.0	137.2	April 2018
Kansas	47.7	31.8	15.9	47.7	102.8	March 2018

Projected Month for Each State to Exhaust Federal CHIP Funding, cont.

State	Estimated unspent FY 2017 allotments	Unspent FY 2017 allotments available in FY 2018	FY 2018 projected redistribution funding from prior year allotments	Total FY 2018 projected CHIP funding	FY 2018 projected federal CHIP spending	Month projected to exhaust CHIP funding
	A	B = A × .67	C	D = B + C	E	F
Kentucky	87.7	58.4	40.7	99.2	240.0	February 2018
Louisiana	134.1	89.4	58.5	147.9	350.0	March 2018
Maine	29.3	19.5	3.3	22.8	34.1	June 2018
Maryland	187.6	125.1	35.0	160.1	281.0	April 2018
Massachusetts	168.4	112.3	117.0	229.3	633.7	February 2018
Michigan	264.8	176.5	31.3	207.9	316.2	May 2018
Minnesota	0.0	0.0	38.8	38.8	172.9	December 2017
Mississippi	147.7	98.5	41.3	139.8	282.5	March 2018
Missouri	118.6	79.1	32.8	111.8	225.0	March 2018
Montana	31.8	21.2	18.4	39.6	103.2	February 2018
Nebraska	61.1	40.7	6.8	47.5	70.9	June 2018
Nevada	16.5	11.0	15.2	26.2	78.6	January 2018
New Hampshire	19.9	13.3	4.5	17.8	33.4	April 2018
New Jersey	337.1	224.7	59.7	284.4	490.7	April 2018
New Mexico	95.7	63.8	10.8	74.6	112.0	May 2018
New York	527.3	351.6	197.1	548.6	1229.8	March 2018
North Carolina	12.2	8.2	182.9	191.1	823.2	December 2017

Projected Month for Each State to Exhaust Federal CHIP Funding, cont.

State	Estimated unspent FY 2017 allotments A	Unspent FY 2017 allotments available in FY 2018 B = A × .67	FY 2018 projected redistribution funding from prior year allotments C	Total FY 2018 projected CHIP funding D = B + C	FY 2018 projected federal CHIP spending E	Month projected to exhaust CHIP funding F
North Dakota	\$16.6	\$11.1	\$2.3	\$13.3	\$21.2	May 2018
Ohio	200.1	133.4	70.1	203.5	445.6	March 2018
Oklahoma	127.5	85.0	30.4	115.4	220.6	April 2018
Oregon	48.6	32.4	52.5	84.9	266.3	January 2018
Pennsylvania	193.6	129.1	114.1	243.2	637.6	February 2018
Rhode Island	11.1	7.4	15.4	22.8	76.1	January 2018
South Carolina	127.5	85.0	15.5	100.5	154.2	May 2018
South Dakota	16.2	10.8	4.5	15.3	30.9	March 2018
Tennessee	202.2	134.8	30.1	164.9	268.8	May 2018
Texas	1074.5	716.4	204.6	921.0	1628.0	April 2018
Utah	30.0	20.0	28.2	48.2	145.6	January 2018
Vermont	5.6	3.7	5.5	9.2	28.1	January 2018
Virginia	127.5	85.0	51.0	136.0	312.3	March 2018
Washington	42.1	28.0	49.0	77.1	246.6	January 2018
West Virginia	43.8	29.2	8.9	38.0	68.6	April 2018
Wisconsin	127.3	84.9	31.8	116.7	226.7	April 2018
Wyoming	12.2	8.1	0.8	8.9	11.5	July 2018