

CHIP REAUTHORIZATION UPDATE: CONGRESSIONAL INACTION PUTS STATES IN LIMBO

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Federal authorization for the Children’s Health Insurance Program (CHIP) expired on September 30, 2017. Senators Orrin Hatch (R-UT) and Ron Wyden (D-OR) have filed a bill (S. 1827) to extend CHIP for five years, but Congress did not act quickly enough to prevent the current authorization from expiring. Unspent federal CHIP funds may be carried over into the next fiscal year and Massachusetts’s current allotment of federal CHIP funds should allow the state to continue to use CHIP funds for benefits until early 2018. However, we have now entered a policy limbo in which states are hopeful for reauthorization but must also prepare to dismantle the program and determine other coverage options for children if funds run out. For many states, the exhaustion of CHIP funds will happen within the next few months—as early as December for some—so a timely reauthorization is imperative.¹

In Massachusetts, CHIP is part of MassHealth (along with Medicaid, which comprises a much larger portion of enrollment). CHIP covers about 160,000 children, roughly one-quarter of all children enrolled in MassHealth. As with Medicaid, the state and federal governments share in the financing of CHIP. The federal share of CHIP funding in Massachusetts is currently 88 percent, compared with most Medicaid spending, which receives 50 percent federal financial participation (FFP). The 88 percent FFP, or match, includes the 23 percentage point “CHIP bump” introduced by the Affordable Care Act (ACA). The ACA made the “CHIP bump” temporary; under current law, it will expire after federal fiscal year 2019 (September 30, 2019).

The Hatch-Wyden CHIP reauthorization, if enacted, should be good news for states, on balance. It proposes extending the program for five years, in line with the recommendation of the Medicaid and CHIP Payment and Access Commission (MACPAC) and longer than Congress’s last CHIP reauthorization of just two years. In addition to funding health coverage, the bill continues federal support for outreach and enrollment, a pediatric quality measurement program, a childhood obesity demonstration program, a state contingency fund to protect against greater-than-expected enrollment, and authority for express lane eligibility, which allows states to use eligibility for other federal programs (such as SNAP) to automatically renew CHIP eligibility. The bill would also allow states to continue to draw on a portion of previous years’ unused federal allotments to fund the program.

1. Medicaid and CHIP Payment and Access Commission, “Federal CHIP Funding: When Will States Exhaust Allotments?” Issue Brief, July 2017.

The reauthorization would reduce the FFP rate over the five years, however, requiring increased state contributions to maintain current enrollment and benefit levels. This is not entirely unexpected, given the expiration of the “CHIP bump” already in federal law. Hatch-Wyden phases it out gradually and returns states to their pre-ACA CHIP match rates—65 percent in Massachusetts. Massachusetts projects the impact on FFP to be as follows:

FEDERAL FISCAL YEAR	2018	2019	2020	2021	2022
Federal share at 88% match	\$654	\$675	\$696	\$719	\$742
Federal match in Hatch-Wyden	88%	88%	76.5%	65%	65%
Federal share at Hatch-Wyden rate	\$654	\$675	\$605	\$531	\$548
Difference = Loss of Federal \$\$	No effect	No effect	\$91	\$188	\$194

Millions of dollars.

Source: Massachusetts Executive Office of Health and Human Services.

The total reduction in FFP would be \$473 million over the five years. This is about 12 percent of MassHealth’s projected total spending for CHIP during this period. The reduction is substantial, but the gradual phase-out of the enhanced match allows Massachusetts time to budget for it.

Given its longstanding commitment to health insurance coverage, the state is not likely to compensate for this loss of revenue by reducing eligibility for the program. Massachusetts CHIP is in two parts: Medicaid-expansion CHIP and Separate CHIP. A child’s age, family income, and disability status determine enrollment in one or the other. The Medicaid-expansion portion—slightly less than half of CHIP children—is governed by a Medicaid maintenance of effort requirement that states not change eligibility standards for the program. While the Separate CHIP program is not affected by this requirement, the state has no plans to alter eligibility. Even if the state were to exhaust a smaller CHIP allotment or if CHIP is not reauthorized at all, the terms of the MassHealth waiver would allow most CHIP children to convert to Medicaid coverage (albeit at a lower federal match rate) and remain enrolled in MassHealth. The exception would be the Separate CHIP population known as “unborn children,” whose mothers receive CHIP-funded services but are ineligible for Medicaid (because of immigration status). They would lose their MassHealth eligibility, with the exception of access to emergency services, if CHIP funds were not available.

Medicaid-expansion CHIP: Covers MassHealth children at higher income levels than Medicaid, under the provisions (benefits, cost sharing, etc.) of the Medicaid state plan. There is no premium.

Separate CHIP: Covers MassHealth children at higher income levels than Medicaid-expansion CHIP, under the provisions of a CHIP (rather than Medicaid) state plan. Benefits under the CHIP state plan are less comprehensive than those for Medicaid, and there may be a premium.

For more detail about Massachusetts CHIP, see the June 2017 issue brief, *The Importance of CHIP Reauthorization for Massachusetts* (available at www.bluecrossmafoundation.org/publication/importance-chip-reauthorization-massachusetts).