**Health Program**
*Health Project*

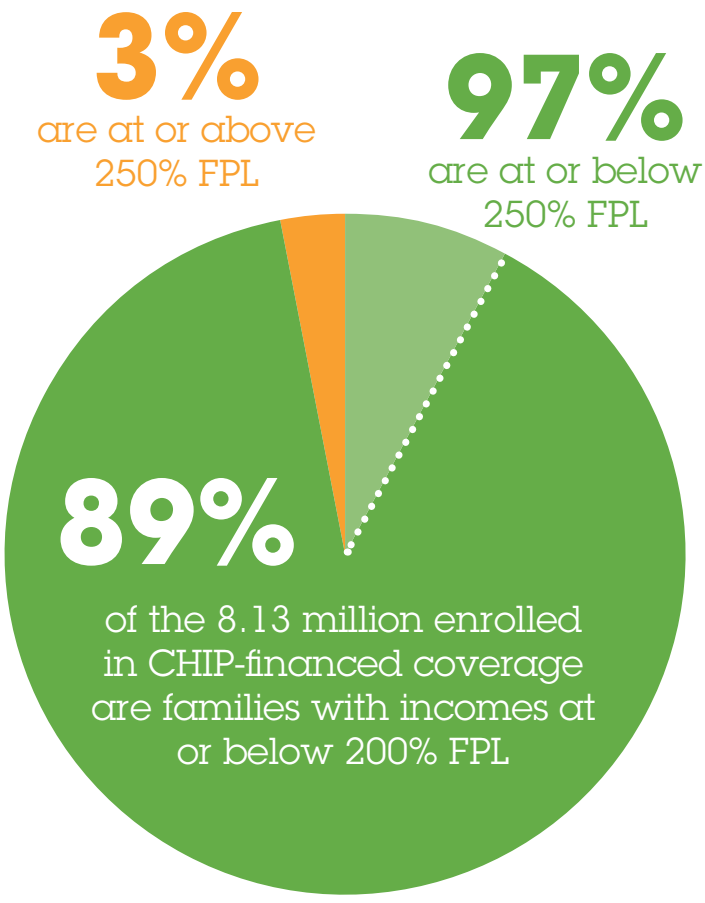
# The Role and Future of the Children's Health Insurance Program

## EXECUTIVE SUMMARY

### The Future of CHIP Funding

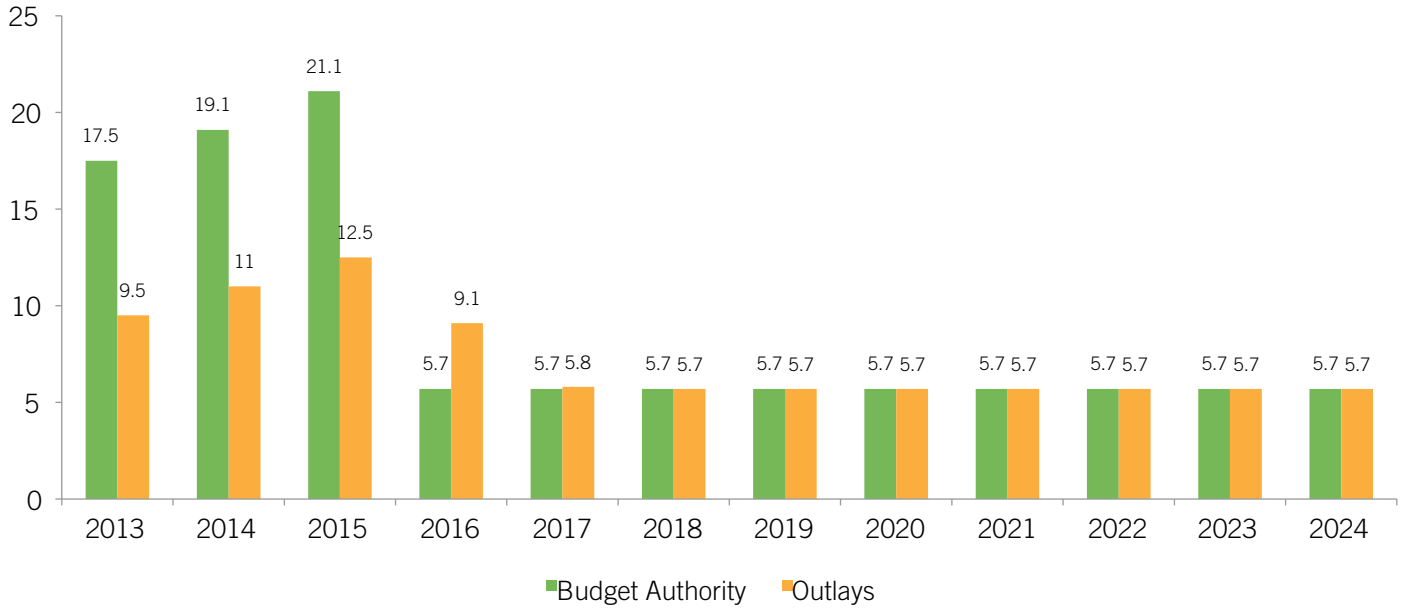
The Patient Protection and Affordable Care Act (ACA) reauthorized the Children's Health Insurance Program (CHIP) through FY 2019, but it did not provide new funding beyond FY 2015. Congressional leaders on both sides of the aisle and the administration have indicated a desire to extend CHIP funding. In addressing the lack of funding, policymakers face numerous considerations, including whether to extend funding for the remaining four years of the program's authorization, whether to extend funding for a shorter period of time, and whether to make other changes to the program as part of the funding extension.

Enacted with bipartisan support as part of the Balanced Budget Act of 1997, CHIP is a capped entitlement to states. The program was designed to provide maximum flexibility to states that choose to provide health insurance coverage to low-income, uninsured children whose family incomes exceed Medicaid eligibility levels. Approximately 8.13 million children received health insurance coverage through CHIP, at an authorized spending level of $21.1 billion in FY 2015. States have two years to spend their allocations. As policymakers consider an extension of CHIP funding, a number of other issues around timing and policy can affect coverage for low-income children.




*Source: Medicaid and CHIP Payment and Access Commission (MACPAC) Report to the Congress on Medicaid and CHIP June 2014*

# Budget authority for CHIP will be held at $5.7 billion after FY 2015.




*Source: Congressional Budget Office, Detail of Spending and Enrollment for the Children's Health Insurance Program for CBO's April 2014 Baseline*

## Short-term Considerations

**State Budgets:** Governors and state legislatures need certainty as they work to enact state budgets for FY 2016, most of which begin July 1, 2015.

**"Family Glitch":** Under the ACA, workers who have access to employer-sponsored health insurance coverage are not eligible for federal-premium and cost-sharing assistance to purchase health insurance coverage through a state or federal insurance exchange. An exception applies if the employer's coverage is not "affordable," meaning that the premium exceeds 9.5 percent of family income. However, the affordability test is based on the cost of the premium for individual coverage, not for the cost of family coverage. As a result, no family member, including children, qualifies for premium or cost-sharing assistance through an exchange, even if the cost of family coverage well exceeds 9.5 percent of the family's income. Lower income, uninsured children could potentially be ineligible for assistance through state and federal insurance exchanges.

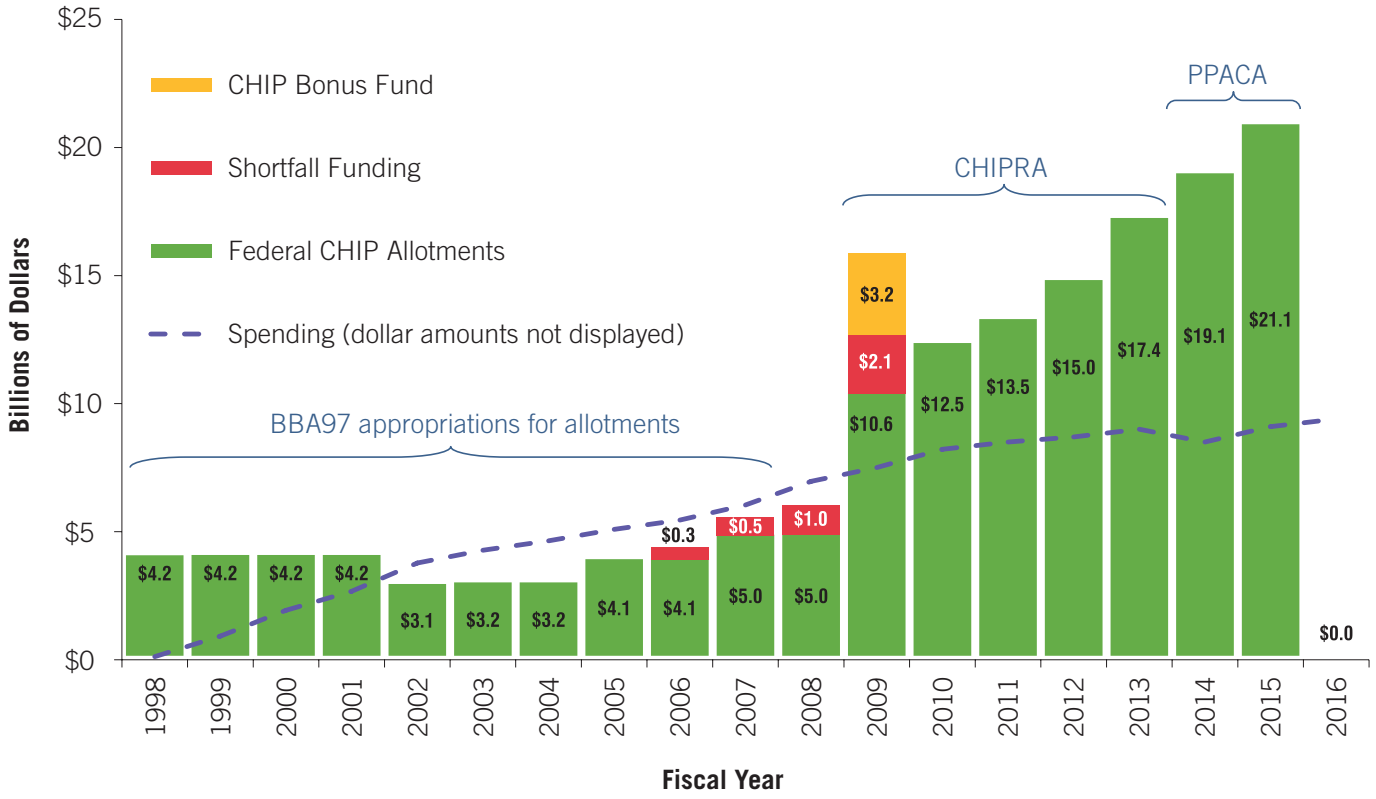
***King v. Burwell*:** In June 2015, the Supreme Court will issue a decision in a case challenging the authority of the secretary of Health and Human Services (HHS) to make federal-premium and cost-sharing assistance available through the federal health insurance exchange. Should the Court rule against the secretary, lower income, uninsured children eligible for coverage through the federal exchange would lose any assistance, barring congressional or agency intervention.

**Comparable Benefits:** If a child loses coverage through CHIP, many private plans do not offer the same benefits, such as pediatric dental benefits, or lower cost-sharing. As a result, if a former CHIP-eligible child is enrolled in private coverage, the child could face barriers to care due to differences in benefits, higher cost-sharing, or both.

## Long-term Considerations

Beyond the near-term problems identified above, there is inherent programmatic confusion in CHIP as implemented today. Families and taxpayers are not well served by multiple federal and state programs that impose different eligibility requirements, enrollment processes and enrollment periods, different premium and cost-sharing requirements, and potentially different provider networks for parents and their children. The current patchwork of coverage for parents and children (often different programs for children in the same family, depending on their ages) is confusing, administratively burdensome for families, and an inefficient use of taxpayer dollars. In the coming years, coverage gaps can and should be addressed, ending the need for CHIP.

# Federal CHIP Appropriations, FY 1998-2016




***Source:*** *Chart reproduced courtesy of Medicaid and CHIP Payment and Access Commission (MACPAC).*

***Notes:*** *The figure shows amounts explicitly appropriated in statute. Redistributed amounts are not shown as separate appropriations because they come from allotments (shown in the figure) that were appropriated but unspent. Federal CHIP spending is from all sources (allotments, redistributed funds, shortfall funding, bonus payments). For FY 2002-5, the line in the figure shows spending nationally exceeding the annual allotment appropriations but no shortfall funding; shortfall appropriations were not needed during this time because states also drew from their unspent prior-year balances and redistribution funds. For FY 2006-8, shortfall funding represents the amounts appropriated in separate bills to eliminate projected shortfalls in those years; for FY 2009, shortfall funding is the initial appropriated amount for the CHIP contingency fund created by CHIPRA.*

*BBA 97=Balanced Budget Act of 1997 (P.L. 105-33); CHIPRA=Children's Health Insurance Program Reauthorization Act of 2009 (P.L. 111-3); PPACA=Patient Protection and Affordable Care Act (P.L. 111-148).*

***Source:*** *Appropriated amounts are from MACPAC analyses of §§2104 and 2105 of the Social Security Act and §108 of CHIPRA, as amended by §10203(d)(2)(F) of PPACA. Actual federal CHIP spending (FY 1998-2010) is from Centers for Medicare & Medicaid Services (CMS) expenditure reports; projected federal CHIP spending (FY 2011-2016) is from Congressional Budget Office (CBO), "Spending and Enrollment Detail for CBO's March 2011 Baseline: Children's Health Insurance Program (CHIP)," March 18, 2011, http://www.cbo.gov/budget/factsheets/2011b/Chip.pdf.*

# BPC Recommendations

As Bipartisan Policy Center (BPC) health project leaders, we propose the following recommendations:

**1. Extend CHIP for a minimum of two years,** while recognizing that two years does not provide sufficient time for state and federal elected officials and agencies to address major programmatic changes sought by policymakers on both sides of the aisle and at both levels of government.

**2. Extend CHIP funding at the current authorized 2015 level of $21.1 billion per year.** Any increase in authorized spending over the current congressionally assumed baseline spending of $5.7 billion per year, must be offset so that program extension costs do not increase the federal debt. This would mean identifying spending reductions or revenue increases (or a combination of the two). Final estimates will be made by the Congressional Budget Office (CBO) at the time of the program's extension, but based on previous CBO scoring projections and underlying assumptions about interactions with Medicaid and the exchanges should the CHIP extension not occur, the two-year cost of extending this program is likely to be approximately $5 billion.

**3. Eliminate gaps in coverage** by resolving issues related to the ACA, such as the so-called "family glitch," or other gaps created by changes in eligibility premium tax-credits and cost-sharing subsidies.

**4. Over the long term, modify eligibility** for public and private coverage (Medicaid, employer-sponsored coverage, exchange-based insurance) to allow children and parents to be enrolled in the same insurance plan, eliminating the need for CHIP.

**5. Also over the long term, ensure that differences in benefits** and out-of-pocket costs in current employer-sponsored or exchange plans do not result in the loss of important benefits, such as dental services, or in high cost-sharing for lower income children.

To read the full report, visit http://bipartisanpolicy.org/wp-content/uploads/2015/03/BPC-CHIP-March-15.pdf

*BPC would like to thank the Robert Wood Johnson Foundation for their generous support in producing this report.*

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