Insight

CHIP Extension and How the ACA Fails Families

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INTRODUCTION

Over the next year, Congress will consider the future of the popular Children's Health Insurance Program (CHIP). At least in theory, that future should be dim since the Affordable Care Act (ACA) was intended to provide coverage to the majority of the same population of children CHIP currently serves. However, due to failures of the ACA, over one million children could be without health care coverage if CHIP is eliminated. As Congress turns its attention to reauthorization, policy makers should focus on tailoring the current program to a changing health care system and the children depending on CHIP, rather than trying to score political points or blindly reauthorizing the existing program without necessary reforms. Quality, affordable, accessible health care for children is certainly a priority for both political parties.

OVERLAPPING PROGRAMS

The ACA, as designed, mandates coverage for all Americans.[1] The mandate also applies to children – requiring them to be covered under their parents' insurance or through the Exchanges or public insurance.[2] Every state has CHIP, originally designed to support families whose incomes were too high for Medicaid coverage, but too low to afford private health insurance. Like Medicaid, CHIP uses the federal poverty level (FPL) to measure program eligibility. States vary in their levels of CHIP eligibility, usually ranging between 175 and 400 percent FPL, up to $95,400 for a family of four.[3]

Because of the ACA, every state also has a health insurance Exchange where premium subsidies are available for individuals whose incomes are between 138[4] percent FPL and 400 percent FPL – greatly overlapping the CHIP income eligibility bracket. There is an opportunity for those that previously only had coverage for their children to now obtain a health insurance plan through the Exchange that covers their entire family. This overlap in insurance program coverage raises the question for policy makers of why the CHIP program should continue to exist at all. After all, if the ACA ensures affordable coverage for families in the same income bracket covered by CHIP, what purpose does CHIP serve?

THE FAMILY GLITCH

Since the ACA provides the means for coverage and requires that coverage be purchased, CHIP and its $15 billion in federal spending in 2015 should be stricken from the federal budget.[5] However, as it turns out, if the program is eliminated a significant number of children may no longer have access to coverage due to a problem in the ACA known as the "family glitch."

Though the ACA mandates that employers offer coverage deemed affordable[6] for their employees, the administration has interpreted this requirement as applying only to the employee and not extending the same

benefits to members of the employee's family. If an employee is offered coverage through their place of work, they and their family are no longer eligible for subsidized insurance in the Exchange.[7] This flaw in the ACA's design prevents an estimated 1.9 million[8] children from having access to subsidized health insurance through the Exchange.[9]

As a result of failures of the ACA and in its implementation, CHIP cannot simply be eliminated without complicated policy changes to alleviate the barrier to coverage the ACA imposes on those families. The failure of the ACA to provide access to coverage for millions of children requires either substantial changes to the law itself or a limited reauthorization of CHIP funding.

THE CHIP EXTENSION ACT OF 2014

Policy makers on both sides of the aisle are beginning to consider CHIP reauthorization and the best direction for the program going forward. On June 11th, Senator Jay Rockefeller (D-WV) released a proposal for the extension of CHIP funding.[10] The CHIP Extension Act of 2014 (S. 2461) continues federal funding until 2019, adds new program requirements, and introduces irresponsible state options for administration of the program. The legislation spends $87.7 billion over the 2015-2019 time period[11] and provides for $750 million a year in state incentive spending for 2016-2019.[12] Along with the extension of billions of dollars in federal spending and millions in additional state spending, the bill increases complexity in an already convoluted system, and encourages the removal of personal accountability from the program.

The legislation increases the burden on states by requiring them to establish a transition procedure for those children and pregnant women moving between CHIP and the health insurance exchange in the state. And under S. 2461, transfers to qualified health plans would be prohibited unless the plan has been certified comparable by the Department of Health and Human Services (HHS).[13] The Secretary of HHS is charged with developing these comparability standards, which must include comparable affordability to the CHIP program, comprehensive benefits to those offered in CHIP, and network adequacy comparable to CHIP.[14]

Further, the legislation also provides incentive payments to states for making seven of fourteen prescribed changes to their CHIP programs. Two of these options are the removal of premiums (or enrollment fees) for some CHIP beneficiaries, and the elimination of the lock-out period for unpaid premiums; and instead allowing individuals to immediately re-enroll in the program upon payment of premiums. [15] The removal of these two provisions works to eliminate beneficiary responsibility from CHIP.

A BETTER DIRECTION

Instead of additional layers of bureaucracy and more complexity, CHIP should be redesigned to meet the needs of a post-ACA health care system, while continuing personal responsibility provisions. Just as individuals in the Exchange that fall into the 138 to 400 percent FPL bracket are often required to pay a premium for the health care services, eligible families with CHIP beneficiaries should continue to pay a premium for their services. Since states are the administrators of the program, reauthorization should focus on allowing states to be more innovative and efficient in their ability to charge premiums, copays and enrollment fees. If these policy levers stay in place, states can structure them in a way that is beneficial for the program and allows the enrollee to have greater involvement in their health care services.

CONCLUSION

Reauthorization of CHIP should adapt to the changing health care system. CHIP changes should target the specific group of individuals that the ACA fails to assist. During the reauthorization process, policy makers should examine the specific needs of children and families still depending on the program. Because of the loopholes in the ACA, some children will still need CHIP, but any reauthorization of the program should be designed and funded in a way that allows states to meet the needs of their changing CHIP populations, streamlines program operations and maintains beneficiary responsibility.

[1] Coverage is not required if an individual chooses to pay the personal responsibility penalty or meets one of the exemption criteria listed by HHS.