

Insight



Restoring the Bipartisan Promise of the Children's Health Insurance Program

TARA O'NEILL HAYES, CHRISTOPHER HOLT | MARCH 3, 2015

The [Children's Health Insurance Program](#) (CHIP) was created in 1997 to extend health insurance coverage to children above the income threshold for Medicaid but still lacking other health insurance options. Like Medicaid, this program is jointly funded by the states and the federal government, but the federal government matches state funds at a higher “enhanced match” rate (70 percent on average compared with 57 percent on average for Medicaid).[1] In exchange for the higher match, CHIP allotments are capped. Further, because the families of children in CHIP are not as financially burdened as those in Medicaid, states are given the authority to impose cost-sharing requirements on beneficiaries in order to help fund the program.

While the Affordable Care Act (ACA) in 2010 provided reauthorization—as well as onerous state maintenance of effort requirements—for CHIP through 2019, funding for CHIP was only extended to September 2015. Of course, this is problematic. Due to the “maintenance of effort” provision in the law, states will be required to continue providing coverage to CHIP enrollees whether or not they receive any federal funds. Given states’ already constrained budgets, having to pay such additional expenses will be very difficult and would likely force cuts to be made to other state programs. Most lawmakers agree on the importance of extending CHIP funding beyond 2015, and Republicans and Democrats in both the House and Senate have begun unveiling proposals to do just that. However, the details of those plans highlight stark differences in priorities.

Democrats are largely calling for an extension of CHIP funding without modifications to current program provisions. This includes the ACA’s extreme 23 percent increase in federal matching funds above and beyond the already enhanced federal medical assistance percentage (FMAP). They are also seeking to maintain “express lane” eligibility. This provision allows people who are eligible for certain other federal assistance programs to be automatically deemed eligible for CHIP.[2]

Some Republicans, on the other hand, are proposing to extend funding for the program, but with moderate reforms to restore fiscal responsibility and return the program to its original intent—providing coverage to needy children. To do so, Senator Orin Hatch (R-UT), and Congressman Fred Upton (R-MI) and Congressman Joe Pitts (R-PA) have draft legislation that would limit federally funded coverage to children of families at or below 300 percent of the federal poverty level (FPL).[3] Their draft proposal would also reduce the enhanced federal match for beneficiaries between 250 and 300 percent FPL, and eliminate the 23 percent “bump” in matching federal funds called for in the ACA altogether. Furthermore, the draft proposal would eliminate some of the burdensome regulations imposed by the ACA, such as the problematic maintenance of effort requirements discussed earlier, and the requirement that states move children in the 100-138 percent FPL range out of CHIP and into Medicaid now that they are eligible for Medicaid under the ACA’s expansion of the program.

While some have been quick to criticize efforts to restore CHIP to its original intent, the arguments are unjustified. Some have complained that limiting coverage to individuals with family income at or below 300 percent FPL and reducing the federal match for those above 250 percent FPL would cause children in more than

half of the states to be adversely impacted, whether through lost coverage, reduced benefits, increased cost-sharing or longer waiting lists.[4] However, the Congressional Research Service found that less than 3 percent of children enrolled in CHIP in 2013 were from families with incomes above 250 percent FPL, and only 0.6 percent of enrollees were from families with incomes over 300 percent FPL.[5] Rather than imperiling children, refocusing the program's resources will help to ensure that those children most in need will have access to benefits.

Arguments against eliminating the ACA's 23 percent bump in federal matching funds are simply overblown. No one has suggested that the CHIP program is struggling to meet its objectives; if anything the argument is that the program has grown bloated, extending beyond its original mission. According to the sponsors, the Congressional Budget Office has indicated that the 23 percent increase in federal funds will do nothing to extend coverage to additional beneficiaries, and will cost the federal government at least \$10 billion.[6] CHIP has long been a bipartisan success story, with support from Republicans and Democrats alike. Increasing the federal government's expenditures on the program is unnecessary and irresponsible during a time of such extreme federal debt. Further, removing the state's vested interest in the integrity of the program (by reducing their financial responsibility) seems unwise. If states no longer have a financial stake in the program, they will have less incentive to curtail costs. Along those same lines, the proposed removal of the maintenance of effort requirement restores flexibility to the states allowing them to continue modifying their programs as they see fit.

Hatch, Upton and Pitts frame their approach as one that "reclaims the state-based nature of the program." As Congress works to find a workable solution and prevent disaster for the states and the CHIP program, stakeholders should keep in mind the true intent of the program. It's time to put the focus back on those children most in need and restore CHIP to its original purpose.

[1] <http://americanactionforum.org/research/primer-the-childrens-health-insurance-program-chip>