



The Children's Health Insurance Program: Recent Policy Changes and Action Steps for Advocates

A Brief Introduction to the Children's Health Insurance Program

Congress established the Children's Health Insurance Program (CHIP) more than 20 years ago. The program provides health coverage to children of low- and moderate-income families who are not eligible for Medicaid. Through Medicaid and CHIP, we have made significant gains in children's health insurance coverage with the [insured rate for kids](#) reaching 95.5 percent in 2016. The program is a particularly important source of health insurance for [children of color](#) as well as [immigrant children](#).

CHIP is jointly operated by the federal and state governments, which share the program's costs. Congress must periodically pass legislation to fund the program. In September 2017, for the first time in the program's history, Congress allowed funding for CHIP to lapse. Congress did not restore funding until January 22, 2018 when it passed a [continuing resolution](#) (CR) to fund the federal government. On February 9, 2018, Congress passed the [Bipartisan Budget Act of 2018](#) that further extended funding for CHIP.

What Do These Bills Mean for CHIP?

Early this year, Congress passed two pieces of legislation that ensured ten years of funding for the Children's Health Insurance Program (CHIP) and made some changes to CHIP policy that advocates will want to monitor. In January, Congress passed a continuing resolution that funded CHIP for six years. In February, Congress enacted the Bipartisan Budget Act of 2018 providing an additional four years of funding for the program. This means CHIP is securely funded through September 30, 2027. We are, of course, relieved that CHIP will enjoy some stability for the coming years but as usual the work continues.

In addition to providing funding, the pieces of legislation made some changes to CHIP policy that advocates will want to monitor. First, the Bipartisan Budget Act extends the Affordable Care Act's maintenance of effort¹ through September 30, 2027. However, beginning on October 1, 2019 states that currently have CHIP eligibility above 300 percent of the federal poverty level will have the option of lowering it to 300 percent. In states with CHIP eligibility below 300 percent of the federal poverty level, policymakers must maintain current eligibility levels until September 30, 2027.

¹ The Affordable Care Act's maintenance of effort required states to maintain the eligibility levels for children in Medicaid and CHIP that were in place as of March 23, 2010 through September 30, 2019. For more information, see, Dear State Medicaid Director Letter regarding the Maintenance of Effort from February 25, 2011, available here <https://www.medicaid.gov/federal-policy-guidance/downloads/smd11001.pdf>.

Second, the January continuing resolution made changes to CHIP's current [federal matching rate](#) put in place by the Affordable Care Act. The Affordable Care Act increased the traditional federal match rate for CHIP by 23 percentage points. This higher match rate will remain in effect until October 1, 2019 when it will decrease to 11.5 percent. The January continuing resolution eliminates the higher match on October 1, 2020 when it returns to the traditional CHIP matching rate.

What Should Advocates Know About the Impact of the CHIP Policy Changes?

State advocates should not wait to begin thinking about these policy changes because the opportunities to influence their implementation are quickly approaching. Advocates should be preparing now to engage in state level discussions about changes to the maintenance of effort and the reduction in the enhanced match. Policymakers in states with income eligibility above 300 percent of the federal poverty level could decide to reduce CHIP eligibility as early as the fall of 2019. In states with income eligibility below 300 percent, the maintenance of effort requirement would prevent changes until the fall of 2027. At the same time, states will also need to prepare for the reduction in the federal match rate for CHIP. With the Affordable Care Act (ACA)'s 23-percentage point increase for the federal CHIP match, many states benefited from the federal government covering the full costs of CHIP while others only needed to use a small amount of state funds. As the ACA's enhanced match winds down, states will need to identify sources of state funds to make up the difference.

Questions to Consider Regarding Maintenance of Effort Changes

What is the highest income level your state currently uses for CHIP eligibility?

You can find your state's CHIP income eligibility guidelines [HERE](#).

- Is your state's eligibility level above 300 percent of the federal poverty level?
 - If yes, your state might try to reduce CHIP eligibility levels to 300 percent on or after October 1, 2019.
 - If no, keep in mind that your state might try to reduce eligibility levels on or after October 1, 2027.
- If your state's eligibility level is above 300 percent, consider reaching out to your state officials to encourage them to maintain the current eligibility levels beyond the fall of 2019.
- However, even if your state's eligibility level is below 300 percent, consider reaching out to remind your state officials of the importance of CHIP in your state.

Questions to Consider Regarding Changes to the Federal Match Rate

What is the current federal match rate for your state's CHIP program?

The U.S. Department of Health and Human Services publishes federal match rates in the Federal Register in the autumn approximately one year prior to their implementation. You can find your state's match rate for federal fiscal year (FFY) 2019 [HERE](#) in Table 1. For example during federal FY19, thirteen states including the District of Columbia have a 100 percent federal match rate while fourteen states receive the lowest current match rate at 88 percent.

When will the phase out of the higher federal match rate affect your state's budget?

For CHIP, the federal government contributes an enhanced federal medical assistance percentage (E-FMAP) rate, which ranges from 65 percent to 85 percent. The Affordable Care Act increased the E-FMAP in every state by 23 percentage points with a limit of a 100 percent federal contribution. This 23 percent increase will stay in place through September 30, 2019. The January continuing resolution reduced the 23-percentage point increase to 11.5 percent beginning on October 1, 2019 and eliminates it on October 1, 2020. This means the reduced match rate will affect state budgets for 2019 and the elimination of the match rate will affect budgets for 2020.

When should advocates start talking about the change in the federal CHIP match rate?

The vast majority of state legislatures will pass budgets that will be impacted by the reduction in federal CHIP match rate in 2019.² The variety of budget processes mean that your state policymakers may already be considering the impact of the upcoming changes to the federal CHIP match. As a result, advocates should begin talking to decision makers now about how the reduction in the federal match rate will affect your state budget. This will ensure that as governors and legislators develop budget proposals for consideration during the 2019 legislative session, advocates can weigh in on state funding for the CHIP program.

Taking the Next Steps

We know that each state's circumstances and budget process is different. No matter your state's situation, Community Catalyst is here to help ensure that your state maintains its current eligibility levels and that your state is prepared to address its funding needs as the higher federal CHIP match winds down. Please reach out to Kyle Marie Stock (kmstock@communitycatalyst.org) to discuss your state's situation and your advocacy strategy.

² A very small number of states are considering the impact of changes to the federal CHIP match during the 2018 legislative session. For details on the budget process in your state, see National Association of State Budget Officers, *Budget Processes States* (2015) at 8-9, <https://www.nasbo.org/reports-data/budget-processes-in-the-states>.