

UPDATES TO THE CHILDREN'S HEALTH INSURANCE PROGRAM

AN ISSUE BRIEF FROM LEGISLATIVE BUDGET BOARD STAFF

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OBJECTIVE

The Children's Health Insurance Program (CHIP) provides health insurance coverage for uninsured, low-income children at incomes more than Medicaid eligibility thresholds.

KEY FACTS

- ◆ The federal Patient Protection and Affordable Care Act of 2010 (PPACA/ACA) increased the Enhanced Federal Medical Assistance Percentage (EFMAP) for most federal funded services based on the EFMAP by 23.0 percentage points from October 1, 2015, to September 30, 2019.
- ◆ The ACA required all children up to 138.0 percent of the federal poverty level to be covered in Medicaid. This requirement resulted in the transition of some children in CHIP to Medicaid.
- ◆ The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) extended federal funding for CHIP through federal fiscal year 2017.

BUDGETARY IMPACT

The Eighty-fourth Legislature, 2015, appropriated \$152.4 million in General Revenue Funds (\$1,784.5 million in All Funds) for CHIP for the 2016–17 biennium.

STATUTORY REFERENCES

PPACA, Sections 2001, 2002, and 2101, and the U.S. Code (USC), Title 42, Sections 1396 and 1397ee

MACRA, Section 301, and 42 USC, Section 1397dd

The federal Balanced Budget Act of 1997 established the Children's Health Insurance Program (CHIP). CHIP provides health insurance coverage for uninsured, low-income children at incomes more than Medicaid income eligibility thresholds. States are permitted to use CHIP funds to expand Medicaid or operate a separate CHIP program. Texas operates a separate CHIP program. In general, to qualify for CHIP, a child must be a U.S. citizen or legal permanent resident, a Texas resident, younger than age 19, and uninsured for at least 90 days. An eligible child must also be in a family with an income at or lower than 206 percent of the federal poverty level (FPL).

In 2007, Texas began operating the CHIP Perinatal program. The program provides CHIP coverage to unborn children and newborns of mothers who do not qualify for Medicaid due to immigration status or income. To qualify for CHIP Perinatal, an expecting mother must be a Texas resident. An eligible expecting mother must also have a family income of less than 207 percent of the FPL with a 5.0 percent income disregard. Expecting mothers are exempt from the 90-day waiting period. Upon delivery, newborns that are ineligible for Medicaid are eligible for CHIP Perinatal for a total of 12 months of coverage. Newborns born to mothers at or lower than 203 percent of the FPL are eligible for Medicaid.

CHANGES TO THE CHIP INCOME ELIGIBILITY DETERMINATION PROCESS

Effective January 1, 2014, the ACA required that income eligibility determinations of nondisabled applicants younger than age 65 in Medicaid and CHIP be made based on the modified adjusted gross income (MAGI). The MAGI-based determination process replaced the previous Medicaid and CHIP income eligibility requirements and assets test. The ACA also mandated a 5.0 percent income disregard to the MAGI-converted income level.

CHANGES TO CHIP FUNDING

Similarly to Medicaid funding, the federal government matches state spending on eligible CHIP beneficiaries based on a formula that relies on a state's relative per capita income. The federal government's share of CHIP is referred to as the Enhanced Federal Medical Assistance Percentage (EFMAP). The CHIP EFMAP is a more favorable match than the Federal Medical Assistance Percentage (FMAP), the primary matching rate for Medicaid. The federal match is 92.99 percent for CHIP, compared to a 57.13 percent match for Medicaid in federal fiscal year 2016. The ACA increased the EFMAP for most federally funded services based on the EFMAP by 23.0 percentage points from October 1, 2015, to September 30, 2019. Texas' EFMAP increased from 70.64 percent in federal fiscal year 2015 to 92.99 percent in federal fiscal year 2016.

TRANSITION OF CERTAIN CHILDREN FROM CHIP TO MEDICAID

Before the implementation of the ACA, Medicaid eligibility requirements in Texas covered children ages six to 18 up to 100 percent of the FPL. Effective January 1, 2014, the ACA required all nondisabled children up to 138 percent of the FPL with the 5.0 percent income disregard to be covered in Medicaid. The increased Medicaid eligibility threshold resulted in

the transition of some children who were formerly eligible for and receiving services in CHIP into the Medicaid program. This group includes children who were income-eligible for Medicaid but enrolled in CHIP because of the Medicaid assets test. The EFMAP, including the 23.0 percentage point increase, continues to apply to children who have transitioned to Medicaid due to provisions of the ACA.

Figure 1 shows average monthly CHIP enrollment and Medicaid enrollment for nondisabled children for fiscal years 2013 to 2017. Beginning in fiscal year 2014, Medicaid enrollment shows an increase, and CHIP enrollment shows a decrease. This change was due to the expanded Medicaid eligibility for children ages six to 18. Transitions occurred at the time families renewed their coverage. The Legislative Budget Board assumes all transitions were completed by February 2015.

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Figure 2 shows CHIP funding by method of finance for fiscal years 2013 to 2017. The decrease in All Funds beginning in fiscal year 2014 is a result of the transition of some children from CHIP to Medicaid. The decrease in General Revenue Funds beginning in fiscal year 2016 is due to a reduction in the proportion of the program funded with General Revenue Funds. This reduction is related to the 23.0 percentage point increase to the EFMAP provided by the ACA.

REAUTHORIZATION OF CHIP

The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) extended federal funding for CHIP through federal fiscal year 2017 with no major program changes. MACRA included a special rule for determining state allotments in federal fiscal year 2016 to account for the 23.0 percentage point increase in the EFMAP provided by the ACA. Without the adjustment, states would have reached their federal fiscal year 2016 allotment faster. In addition, MACRA reduced the amount of remaining federal fiscal year 2017 CHIP funds that states can expend in federal fiscal year 2018 by one-third.

Although federal funding provided by MACRA will end on September 30, 2017, the ACA authorized CHIP through federal fiscal year 2019. The ACA prohibits states from restricting CHIP eligibility standards, methodologies, or procedures until September 30, 2019. If the U.S. Congress does not reauthorize funding for CHIP, states with separate CHIP programs, such as Texas, would not be required to provide coverage after federal funding is exhausted. However, these states would be required to have procedures to enroll children in Health Insurance Marketplace plans that are certified as being comparable to CHIP, if available.

USEFUL REFERENCES

Medicaid and CHIP Payment and Access Commission: Report to the Congress on Medicaid and CHIP, June 2015: www.macpac.gov/publication/june-2015-report-to-congress-on-medicaid-and-chip/

CONTACT

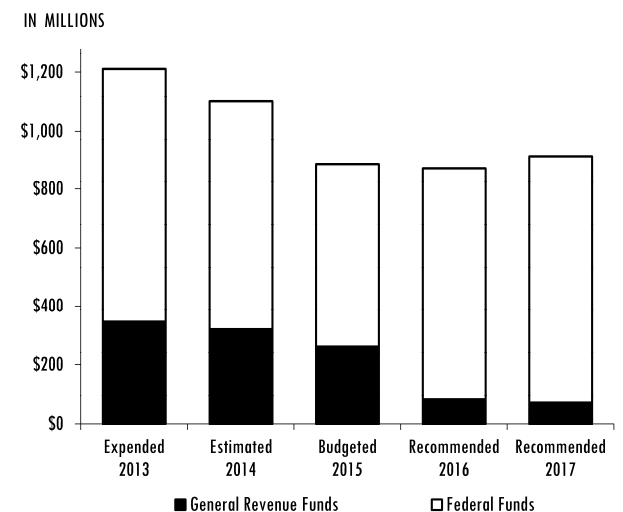
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**FIGURE 1
CHIP AND MEDICAID AVERAGE MONTHLY ENROLLMENT, FISCAL YEARS 2013 TO 2017**

| PROGRAM | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| CHIP | 630,646 | 561,458 | 376,406 | 384,317 | 405,626 |
| Medicaid (Nondisabled Children) | 2,615,407 | 2,676,577 | 2,962,112 | 3,031,692 | 3,072,996 |

NOTES: Fiscal years 2013 and 2014 enrollment show actual caseloads. Fiscal year 2015 enrollment shows estimated caseload. Fiscal years 2016 2017 enrollments show targets included in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium. Children’s Health Insurance Program (CHIP) enrollment includes CHIP Perinatal.
SOURCES: Legislative Budget Board; Texas Health and Human Services Commission.

**FIGURE 2
CHIP FUNDING BY METHOD OF FINANCE
FISCAL YEARS 2013 TO 2017**



NOTE: CHIP=Children’s Health Insurance Program.
SOURCE: Automated Budget and Evaluation System of Texas, Legislative Budget Board.