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Extend Funding for the Children's Health Insurance Program (CHIP)

The Children's Health Insurance Program (CHIP) was enacted in the Balanced Budget Act of 1997 and has grown to cover 8 million children and pregnant women in families that earn income above Medicaid eligibility levels, but are unable to afford health insurance. CHIP and Medicaid together have brought coverage rates for children to a historic high of 92.8 percent nationally. Because states have flexibility in designing their CHIP programs, income eligibility limits range from a low of 175 percent of the federal poverty level (FPL) to a high of 405 percent of FPL. While the CHIP program is permanently authorized, no new funding is available after fiscal year 2015. CHIP remains an essential program for ensuring coverage for children is affordable and accessible. Without CHIP many children could become uninsured as private insurance may be unaffordable or unable to meet child-specific needs. It is critical that additional funding for CHIP is authorized as quickly as possible to ensure no disruption in coverage for children and to ensure States are able to continue operating their programs.

CHIP's lower out-of-pocket costs mean better access for low and moderate income families. Premiums and out-of-pocket costs are significantly lower for families in CHIP as compared with private insurance. While the State chooses the level of cost sharing, out-of-pocket expenses cannot exceed 5% of family income. Even with tax credits and other financial support available, both GAO and MACPAC concluded that in nearly all instances CHIP coverage will be more affordable than that offered in the Marketplace. As a result, according to MACPAC, if CHIP funding is not extended, many children moving from CHIP to Marketplace coverage would experience greater cost sharing.[1]

CHIP provides age-appropriate benefits that children need for growth and development. While States have flexibility in determining specific benefit coverage, CHIP typically provides more comprehensive benefits at better cost than plans offered in the Marketplace. A recent GAO study found that the range of benefit categories covered by five states' CHIP programs are similar to that in Marketplace benefit benchmarks, but the CHIP programs generally include fewer benefit limits than the Marketplace benchmark plans.[2] Furthermore, Marketplace benefit benchmarks are created predominantly for adults, while states designed CHIP benefits for children and often include Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefits and pediatric dental coverage. In a recent report, the National Academy for State Health Policy and Georgetown University Center for Children and Families stated that CHIP provides "robust coverage of benefits needed by children" with "substantial financial protection for families", thereby making CHIP a "strong model for ensuring comprehensive and affordable coverage for children".[3]

CHIP provider networks are more comprehensive and designed with kids in mind. Children require appropriate care from providers trained to care for pediatric developmental needs. CHIP plans include providers with pediatric expertise, whereas Marketplace plans may have narrower networks that exclude important pediatric providers. CHIP programs also must cover out-of-network providers when the network is not adequate for a child's medical condition, while Marketplace plans do not have this same requirement.

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[1]MACPAC, *Report to the Congress on Medicaid and CHIP* (June 2014).
[2]GAO, *Children's Health Insurance: Information on Coverage of Services, Costs to Consumers, and Access to Care in CHIP and Other Sources of Insurance*, GAO-14-40 (November 21, 2013).
[3]National Academy for State Health Policy and Georgetown University Center for Children and Families, *Benefits and Cost Sharing in Separate CHIP Programs* (May 2014).

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Many children would be left with no affordable options without CHIP. Marketplace coverage might be available for some children, but it will not be available for all. According to the Kaiser Family Foundation, in 2013, the average annual premium for employer-sponsored health insurance was $5,884 for individual coverage, compared to $16,351 for family coverage.[4] Because of the "Family Glitch", individuals are considered to have access to affordable coverage and are not able to access tax credits or subsidies for Marketplace plans if the premium for individual coverage is less than 9.5 percent of their income, but does not take into account the much higher cost of family coverage. According to GAO, many families, including up to 2 million children who would otherwise be eligible for Marketplace coverage, will not be able to afford coverage. CHIP ensures these children have an affordable health insurance option.

States need predictability in budgeting. No new CHIP funding will be available starting in fiscal year 2016 (October 1, 2015), but Congress should not wait until then to act. States need to know whether these resources will be available in order to maintain their contracts with health plans and providers to provide essential health care to children and pregnant women. The sooner Congress passes legislation to extend CHIP funding, the more time states will have to ensure such critical coverage is not disrupted.

Without CHIP, States stand to lose billions in aid, which in turn drives economic activity. If CHIP funding is not extended, states providing CHIP coverage through their Medicaid programs could receive up to $2.8 and $3.2 billion less in federal funding for such coverage in 2016. States that operate separate CHIP programs could lose between $5.1 and $6.9 billion in federal support for children's coverage, according to preliminary findings from the Georgetown University Center for Children and Families and the Center on Budget and Policy Priorities.

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[4]Kaiser Family Foundation, *2013 Employer Health Benefits Survey* (August 20, 2013).