



**Oral Statement of Alison Mitchell  
Analyst in Health Care Financing  
Congressional Research Service**

**Before**

**House Energy and Commerce Committee, Subcommittee on Health  
U.S. House of Representatives**

**December 3, 2014**

**on**

**“CHIP Financing and the ACA MOE”**

Chairman Pitts, Ranking Member Pallone, and Members of the Subcommittee, my name is Alison Mitchell. I am an Analyst in Health Care Financing with the Congressional Research Service. Thank you for the opportunity to appear before you today to provide an overview of the State Children’s Health Insurance Program (CHIP) financing and the Patient Protection and Affordable Care Act (ACA) maintenance of effort (MOE) for children.

## **CHIP Financing**

The federal government and the states jointly finance CHIP with the federal government paying about 70% of CHIP expenditures. The federal government reimburses states for a portion of every dollar they spend on CHIP up to state-specific limits called allotments.

## **Federal Matching Rate**

The federal matching rate for states’ CHIP expenditures is determined by the enhanced federal medical assistance percentage (E-FMAP) rate, which is calculated annually and varies according to each state’s per capita income. In FY2015, the E-FMAP (or federal matching rate) ranges from 65% (in 13 states) to 82% (in Mississippi).

The ACA included a provision to increase the E-FMAP rate by 23 percentage points (not to exceed 100%) for most CHIP expenditures from FY2016 through FY2019. With this 23 percentage point increase, states would be expected to spend through their CHIP allotments faster.

## **State Allotments**

State allotments are the federal funds allocated to each state for the federal share of their CHIP expenditures. Allotments are provided to states annually, but the allotment funds are available to states for two years. This means that even though FY2015 is the last year states receive CHIP allotments, states could still receive federal CHIP funding in FY2016.

There are two formulas for determining state allotments: an even year formula and an odd year formula. In even years, state CHIP allotments are based on each state's previous year allotment, and in odd years, state's allotments are based on each state's previous year spending. Every year, states' CHIP allotments are adjusted for health care inflation and child population growth.

## **Maintenance of Effort (MOE)**

The ACA extended and expanded the MOE provision in the American Recovery and Reinvestment Act. The ACA MOE for children requires states to maintain their eligibility standards, methodologies, and procedures for Medicaid and CHIP children from the date of enactment (which was March 23, 2010) until September 30, 2019.

The MOE for children applies to both Medicaid and CHIP even though federal CHIP funding is not provided after FY2015. The penalty for not complying with any of these MOE provisions is the loss of all federal Medicaid matching funds. Together, these MOE requirements for Medicaid and CHIP impact CHIP Medicaid expansion programs and separate CHIP programs differently.

## **CHIP Medicaid Expansion Programs**

For CHIP Medicaid expansion programs, the Medicaid and CHIP MOE provisions apply concurrently. As a result, when a state's federal CHIP funding is exhausted, the state's financing for these children switches from CHIP to Medicaid. This switch would cause the state share of covering these children to increase because the federal matching rate for Medicaid is less than the E-FMAP rate.

## **Separate CHIP Programs**

For separate CHIP programs, only the CHIP-specific provisions of the ACA MOE requirements are applicable. These provisions contain a couple of exceptions to the MOE:

1. states may impose waiting lists or enrollment caps in order to limit CHIP expenditures or
2. after September 1, 2015, states may enroll CHIP-eligible children into qualified health plans in the health insurance exchanges that have been certified by the Secretary to be "at least comparable" to CHIP in terms of benefits and cost sharing.

In addition, in the event that a state's CHIP allotment is insufficient to fund CHIP coverage for all eligible children, a state must establish procedures to screen CHIP-eligible children for Medicaid eligibility. For children not eligible for Medicaid, the state must establish procedures to enroll CHIP-eligible children in qualified health plans offered in the health insurance exchanges that have been certified by the Secretary

---

to be “at least comparable” to CHIP in terms of benefits and cost sharing. Under these ACA MOE provisions, states are only required to establish procedures to enroll children in Secretary-certified qualified health plans. If there are no certified plans, the MOE does not obligate states to provide coverage to these children.

## **Conclusion**

Fiscal year 2015 is the last year federal CHIP funding is provided under current law. If no additional federal CHIP funding is provided, once federal CHIP funding is exhausted, CHIP children in CHIP Medicaid expansion programs would continue to receive coverage under the Medicaid program through at least FY2019, due to the ACA MOE. However, coverage of CHIP children in separate CHIP programs, who are not eligible for Medicaid, depends on the availability of qualified health plans that are certified by the Secretary to be “at least comparable” to CHIP in terms of benefits and cost sharing unless states decide to provide state-funded coverage.

This concludes my statement. I would be happy to answer any questions you may have at the appropriate time.

---