THE COMMITTEE ON ENERGY AND COMMERCE

MEMORANDUM

December 1, 2014

To: Health Subcommittee Members

From: Majority Committee Staff

Re: Hearing on "The Future of the Children's Health Insurance Program"

On December 3, 2014, at 10:15 a.m. in 2322 Rayburn House Office Building, the Subcommittee on Health will hold a hearing entitled "The Future of the Children's Health Insurance Program." The Subcommittee will hear testimony on key issues that Congress should evaluate as it considers the future of the State Children's Health Insurance Program (CHIP), including the current status of the program and how the President's health care law has affected it. Funding for CHIP is set to end after fiscal year 2015. The following contains additional background on the witnesses and CHIP.

I. Witnesses

- Evelyne Baumrucker, Health Care Financing Analyst, Congressional Research Service;
- Alison Mitchell, Health Care Financing Analyst, Congressional Research Service;
- Carolyn Yocom, Director, Health Care, Government Accountability Office; and,
- Anne Schwartz, PhD, Executive Director, Medicaid and CHIP Payment and Access Commission.

II. Background on CHIP

Enacted in 1997, CHIP is a Federal-State program that provides health coverage to certain uninsured children and pregnant women in families who have incomes that are too high for Medicaid eligibility, but who do not have private insurance. The Department of Health and Human Services' (HHS) Centers for Medicare and Medicaid Services (CMS) is the Federal agency responsible for overseeing CHIP, with States managing and administering the operations of their individual CHIP programs. States administer CHIP under general Federal requirements, and the programs vary in the services covered, costs to individuals and families, and eligibility requirements. A State's choices for the design of its program affects the coverage that enrollees receive.

- *Program Design and Benefits.* States may design their CHIP programs in three ways. They may cover eligible children under their Medicaid programs (i.e., CHIP Medicaid expansion), create a separate CHIP program, or adopt a combination approach where the State operates a

CHIP Medicaid expansion and one or more separate CHIP programs concurrently. The requirements differ based on the program's design:

- States that use CHIP Medicaid expansion programs generally must provide CHIP-eligible children with the full range of mandatory Medicaid benefits, as well as all optional services that the State chooses to cover as specified in their State Medicaid plans. Thus, CHIP children covered under CHIP Medicaid Expansion programs are eligible for Medicaid's Early and Periodic Screening, Diagnostic, and Treatment Program.

- States that offer separate CHIP programs are permitted to elect any of three benefit options: (a) the Blue Cross and Blue Shield standard option available to Federal employees; (b) a plan available to State employees; and (c) the health maintenance organization plan in the State with the largest commercial, non-Medicaid enrollment.

- *Covered Populations*. In fiscal year 2013, CHIP covered 8.1 million children and 10,000 pregnant women. Income eligibility varies by State and age group. Across States, the upper-income eligibility level ranges from 175 percent of the Federal poverty level (FPL) to 405 percent FPL. Among individuals covered in CHIP in fiscal year 2013:

  - 88.8 percent (7.2 million) had family income of no more than 200 percent FPL

  - 8.6 percent (0.6 million) had income above 200 percent FPL through 250 percent FPL

  - 2.6 percent (0.2 million) had income above 250 percent FPL

- *Program Financing*. The Federal government and the States jointly finance CHIP. The Federal government reimburses States for a portion of every dollar they spend on CHIP (for both CHIP Medicaid expansions and separate CHIP programs) up to State-specific limits called allotments. The Federal government pays about 70 percent of CHIP expenditures, and the Federal government's share of CHIP expenditures (including both services and administration) is determined by an enhanced Federal medical assistance percentage (E-FMAP) rate. The E-FMAP rate is derived each year by the Secretary of HHS using a set formula, which varies by State. By statute, the E-FMAP (or Federal matching rate) can range from 65 percent to 85 percent.

III. The Impact of the President's Health Care Law on CHIP

The Patient Protection and Affordable Care Act (PPACA or Obamacare) authorized CHIP through fiscal year 2019, but only provided appropriations through fiscal year 2015, thus creating a funding cliff for States. While PPACA largely maintained the structure of CHIP, it did make several changes to program eligibility and included additional requirements for States.

- *Increased Federal Spending*. PPACA included a provision to increase E-FMAP by 23 percentage points (not to exceed 100 percent) for most CHIP expenditures from fiscal year 2016 through fiscal year 2019. This would increase the statutory range of the E-FMAP rate to 88 percent through 100 percent. With this 23 percentage point increase, the Federal share

of CHIP will be significantly higher, which means States are expected to spend through their limited Federal CHIP funding (i.e., State CHIP allotments) faster when the enhanced rate takes effect. According to current estimates by the Congressional Budget Office, this increased funding will not result in a net increase in health coverage for children or pregnant mothers.

- *Mandated New Income Calculations*. PPACA required States to use the modified adjusted gross income (MAGI) income counting rules when determining eligibility for CHIP beginning January 1, 2014. Under the MAGI rules, a State looks at each individual's MAGI, deducts 5 percent (which the law provides as a standard disregard), and compares that income to the new income standards set by each State. The transition to MAGI effectively limits CHIP upper income eligibility levels for States by eliminating a State's ability to use income disregards to extend coverage to children in families at higher income levels. Also, under PPACA, States are permitted to use CHIP Federal matching funds to cover children who lose Medicaid eligibility as a result of the elimination of income disregards.

- *Forced Millions of Children Into Medicaid*. PPACA required States to transition CHIP children aged 6 through 18 in families with annual incomes of less than 133 percent FPL (based on MAGI) to Medicaid, beginning January 1, 2014. Coverage for such children will continue to be paid for out of the State's CHIP annual allotment at the enhanced CHIP matching rate, but the children will be covered under Medicaid.

- *Forced States to Maintain Income Eligibility Levels*. PPACA also required States to maintain income eligibility levels for CHIP through September 30, 2019, as a condition for receiving payments under Medicaid (notwithstanding the lack of corresponding Federal appropriations for fiscal year 2016 through fiscal year 2019). This provision often is referred to as the Maintenance of Effort (MOE) requirement.

IV. Considerations for Congress

Witnesses will address issues related to the future of CHIP and detail various considerations for Congress, which will include answers to questions such as:

- What are the health coverage effects on current CHIP enrollees if Federal CHIP funding is or is not extended?

- What is the impact on the Federal budget if Federal CHIP funding is or is not extended?

- What feedback have Governors/States provided about the current design of the program? What changes would they like to see Congress make?

- How does CHIP coverage (benefits, cost-sharing, and access) compare to Medicaid or Exchange coverage?

- To what extent does CHIP coverage crowd-out private coverage?

- How does the current structure of CHIP (along with Medicaid and Exchange coverage) affect whether or not parents and children have the same health coverage?

- What issues or concerns have been raised about the current design of the program by various stakeholders (health care providers, health plans, public health groups, children's advocates, etc.)?

- What analysis and data are available to Congress based on the work of CRS, GAO, and MACPAC? What additional work may be underway?

V. Conclusion

Should you have any questions regarding the hearing, please contact Josh Trent or Michelle Rosenberg at 202-225-2927.

VI. Appendix

Below is a table of fiscal year 2013 CHIP Program Type, Income Eligibility, and Enrollment Information, by State.

State and Program Type as of Jan. 1, 2014	Reported Upper Income Level for Children (% FPL)	CHIP Medicaid expansion	Separate CHIP program	Total children enrolled	Pregnant women
Alabama (S)	317	–	113,490	113,490	–
Alaska (M)	208	16,566	–	16,566	–
Arizona (S)	205	–	80,238	80,238	–
Arkansas (C)	216	106,413	2,888	109,301	–
California (C)	416	510,424	1,092,859	1,603,283	–
Colorado (C)	265	–	126,169	126,169	4,873
Connecticut (S)	323	–	18,999	18,999	–
Delaware (C)	217	79	13,101	13,180	–
District of Columbia (M)	324	9,057	–	9,057	–
Florida (C)	215	1,072	472,343	473,415	–
Georgia (S)	252	–	269,906	269,906	–
Hawaii (M)	313	30,979	–	30,979	–
Idaho (C)	190	19,881	25,518	45,399	–
Illinois (C)	318	162,134	174,963	337,097	–
Indiana (C)	255	105,655	46,760	152,415	–
Iowa (C)	380	22,159	61,511	83,670	–
Kansas (S)	250	–	76,164	76,164	–
Kentucky (C)	218	51,391	32,678	84,069	–

Louisiana (C)	255	140,876	9,092	149,968	–
Maine (C)	213	19,071	10,641	29,712	–
Maryland (M)	322	135,454	–	135,454	–
Massachusetts (C)	305	69,113	79,606	148,719	–
Michigan (C)	217	19,229	70,441	89,670	–
Minnesota (C)	288	91	3,744	3,835	–
Mississippi (S)	214	–	93,120	93,120	–
Missouri (C)	305	55,017	37,901	92,918	–
Montana (C)	266	–	31,496	31,496	–
Nebraska (C)	218	53,790	1,993	55,783	–
Nevada (C)	205	–	20,277	20,277	–
New Hampshire (M)	323	19,450	–	19,450	–
New Jersey (C)	355	90,512	116,249	206,761	291
New Mexico (M)	305	9,368	–	9,368	–
New York (C)	405	–	490,114	490,114	–
North Carolina (C)	216	81,656	201,916	283,572	–
North Dakota (C)	175	2,331	8,950	11,281	–
Ohio (M)	211	286,817	–	286,817	–
Oklahoma (C)	210	140,373	7,538	147,911	–
Oregon (S)	305	–	128,061	128,061	–
Pennsylvania (S)	319	–	267,073	267,073	–
Rhode Island (C)	266	24,508	2,069	26,577	349
South Carolina (M)	213	76,191	–	76,191	–
South Dakota (C)	209	13,357	4,275	17,632	–
Tennessee (C)	255	22,906	83,567	106,473	–
Texas (S)	206	–	1,034,613	1,034,613	–
Utah (S)	205	–	63,001	63,001	–
Vermont (S)	318	–	7,393	7,393	–
Virginia (C)	205	92,690	104,221	196,911	4,636
Washington (S)	305	–	44,073	44,073	–
West Virginia (S)	305	–	37,065	37,065	–
Wisconsin (C)	306	92,723	74,569	167,292	–
Wyoming (S)	205	–	8,815	8,815	–
Total		**2,481,333**	**5,649,460**	**8,130,793**	**10,149**

Source: MACPAC, *Report to Congress on Medicaid and CHIP*, March 2014, MACSTATS, Tables 3 and 9.