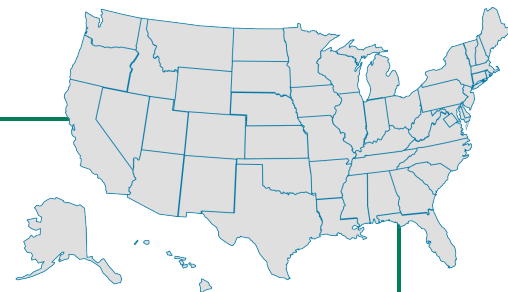


# The Future of Federal CHIP Financing



## How does federal CHIP financing work now?

The Children's Health Insurance Program (CHIP) is funded, at the federal level, through allotments that are distributed to states annually. States have two years to spend each annual allotment before any excess funds are redistributed to states that have a financing shortfall—when projected CHIP expenditures exceed available funds to finance the program. States with a shortfall that have met an average enrollment target can also access funding from the Children's Health Insurance Program Reauthorization Act (CHIPRA) child enrollment contingency fund.<sup>1</sup>

## Why is federal CHIP financing a current issue?

The Affordable Care Act (ACA) extended federal funding for CHIP allotments through federal fiscal year (FFY) 2015. Under current law, states will receive their final federal CHIP allotments in two semi-annual installments with the final installment made on April 1, 2015. States will have until September 30, 2016 to spend the allotment.<sup>2</sup> **Without federal action, all states will likely exhaust their federal CHIP allotments at some point in FFY 2016.**<sup>3</sup>

## Can contingency funds be used after allotments run out?

No. Use of funds from the child enrollment contingency fund is not authorized past FFY 2015<sup>4</sup> and the availability of redistribution funds will likely be limited in FFY 2016.

## Why will states run out of their allotments at different times in FY 2016?

When each state's federal allotment will run out depends on a variety of factors, including how the program is structured, what the state's share of program expenditures is, and whether any cost saving measures such as changes to benefits, cost sharing, or provider reimbursements have been made.

**Beginning in FFY 2016, the federal CHIP matching rate will increase by 23-percentage points.<sup>5</sup> This will also impact when states exhaust their federal CHIP allotments.** This ACA provision will result in federal CHIP matching rates ranging from 88 to 100 percent beginning in FFY 2016,<sup>6</sup> likely speeding up the rate at which states will exhaust their federal CHIP allotments.

## What happens when the federal allotment runs out?

This depends on how a state's CHIP program is structured. The maintenance of effort (MOE) requirement under the ACA requires that states maintain their 2010 eligibility levels for children in Medicaid and CHIP through 2019. If federal CHIP funding expires, states must continue to cover children in Medicaid expansion CHIP programs at the regular federal Medicaid match. However, separate CHIP programs can limit their enrollment based on the availability of federal funds<sup>7</sup> and so, in the absence of continued federal funding, separate CHIP programs can roll back eligibility for covered children.<sup>8</sup>

## What will happen to children in separate CHIP programs?

The ACA requires all states to have a process for screening children for Medicaid eligibility if federal CHIP funding runs out. Those that are ineligible for Medicaid must then be enrolled in marketplace coverage that has been certified comparable to CHIP by the Secretary of the U.S. Department of Health and Human Services (HHS).<sup>9</sup> As of July 2014, HHS has not released guidance defining the requirements for Secretary certification. This leaves some uncertainty about how these former separate CHIP children will be covered in future.

<sup>1</sup> Social Security Act (SSA) §2104

<sup>2</sup> SSA §2104(a)(18)(B)

<sup>3</sup> Medicaid and CHIP Payment and Access Commission (MACPAC). "Report to the Congress on Medicaid and CHIP," June 2014.

<sup>4</sup> SSA §2104(n)

<sup>5</sup> The Patient Protection and Affordable Care Act (ACA), Public Law 111-148, 111<sup>th</sup> Cong., 2<sup>nd</sup> sess., (March 23 2013) §2101(a)

<sup>6</sup> MACPAC, June 2014

<sup>7</sup> SSA §2105(d)(3)(A)(iii)

<sup>8</sup> MACPAC, June 2014

<sup>9</sup> ACA §2101(b)(3)(B)