



The Children's Health Insurance Program (CHIP)

The Children's Health Insurance Program (CHIP) is a vital part of our nation's health care system, specifically designed to provide coverage for children of families with low-to-modest incomes. Medicaid and CHIP together cover 39 percent of the nation's children, including a majority of kids with special needs, from working families, families of color, and in rural communities.

The rate of health coverage for children in the United States is at an all-time high, with more than 95 percent of children insured.¹ That is a big achievement. Health coverage is critical for children to get a healthy start in life. High coverage rates mean more children will have an opportunity to meet their potential.² It is also considerable progress. In 1996, 15 percent of all children in the United States, and 25 percent of low-income children, were uninsured.³

A key factor making that progress possible is the Children's Health Insurance Program (CHIP). CHIP was passed in 1997 to offer a comprehensive, affordable children's health insurance option to low- and modest-income families. CHIP has consistently had bipartisan support: Lawmakers from both parties have recognized that investing in children's health is an investment in the country's future.⁴

CHIP builds on Medicaid, giving families that earn too much to be eligible for Medicaid an affordable, comprehensive insurance option for their children. While CHIP income eligibility levels vary by state, nearly 90 percent of children covered are in families earning 200 percent of poverty or less (\$40,480 for a family of three).⁵ CHIP covers children up to age 19.

CHIP and Medicaid work together. Medicaid covers over 30 million children⁶, and CHIP builds on that foundation. For families that move out of Medicaid as their incomes rise, CHIP is an affordable option that ensures continued coverage for their children. Many states operate their CHIP programs as part of Medicaid, and many provide Medicaid benefits to all CHIP enrollees. *Together, CHIP and Medicaid cover 39 percent of children in the United States.*⁷

Today CHIP covers nearly 9 million children.⁸ It is a key reason the rate of uninsured children is so low today, and without it, millions more children in our nation would be uninsured.

Covering children is an investment in our future

Children's health, school performance, and future success in life are all linked. Compared to healthy children, unhealthy children are at higher risk for school problems, failing, or dropping out.⁹ Children who have health insurance through Medicaid or CHIP have better access to health care and do better in school than their uninsured counterparts.¹⁰ Better school performance is a foundation for future success in life.

For these reasons, investing in children's coverage programs, like CHIP, is an investment in children's health, academic success, and success later in life.

CHIP is designed for children and affordable for families

CHIP coverage is designed for children. CHIP gives states a lot of flexibility in program design, so benefits vary across states and are based on whether a state has a separate CHIP program, or operates CHIP as a Medicaid extension.

CHIP in a Nutshell: Structure and Funding

CHIP is a state-federal partnership: the federal government reimburses states using a matching rate, similar to Medicaid, only at a higher percentage.¹¹ States have a lot of flexibility in eligibility levels, benefits, and how they structure the program. As of January 2017, 15 states, including Washington, DC, used CHIP funds exclusively to expand their Medicaid programs' coverage to children with CHIP-level incomes. Thirty-six states use CHIP funds to operate a separate CHIP program, either exclusively or in combination with a "Medicaid expansion" CHIP component.¹²

CHIP's federal funding is structured as an allotment given to each state annually, based on the state's recent CHIP spending. States have two years to spend their allotment; unspent funds are distributed to other states.

CHIP funding must be periodically extended by Congress. Current funding expires at the end of September 2017. Without extending CHIP funding, coverage for the nearly 9 million children who rely on CHIP is in jeopardy.

In spite of program variations, across the board CHIP offers services particularly geared to children’s health and developmental needs that other insurance products typically don’t, services that modest-income families would otherwise have difficulty affording.

- » CHIP programs that are Medicaid expansions cover a package of screening, diagnostic, and treatment services called the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefit, a Medicaid benefit for children. EPSDT is a comprehensive set of benefits that includes health services, as well as developmental services that can help children gain, maintain, or improve skills and functioning — such as helping a child who isn’t talking or walking at the expected age. These benefits support a child’s development, but are often not covered by commercial insurance.
- » Many states that have separate CHIP programs offer EPSDT-like benefits.
- » Even in states that don’t have a full EPSDT-comparable benefit, CHIP programs cover important child health services that other types of insurance often don’t, such as:
 - › *Speech and language therapies.* All CHIP programs cover speech and language therapies.
 - › *Hearing tests and hearing aids.* All CHIP programs cover hearing tests, and 95 percent

cover hearing aids. Among employer plans, only 34 percent cover pediatric hearing tests and only 43 percent cover hearing aids; in exchange plans, 37 percent cover hearing exams and 54 percent cover hearing aids.¹³

- › *Pediatric dental.* In all states, CHIP offers pediatric dental coverage; among employer and exchange plans, this coverage is typically sold separately, if at all.¹⁴ Dental disease, the most common childhood disease, is preventable and treatable. However, without access to dental care, it can worsen, cause pain, lead to school absenteeism, and even have costly, long-term health consequences.¹⁵

CHIP makes it more affordable for families to keep their children covered. CHIP is designed to protect the finances of modest-income families so that they can afford insurance and medical visits for their children. Combined CHIP premiums and cost-sharing cannot exceed five percent of family income. That makes it generally more affordable for families than covering children through employer-sponsored or marketplace coverage.

CHIP’s lower premiums make it easier for families to afford coverage in the first place, and lower cost-sharing makes it more affordable for families to take their children to a doctor or other medical professional.

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» *Here's how CHIP costs compare.* In 2015, in the 36 states with separate CHIP programs, the average combined premiums and cost-sharing for child coverage in CHIP was \$158 per year. A comprehensive study showed that this was a small fraction of the costs for either employer-sponsored coverage or marketplace coverage.¹⁶ Employer and marketplace coverage cost 6-7 times as much, on average. Families with children who have serious medical conditions would face the highest out-of-pocket costs; for them, the financial difference between CHIP and other types of coverage would be much greater.¹⁷

Children with CHIP have access to care. A study comparing access between Medicaid, CHIP, and private insurance found that children insured by CHIP or Medicaid have great access to care—indeed, they are even more likely to get preventive medical and dental care than privately-insured children.¹⁸

Who is covered by CHIP?

CHIP helps children in lower and modest income families across the country. Here's a look at some of the categories of children who most benefit from CHIP and would stand to lose health coverage if the CHIP program weren't available.

» *Children with special health care needs.* CHIP and Medicaid combined cover half of all children with special health care needs.¹⁹



- » *Children in working families.* Almost 85 percent of children enrolled in separate CHIP coverage live in families where at least one parent is working.²⁰
- » *Children of color.* CHIP and Medicaid together help address health disparities. Fifty-eight percent of children covered by CHIP or Medicaid are African American or Hispanic.²¹
- » *Children in rural communities.* CHIP and Medicaid together also help to address health care access issues in rural communities. Forty-seven percent of children living in rural areas rely on CHIP or Medicaid for their health insurance.²²

What would happen if CHIP weren't there?

Without CHIP, the gains in children's coverage of the past two decades would erode. Health care costs for lower and modest income families that currently depend on CHIP would increase. Specific negative impacts include:

- » *Increase in uninsured children.* Some families would not be able to afford alternative coverage. Children in those families would become uninsured.
- » *Increased health care costs and less access for children with insurance.* Families that could afford coverage would likely experience significant increases in out-of-pocket costs, leading to greater family financial strains and potentially causing families to redirect funds to health care from other priorities, such as their children's education. In many cases, families might find they have coverage, but are not able to afford the care their children need because of deductibles, other cost-sharing, and the cost of services no longer covered.
- » *Increased financial burden on families with special needs children.* Without CHIP, the financial burdens associated with added health care costs would be most difficult for families that have children with special health care needs. In some states, families with special needs children could go from paying nothing under CHIP to over \$10,000 annually with marketplace coverage.²³ For the modest income families that depend on CHIP, costs at that level would be financially devastating.

How CHIP and Medicaid Work Together

Medicaid covers over 30 million children. CHIP builds on that foundation. It offers low and modest income families affordable, comprehensive coverage for their children. For families that move out of Medicaid as their incomes rise, CHIP is an affordable option that ensures continued coverage for their children. Many states operate their CHIP program as part of Medicaid, and many provide Medicaid benefits to all CHIP enrollees. Together, CHIP and Medicaid cover 39 percent of children in the United States.

Federal funding is needed for states to continue CHIP coverage

States would not be able to offer CHIP without federal funding.

Congress must vote to continue funding the program, or coverage for the 9 million children whose families depend on CHIP will be in jeopardy.

If federal CHIP funding ended, states would need to adjust their budgets and either end or significantly cut back on existing CHIP programs. Options available to a state would depend on whether it operates a separate CHIP program or has CHIP as an expanded Medicaid program. However, under any scenario, health coverage for children would suffer.

- » *States with separate CHIP programs.* About 44 percent of children in CHIP are enrolled in separate CHIP programs.²⁴ States that operate separate CHIP programs can end those programs if federal funding ends. Some of those children would be eligible for marketplace coverage or employer-sponsored coverage, although families would see their health care costs rise—in some cases, substantially.

If federal CHIP funding ended, it is estimated that over one million children in this group would lose coverage entirely.²⁵

- » *States with CHIP as a Medicaid expansion.* Roughly 56 percent of children in CHIP are enrolled in programs operated as Medicaid expansions.²⁶ In states where CHIP is an extension of Medicaid, the law requires that states maintain eligibility levels until 2020. Those states cannot end the programs or reduce eligibility. However, their federal funding would drop significantly, from the CHIP enhanced matching rate to a lower Medicaid match rate.²⁷

Budget pressures could lead states to cut provider payments, which would reduce children's access to services; reduce services covered; or add prior-authorization or other features to make it harder for families to access care.

Currently, CHIP is funded until the end of September 2017—the end of the federal fiscal year. While states can continue to spend unused CHIP funds past that date, by the start of 2018, more than half of states are projected to have used up their available funding.²⁸

Failing to extend funding for CHIP would set the stage for losing two decades of progress in covering children. For millions of families, it would mean uncertainty surrounding their children's health, much higher health care costs and added financial burdens, and in some cases, a complete loss of coverage for their children.

As a country, we have made tremendous progress covering children. It is progress from which we should not retreat.

Endnotes

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- ¹¹ For state CHIP matching percentages, see MACPAC's Federal Medical Assistance Percentages and Enhanced FMAPs for CHIP at <https://www.macpac.gov/wp-content/uploads/2015/01/Exhibit-6.-FMAP-and-E-FMAP-by-State-FYs-2014-2018.pdf>. The Affordable Care Act included a 23 percentage point increase in CHIP funding, referred to as the "CHIP bump."
- ¹² Georgetown Center for Children and Families, *The Children's Health Insurance Program* (Washington, DC: Georgetown University, 2017) online at <https://ccf.georgetown.edu/2017/02/06/about-chip/>.
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- ¹⁴ Ibid.
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²⁵ Ibid.

²⁶ Ibid.

²⁷ CHIP is funded at an “enhanced” matching rate. In FY 2017, the median CHIP matching rate is 93% and the median Medicaid matching rate is 58.5%. If CHIP funding ended, children formerly enrolled in CHIP would be funded at the regular Medicaid match, a significant funding reduction for states. See MACPAC, *Federal CHIP Funding: When Will States Exhaust Allotments?*, op cit.

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