

February 2009

CHILDREN'S HEALTH INSURANCE PROGRAM REAUTHORIZATION ACT OF 2009 (CHIPRA)

The Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2009 was one of the first pieces of legislation passed by the 111th Congress and signed by President Obama on February 4, 2009. The Act extends and expands the State Children's Health Insurance Program (now referred to as CHIP, not SCHIP) which was enacted with bi-partisan support a decade ago as part of the Balanced Budget Act of 1997 (BBA). CHIPRA adds \$33 billion in federal funds for children's coverage over the next four and half years, and is expected to provide coverage to 4.1 million children in Medicaid and CHIP who otherwise would have been uninsured by 2013.

Together with Medicaid, CHIP has helped to reduce the rate of low-income uninsured children by expanding eligibility levels and simplifying enrollment procedures. Coverage gains helped to increase access to health services for millions of children, but 9 million children remain uninsured even though roughly two-thirds are eligible for Medicaid or CHIP, but not enrolled. As CHIP was set to expire in 2007, Congress passed two versions of CHIPRA with bi-partisan support but both bills were vetoed by President Bush. A temporary reauthorization of CHIP was passed in December 2007 to extend the program through April 2009. This brief provides an overview of the key provisions in CHIPRA 2009.

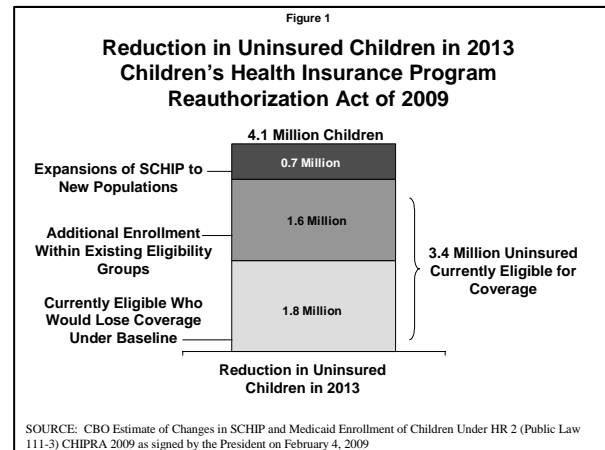
What are the Public Health Coverage Programs for Children?

Medicaid is the nation's major health coverage program for low-income children. CHIP was created as a complement to Medicaid to provide coverage to low-income uninsured children who were not eligible for Medicaid. Currently, 29 million children are enrolled in Medicaid and 7 million in CHIP. Forty-four states cover children in families with incomes at or above 200% of FPL under Medicaid or CHIP. Like Medicaid, the federal government matches state spending for CHIP (at an enhanced rate compared to Medicaid), however, federal CHIP funds are capped, nationwide, and each state receives a capped allotment; so unlike Medicaid, there is no individual entitlement under CHIP. On average, the federal government's share of Medicaid spending is 57%, but it is 70% under CHIP.

Who Could Be Covered Under CHIPRA 2009?

Children. CBO estimates that CHIPRA would provide coverage to an additional 6.5 million children in CHIP and Medicaid in 2013. About two-thirds those enrolled (4.1

million children) would have otherwise been uninsured, most of these children are currently eligible for Medicaid or CHIP. The remaining 0.7 million are expected enroll to as a result of state efforts to expand to new populations (Figure 1).



As under current law, states can set eligibility levels, but they would receive the Medicaid match rate (not the enhanced CHIP match rate) for expansions to children with family incomes above 300% of poverty (\$66,150 for a family of 4 in 2009). Because New Jersey and New York had already expanded coverage the children beyond 300% prior to this legislation, they are able to use the enhanced CHIP match rate up to their capped allotments.

The new legislation did not address the August 17th Directive issued under the Bush Administration limiting state's ability to expand coverage to children with family income above 250% of the poverty level, but this guidance was withdrawn on February 4 by President Obama.

Pregnant Women and Adults. CHIPRA establishes new options to cover pregnant women. Prior to CHIPRA, states could cover pregnant women in CHIP by electing to cover "unborn children". CHIPRA would also limit current coverage for adults and prohibit new waivers for parent coverage. States currently covering parents could continue these waivers through FY 2011. After that, the bill would create a set-aside separate from the CHIP program for parent coverage that would be available to states at the Medicaid match (or a modified enhanced match subject to performance benchmarks on children's coverage). CHIP funding for childless adults would be available only through

December 2009 and then states could apply for a Medicaid waiver to continue coverage for those still enrolled.

Legal Immigrants. CHIPRA 2009 would allow states the option to provide coverage to legal immigrant children and pregnant women during their first five years in the country. This five year ban was imposed in 1996 as part of welfare reform but has been lifted for other public programs such as food stamps. Undocumented immigrants would continue to be ineligible for CHIP.

Citizenship Documentation. The DRA citizenship documentation requirements for Medicaid would now be required for children in CHIP like Medicaid. But, the bill would allow states to comply with these requirements for both Medicaid and CHIP by using a data matching process with the Social Security Administration (SSA).

How Does CHIPRA Improve Coverage of Low-Income Children?

Bonus Payments. CHIPRA 2009 includes fiscal incentives for states to enroll eligible low-income children in Medicaid. States could qualify for a bonus per child based on how far actual enrollment exceeds target levels. These targets are 2007 enrollment adjusted for child population growth plus 4 percentage points in 2009 phasing down to an additional 2 percentage points after 2013. To be eligible for the bonus payments, states must implement 5 out of 8 eligibility simplification efforts (including 12-month continuous eligibility, elimination of the asset test, elimination of the in-person interview, use of a joint application for Medicaid and CHIP, streamlined renewal, presumptive eligibility, Express Lane eligibility and premium assistance subsidies).

Contingency Fund. In addition to bonus payments, CHIPRA creates a contingency fund available for states if spending exceeds allotments for CHIP in a given year due to increased enrollment of low-income children.

Outreach Funds. CHIPRA also provides \$100 million in outreach grant funding and provides an enhanced match for translation and interpretation services.

How Does CHIPRA Change Benefits, Access and Quality

Benefits. CHIPRA requires states to include dental services (equivalent to benchmark packages) in CHIP plans. In addition, CHIPRA would allow states the option to provide dental-only supplemental coverage for children who otherwise qualify for a state's CHIP program, but have other health insurance without dental benefits. The Act includes provisions related to the development and dissemination of dental education materials, data reporting on dental access and quality and state requirements to post lists of participating dental providers. The Act also requires mental health parity for states that chose to include mental health or

substance abuse services in their CHIP plans. CHIPRA includes provisions to reduce barriers to providing premium assistance.

Access, Data and Quality. CHIPRA establishes the Medicaid and CHIP Payment and Access Commission (MACPAC) to review Medicaid and CHIP access and payment policies and then submit reports and recommendations to Congress. CHIPRA includes \$225 million over 5 years child health quality initiatives including the development of quality measures and electronic health records. The Act also establishes demonstration programs to improve quality, combat obesity and develop information technology. CHIPRA includes \$20 million for the Census Bureau to improve state specific estimates of children and requires a federal evaluation of the program.

How is CHIPRA Financed?

Under the Act, CHIP would continue as a capped program with enhanced matching rates. Each state will continue to receive an annual allotment and states can receive matching funds for CHIP up to that capped amount. One criticism of CHIP is that spending and need did not match the current allotments so CHIPRA replaces the current allocation formula with one that relies on state's actual and projected spending increased by factors for inflation and child population growth. CHIPRA allows states 2 years (instead of 3) to spend their allotments and state allotments would be re-based in 2011.

CHIPRA would increase funding for children's coverage through Medicaid and CHIP by about \$33 billion over the CHIP baseline levels of \$25 billion from 2009 through 2013 using a 62-cent per-pack increase in the federal cigarette taxes and other tobacco tax increases to finance the new spending.

What is the Outlook for Children's Coverage?

CHIPRA provides states with additional financing, fiscal incentives to enroll lower income children, and new tools to help simplify the enrollment process and to conduct outreach to help support coverage for millions of low-income children. Reauthorization provides states with certainty in the levels of federal financing for CHIP as states face a worsening economic situation and increased demand for both Medicaid and CHIP as families lose employer based health coverage and incomes decline at the same that states face severe budget shortfalls. Economic recovery legislation is likely to provide additional help to states to manage their budgets and support Medicaid and CHIP programs in the short-term. Looking further ahead, CHIPRA is expected to significantly reduce the number of uninsured children, but many children will remain uninsured without broader health reform efforts.

This publication (#7863) is available on the Kaiser Family Foundation's website at www.kff.org.