California Senate Office of Research

January 29, 2018

Federal Update

Children's Health Insurance Program Funded Through 2023

On January 22, 2018, President Trump signed H.R. 195, as amended in the Senate, the fourth continuing resolution (CR) this federal fiscal year (FFY). The CR funds the government through February 8, 2018, reauthorizes and funds the Children's Health Insurance Program (CHIP) for six years, and suspends three health care taxes. The major health provisions of the bill included:

- A six-year extension of CHIP through fiscal year (FY) 2023;
- A two-year delay of the Affordable Care Act's (ACA) tax on medical devices for calendar years 2018 and 2019;
- A two-year delay of the ACA's "Cadillac tax" on high-value employee health plans so the tax would be effective in 2022, rather than 2020;
- A one-year moratorium of the ACA's tax on health insurers for calendar year 2019; the tax remains in place for 2018.

CHIP Background

CHIP was established through the Balanced Budget Act of 1997 and was championed by Sens. Ted Kennedy (D–MA) and Orrin Hatch (R–UT). CHIP expanded health insurance coverage to uninsured pregnant women and low-income children whose families earned too much to be eligible for Medicaid. California expanded Medi-Cal and the existing Access for Infants and Mothers (AIM) program and established the Healthy Families Program (HFP) in 1998 to implement what was then known as the State–CHIP, or SCHIP. SCHIP provided significant funds to states for pregnant women and children's health insurance; in California, federal SCHIP funds paid for 65 percent of the costs. Congress reauthorized CHIP once in 2009 under the Children's Health Insurance

Program Reauthorization Act (changing its name from SCHIP to CHIP) and in the ACA in 2010.[1] The ACA also included the "CHIP bump," the 23 percentage point increase in the federal matching rate that began in FFY 2016. For California, this meant the federal match rate increased from 65 percent to 88 percent.

MEDICAID, CHIP REDUCES NUMBER OF UNINSURED CHILDREN

After Congress passed the ACA, California began to prepare for its major provisions, including the establishment of the state health insurance exchange, Covered California, and the Medicaid expansion that allowed childless low-income adults to be eligible beginning in 2014. In preparation for the Medicaid expansion, California consolidated its CHIP program into Medi-Cal and eliminated the HFP and AIM programs. This resulted in less fragmentation, such that all low-income children were now served by Medi-Cal.

CHIP and Medicaid were responsible for dramatic declines in the uninsured rate among children. Between 1997 and 2005, the uninsured children's rate dropped from 22.3 percent to 14.9 percent, although almost 70 percent of the drop was due to Medicaid.[2] In California, the California Health Interview Survey began collecting data in 2001 and found the uninsured children's rate in California dropped from 10.3 percent in 2001 to 2.1 percent in 2016.[3] About 1.3 million children are enrolled in Medi-Cal under California's CHIP. Children enrolled in California's CHIP account for 25 percent of all enrolled Medi-Cal children.[4] Today, children in families with incomes up to 266 percent of the federal poverty level (FPL) are eligible for Medi-Cal and pregnant women and infants are eligible in families with incomes up to 322 percent FPL.

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1 http://pediatrics.aappublications.org/content/133/3/e784.

2 https://ccf.georgetown.edu/wp-content/uploads/2012/02/study-shows-medicaid-has-driven-gains.pdf.

3 http://ask.chis.ucla.edu/AskCHIS/tools/_layouts/AskChisTool/home.aspx#/results. For 2016, the 95 percent confidence interval is from 0.8 percent to 3.3 percent uninsured; because the number of uninsured children has dropped so low that the California Health Interview Survey has difficulty estimating the percent of uninsured children for a single year.

4 Medi-Cal Statistical Brief, Medi-Cal's Children's Health Insurance Program Population, Research and Analytic Studies Division, California Department of Health Care Services, October 2017.

Congressional Action to Reauthorize CHIP

Funding for CHIP officially expired on September 30, 2017, and its reauthorization was caught up in an ongoing debate in Congress about finding offsets for the costs of a multiyear reauthorization of the program. The third CR, signed into law on December 22, 2017, provided funding for the government through January 19, 2018, and included a $2.85 billion short-term CHIP extension through March 2018.

On January 5, the Congressional Budget Office (CBO) and the staff of the Joint Committee on Taxation (JCT) updated their cost estimate of a CHIP extension and state maintenance-of-effort (MOE) requirement. CBO and JCT originally estimated the extension and MOE would raise the deficit by $8.2 billion from 2018–27; the revised estimate was that it would increase the deficit by only $0.8 billion. CBO and JCT cited the elimination of the ACA's individual mandate penalty in the recently passed tax bill as the reason for the change. Without the penalty, premiums in the ACA individual marketplaces will rise, as will the federal subsidy for this coverage. Thus, CBO concluded that enrolling a child in CHIP would be less expensive than enrolling the child through the marketplaces. After lawmakers learned of CBO's revised estimate, House Republicans pushed for its inclusion in this most recent round of government funding (the CR).

Overview of CHIP Reauthorization

H.R. 195 includes the Healthy Kids Act, which specifies the following:

- Provides $21.5 billion for CHIP in 2018 and increases CHIP funding to $25.9 billion by 2023;

- Rescinds funds that have already gone out or are obligated to states that have received short-term funding;

- Maintains CHIP's current enhanced federal match rate (the CHIP bump) until FY 2019; for FY 2020, reduces the bump to 11.5 percent instead of 23 percent; in FY 2021, returns to the original CHIP federal match rate established prior to the expansion in the ACA. For California, the federal match rate will then drop from 88 percent to 76.5 percent in FY 2020 and to 65 percent in 2021.

- Extends the state MOE requirement through 2023 for children whose family income is 300 percent of the federal poverty line, instead of for all children;

- Requires states to maintain their eligibility levels for CHIP to receive Medicaid funding;

- Extends the Child Enrollment Contingency Fund, Childhood Obesity Demonstration Project, Pediatric Quality Measure Program, and the Outreach and Enrollment Program through 2023;

- Allows children enrolled in a qualified CHIP look-alike program to be combined in a single-risk pool with children in a state CHIP program and defines children enrolled in a CHIP look-alike program as meeting the minimum essential coverage under the ACA;

- Allows "parent mentors" to be trained and paid to assist families with uninsured children in various ways to improve their social determinants of health, and disregards any such payment from the parent mentors' income eligibility determination for CHIP or Medicaid.

WHAT IS NOT INCLUDED IN H.R. 195

Although H.R. 195 reauthorized CHIP and suspended three health care taxes, Congress let other health care programs expire on September 30, 2017.[5] The expired programs include:

- The Community Health Center Fund was created by the ACA with $11 billion to create more community health centers (CHCs) and expand capacity at existing ones. Congress released enough money to keep the fund going through the end of March, 2018. California received $583 million in FFY 2017.[6]

- The National Health Service Corp (NHSC) and the Teaching Health Centers together build the primary care physician workforce and bring medical care to rural and underserved areas. NHSC pays off the medical school debt of doctors who agree to work in medically underserved areas. About 10,200 corps members are placed throughout the country, and about half of them operate in CHCs. Teaching Health Centers place medical residents in medically underserved areas with the agreement the residents will become primary care physicians in those

[5] http://www.governing.com/topics/health-human-services/gov-chip-congress-states-health-funding-bill.html.

[6] Federal Funds Information for States, *VIP Series FY 2018 President's Budget*, vol. 17, no. 2, May 2017.

communities once their residencies are complete. Both programs received funding to keep operating through March, 2018.

- The Maternal, Infant and Early Childhood Home Visiting (MIECHV) Program helps at-risk parents care for themselves and their children during their first years of life. MIECHV serves about 160,000 families, and unlike the other programs, it has received no stopgap funding. California received $22 million in FFY 2016.[7]

In addition, Congress has not acted to delay a funding reduction for state Medicaid disproportionate share hospital (DSH) payments. DSH payments are supplemental payments to hospitals serving high numbers of low-income patients. DSH payments have long been a part of Medicaid policy, but the ACA included a substantial reduction in federal Medicaid DSH payments beginning in 2014. The idea was that uncompensated care would be reduced with the ACA's adult Medicaid expansion. Congress has postponed the DSH cuts through 2017, but it has not postponed the cuts for the full year of FFY 2018. Without another postponement, hospitals across the country will lose $2 billion of the almost $12 billion federal allotment for FY 2018.[8] For FFY 2015, California is estimated to receive $1.2 billion of $12 billion available nationwide. The DSH cut will particularly hurt hospitals serving poor communities in Medicaid nonexpansion states.

Written by Kim Flores. The California Senate Office of Research is a nonpartisan office charged with serving the research needs of the California State Senate and assisting Senate members and committees with the development of effective public policy. The office was established by the Senate Rules Committee in 1969. For more information, please visit **http://sor.senate.ca.gov** or call **(916) 651-1500.**

7 https://www.everycrsreport.com/reports/R43930.html#_Toc485215551.
8 http://www.commonwealthfund.org/publications/blog/2017/dec/harmful-cuts-in-federal-medicaid-dsh.