FIRST FOCUS
CAMPAIGN FOR CHILDREN

CHIP is Critical for the Future of Children's Health

April 2014

Enacted in 1997 with bipartisan support from then-President Bill Clinton and then-Speaker of the U.S. House of Representatives Newt Gingrich, the Children's Health Insurance Program (CHIP) was devised to address a critical gap in health coverage for children in low-income working families. – CHIP covers those who earn too much to qualify for Medicaid but not enough to be able to purchase health insurance coverage on their own. CHIP's supporters recognized the value of investing in children's coverage to make sure that all children have access to the medical care they need to grow up to become healthy and productive adults.

By every measure, CHIP has been enormously successful, reducing the number of low-income uninsured children by more than 50 percent, and spurring the enrollment of our nation's most vulnerable children into both CHIP and Medicaid. Because of these programs, today 93 percent of children in American have health insurance coverage, with approximately 58 percent getting their health coverage through Medicaid or CHIP.

CHIP WORKS FOR CHILDREN

In 1997, before states began implementing CHIP programs, 23 percent of children in America were at or below 200 percent of the Federal Poverty Level (FPL) were uninsured. By 2010 the uninsured rate for children had fallen to 10 percent, with an 85 percent participation rate for children eligible for CHIP and Medicaid programs. According to MACPAC, in FY 2012 there were 8.4 million children enrolled in CHIP and 31.7 million children in Medicaid. These programs provide coverage for more than half of all children in the U.S. It is important to note recent gains in CHIP and Medicaid occurred at a time when private, employer-sponsored coverage continued to erode.

CHIP HAS EARNED BROAD, BIPARTISAN SUPPORT

The American people overwhelmingly support CHIP's continuation. In a 2012 election eve poll by Lake Research Partners, support among voters for extending CHIP was at 83-13 percent, including 86-10 percent among women and 75-21 percent among Republicans.

WITHOUT CHIP, THE NUMBER OF UNINSURED CHILDREN WOULD SKYROCKET

Without an extension of funding beyond FY 2015, CHIP funding would be cut from $21.1 billion back to the $5.7 billion baseline. CBO estimates that this dramatic reduction in funding will cut the numbers of children who are enrolled in Medicaid and CHIP by more than half, from 12.7 million children enrolled in FY 2015 to 4.9 million children enrolled in FY 2016. Enrollment will further decline to only 3 million children in the years following. This decline in coverage would be an enormous step backwards for children.

CHIP WORKS FOR STATES

States have almost two decades of positive experience with CHIP. CHIP is a federal-state partnership designed to give governors broad flexibility in administering their CHIP programs. The federal government provides enhanced matching payments to states to operate their CHIP programs; on average, the federal government picks up 70 percent of program costs. In order to participate in CHIP, states must meet minimum benefit requirements. CHIP's unique structure has helped states manage the costs of uncompensated care while reducing the numbers of uninsured kids and improving health outcomes. CHIP has been a winner for states and children alike.

Contact: Lisa Shapiro, Vice President, Health Policy
lisas@firstfocus.net | 202.657.0670 | www.firstfocus.net

CHIP DELIVERS MORE VALUE FOR THE DOLLAR

CHIP benefits have a higher actuarial value than exchange plans making CHIP's out-of-pocket costs significantly lower. In a study of 17 states conducted by Watson Wyatt in 2010, on average, the median actuarial value of CHIP (meaning the percent of expenses covered by a health plan for a typical group of enrollees) ranged from 98 to 100 percent (which means that, on average, families were only responsible for up to 2 percent of their health care costs out-of-pocket). In contrast, the actuarial value of plans available in the ACA's exchange marketplaces vary between 60 and 90 percent (making families responsible for 10 to 40 percent of health care costs). By every measure, a family's out-of-pocket costs in CHIP are significantly lower than in the exchanges. If CHIP is not funded beyond 2015 and issues around affordability of exchange coverage are not remedied, the lack of affordable options for families will cause a significant decline in children's coverage.

CHIP MITIGATES THE FAMILY GLITCH

Without CHIP the so-called "family glitch" will cause nearly a half million children to have no affordable coverage. The Congressional Budget Office (CBO) estimates that approximately 460,000 kids would lose coverage altogether if CHIP funds run out because of the "family glitch." The family glitch stems from an "affordability test" in the ACA which bases coverage affordability for a family on the cost of employee-only coverage and not on how much it actually costs a family to buy coverage. Specifically, if an employee's offer of self-only coverage is less than 9.5 percent of income that offer is deemed "affordable" for the entire family even if the cost of family coverage, which is typically three times as expensive as individual coverage, takes up much more than 9.5 percent of an employee's salary. The most likely scenario for employees who have an "affordable" offer of self-only coverage is that the employee will take coverage for themselves but would not be able to afford coverage for their family. This would leave dependents of parents with employer-sponsored coverage locked out of subsidized exchange coverage. As long as CHIP funding continues, a large portion of the children who are likely to fall into the "family glitch" will be eligible for CHIP and will have CHIP as a backstop. However, if the CHIP cliff is not addressed by Congress, come 2015 nearly half a million currently insured children will lose coverage altogether, reversing the decades-long successful coverage trend for children.

CHIP PLANS PROVIDE BETTER COST-SHARING AND LOWER PREMIUMS

Under CHIP, states have broad flexibility to design their programs and set enrollment fees, premiums, deductibles, coinsurance, and copayments for children and pregnant women enrolled in CHIP. CHIP premiums often are determined on a sliding scale and cost-sharing is capped at 5 percent of total income. The majority of states actually have adopted coverage that is more generous than the benchmark option and cost-sharing limits in practice fall well below the 5 percent cap. For example, Texas caps cost-sharing expenses at 1.25 percent of income for families at or below 150 percent FPL. Even though more than half of states charge premiums in CHIP, the costs are usually nominal and typically do not apply to those with the lowest incomes. In 2008, 32 states charged premiums for CHIP with the maximum monthly premium at $98.

CHIP BENEFITS ARE STRONGER AND MORE COMPREHENSIVE

With its pediatric-focus, CHIP goes above and beyond many private insurance plans in addressing the unique needs of children. In states which operate CHIP through Medicaid, children are guaranteed access to Early, Periodic Screening, Diagnosis, and Treatment (EPSDT) services. States with separate CHIP programs must cover well-baby and well-child care, immunizations, inpatient and outpatient hospital services; physicians' surgical and medical services; and laboratory, X-ray, dental, and emergency services.

CHIP ASSURES A PEDIATRIC-APPROPRIATE NETWORK OF PROVIDERS

States have more almost two decades of experience ensuring that managed care CHIP plans offer provider networks that are pediatric-focused, including access to pediatricians, pediatric specialists, children's hospitals, community health centers, and school-based health providers – all of which have expertise in meeting the unique health care needs of children. While the

qualified health plans (QHPs) in the exchanges must meet important criteria to ensure access to high quality care, they are simply not designed with the needs of children in mind as CHIP is.

CONCLUSION

CHIP is good for kids, good for families, good for states, and good for taxpayers. CHIP is a model program that has reduced the numbers of uninsured children to record lows, even during the economic crisis that began in 2008. CHIP has a long history of bipartisan support from lawmakers on both sides of the aisle who decided that providing health coverage for our children is a critical investment for America and its future.

Because of CHIP and Medicaid, our nation has made huge strides in getting kids into coverage. If the CHIP funding cliff is not addressed, important gains in children's coverage would be lost. While the ACA holds great promise for the millions of Americans who have lacked an affordable coverage option, especially uninsured adults, it will take time and experience to know how new coverage options, eligibility rules, enrollment systems, policies and procedures, benefits, plans and provider networks are working to meet the unique health and developmental needs of children. During this transition time, it would be a mistake to tamper with the programs that have been so successful in covering children. Children must continue to have access to stable coverage through proven programs like CHIP and Medicaid until it is clear that there is a comparable alternative. Children must not be left worse off.