GRANT MAKERS IN HEALTH

CHIP Reauthorization

Details and Implications

This Issue Focus article summarizes a February 13, 2009 Grantmakers In Health audioconference, which featured Cindy Mann, executive director of the Center for Children and Families at the Georgetown University Health Policy Institute.

On February 4, 2009, the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) was signed into law by President Barack Obama. The law reauthorizes and expands the State Children's Health Insurance Program (CHIP – formerly SCHIP) of 1997. The Congressional Budget Office (CBO) projects that over the next four and a half years, CHIPRA will allow states and the federal government to provide insurance coverage to 4.1 million previously uninsured children (Kaiser Commission on Medicaid and the Uninsured 2009).

NEW FUNDING LEVELS AND FORMULA

In the past, the amount of federal funding for CHIP did not keep pace with the program's growth, and the formula the federal government used to distribute funding left some states with too little money and others with too much. The new law raises the overall level of federal funding and changes the way that funding is allocated to the states.

- ***Allotments*** – CHIPRA increases the federal contribution to CHIP, establishing allotment levels far more generous than those in the 1997 law. This increase should prevent states from facing funding shortfalls for the duration of the reauthorization period.
- ***Formula*** – The law also changes the method of distributing funds using a new formula that directs federal funding to states using more of their allotment and covering more children. The formula will be "re-based" periodically to ensure that it keeps up with state activity.

NEW OPTIONS AND FUNDING TO BOOST PARTICIPATION

The CBO analysis predicts that the new law will target resources in ways that will boost participation in both Medicaid and CHIP among currently eligible children. In fact, CBO projects that 83 percent of the children who will gain insurance coverage through Medicaid and CHIP under the new law will be children who are eligible under current rules but are not enrolled in either program (Horner et al 2009).

- ***Performance Bonus*** – One new tool the law uses to encourage enrollment is a performance bonus system that promises states added federal support if they boost eligible children's Medicaid enrollment above certain targeted levels. In order for a state to qualify for this bonus, it must demonstrate significant enrollment growth and implement at least five of eight policies identified in the new law, which range from eliminating asset tests to implementing a new "Express Lane Eligibility" tool.
- ***Express Lane Eligibility*** – Express Lane Eligibility essentially allows states to use information about a family from other public programs, such as school lunch; Food Stamps; or Women, Infants, and Children, when determining eligibility for Medicaid or CHIP. This process streamlines the application and renewal process by making it unnecessary for states to request duplicate information from families or re-compute eligibility data.
- ***Citizenship Documentation*** – The new law establishes a citizen documentation requirement in CHIP, similar to the 2005 Deficit Reduction Act provision that required citizens to document their citizenship in order to obtain or keep their eligibility for Medicaid. In order to make the requirement less of a burden for families, however, the law allows states to document citizenship by submitting applicants' names to the Social Security Administration and requires states to provide CHIP coverage to children while their citizenship is being verified.

ELIGIBILITY CHANGES

CHIPRA expands coverage by preserving states' flexibility to set their own income eligibility guidelines and by offering new options for covering legal immigrant children and pregnant women.

- ***Eligibility Levels*** – CHIP was designed to help bridge the gap between a state's Medicaid eligibility level and the level at which a family could afford other options for insuring their children. As the cost of health insurance coverage has grown, that "affordability gap" has widened, leaving many families over 200 percent of the federal poverty level (FPL) unable to afford private insurance coverage for their children. In response, 30 states have authorized CHIP eligibility levels above 200 percent of FPL, with those higher-income families paying a share of their insurance premiums. This state practice was curtailed in 2007, by a Centers for Medicare and Medicaid Services directive that attempted to

put a 250 percent of FPL gross income cap on CHIP. That directive stopped many states from implementing planned expansions. The "August 17 directive" was rescinded by an executive order issued by President Obama the same day he signed CHIPRA into law. States can now qualify for a federal CHIP match for covering children with a net income up to 300 percent of FPL. If states choose to increase eligibility levels above 300 percent of FPL, they will receive a federal match at the lower Medicaid match rate.

- ***Legal Immigrant Children and Pregnant Women*** – States will now be allowed to use federal funds to cover legal immigrant children in both Medicaid and CHIP. The new law lifts a ban adopted in the 1996 welfare reform law, which did not allow states to use federal funds to provide public coverage to legal immigrant children for the first five years they were in the country. Several states have moved forward to cover legal immigrant children with state funds alone. They will now be able to refinance that coverage with federal dollars, and it is expected that other states will join them now that federal funding has become available. The new law also gives states the option of covering pregnant women with CHIP funds, which a few states have been doing through federal waivers or other available alternatives.

BENEFIT CHANGES

CHIPRA strengthens the benefit package provided to children through CHIP, including new requirements related to dental coverage and mental health parity.

- ***Dental Benefits*** – Dental benefits have always been optional in CHIP, but states must now provide a dental benefit that meets benchmark requirements included in the new law. States can also provide children who have primary health insurance coverage with supplemental dental benefits.
- ***Mental Health Parity*** – States are not required to provide coverage for mental health services through CHIP, but if they do, the scope of benefits and cost sharing must be consistent with other covered health services. There is also an enhanced match available (75 percent as opposed to the usual 50 percent) for interpreter services provided at the point of service, as well as translation and services used for outreach and enrollment.

OUTREACH INITIATIVE

States have long argued that new outreach requirements in CHIP would necessitate additional federal funding to support new enrollment strategies, investment in information technology, and the resulting increases in coverage. CHIPRA includes $100 million in new funding to be used for outreach purposes by the Secretary of Health and Human Services (HHS) over the next four and a half years. Of that amount, $10 million is to be set aside for national outreach on children's coverage and the balance is to be distributed, at the Secretary's discretion, to states, local governments, community groups, and Native American tribes. This federal funding does not have to be matched by a state in order to be used.

QUALITY AND ACCESS INITIATIVES

CHIPRA also establishes a child health quality initiative and a commission to evaluate children's access to care.

- ***Quality*** – The new law requires that the HHS Secretary develop new child health measures in consultation with states and other experts. States will be asked to voluntarily report on the quality measures. The measures will assess quality of care and coverage stability. The new law also requires HHS to develop best practices, and there will be funding available for demonstration grants and data system upgrades to help states develop and produce data on both the duration of children's coverage, as well as the quality of children's health care services.
- ***MACPAC*** – The new law creates a Medicaid and CHIP Payment and Access Commission (MACPAC) to assess children's access to health services, as well as provider payments in Medicaid and CHIP.

IMPLICATIONS FOR STATES AND OPPORTUNITIES FOR GRANTMAKERS

CHIPRA provides a number of new opportunities to improve children's health. It is important to note, however, that while the new law includes several new coverage and benefit options, they are not self-effectuating. States must decide to take advantage of these options in order to make them a reality for children. Foundations and corporate giving programs have a key role to play in supporting state efforts. Grantmakers have had a longstanding commitment to CHIP and have contributed to the program's success by supporting proven outreach, enrollment, and retention strategies and sponsoring many of the key research studies about the program's strengths, progress, and limitations. With the support of health funders, the new law will live up to its promise by meeting the health care needs of millions of American children.

SOURCES

Horner, Dawn, Jocelyn Guyer, Cindy Mann, and Joan Alker, *The Children's Health Insurance Program Reauthorization Act of 2009* (Washington, DC: Center for Children and Families, 2009).

Kaiser Commission on Medicaid and the Uninsured, *Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA),* fact sheet (Washington, DC: February 2009).