

Background

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) addresses 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 early bipartisan 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, helping to reduce the number of low-income uninsured children by a remarkable 67.9% since it was enacted in 1997 and spurring the enrollment of our nation's most vulnerable children into both CHIP and Medicaid. Because of these programs, today 95.3% of children in America have health insurance coverage, with more than 40% getting their health coverage through Medicaid or CHIP.

Unlike Medicaid, CHIP is not an entitlement program – funding for CHIP is not permanent and the program is subject to reauthorization and funding renewals. While CHIP is currently authorized through September 30, 2019, its funding is set to expire on September 30, 2017. CHIP funding must be extended early in 2017 if states are to continue to operate their CHIP programs without disruption. One thing is clear, if CHIP funding is not extended before it expires, millions of children who rely on CHIP will face coverage disruptions, be left without affordable coverage, and many will lose coverage altogether.

Why CHIP Funding is Critical

Here are some of the reasons CHIP remains an essential source of coverage for children in America and why Congress must act quickly to extend funding for CHIP beyond FY 2017:

CHIP works for children. According to a recent report by the Urban Institute, the uninsurance rate for children age 18 and under fell by 67.9% between 1997 and the first three quarters of 2015, from 14.9% to 4.8%. In 1997, an astounding 23% of low income children in America, those at or below 200% of the Federal Poverty Level (FPL), were uninsured. In 2015, there were 4.1 million uninsured children down from 10.7 million in 1997, with a 91% participation rate for children eligible for CHIP and Medicaid. According to the Medicaid and CHIP Payment and Access Commission (MACPAC), in FY 2015 there were 8.4 million children enrolled in CHIP-funded coverage and 36.8 million children in Medicaid-funded coverage. Together these programs cover more than 40% of all children in the U.S. It is important to note recent gains in CHIP and Medicaid occurred through the 2008 recession and at a time when private, employer-sponsored insurance (ESI) was in decline.

CHIP is popular among the public. The American people overwhelmingly support CHIP's continuation. [In a May 2014 poll conducted by American Viewpoint](#), voters favored extending funding for CHIP by a 74-14% margin, including 66-19% among Republicans. An earlier [2012 election eve poll by Lake Research Partners](#) showed similar findings: support among voters for maintaining funding for CHIP was 83-13%, including 86-10% among women and 75-21% among Republicans.

Without funding for CHIP beyond FY 2017 the rate of uninsured kids will skyrocket. Without an extension of funding beyond FY 2017, the federal investment in CHIP would be cut from \$20.4 billion in FY 2017 to \$0 in FY 2018. States would only have carry-over money to spend beginning in FY 2018 and funding for CHIP would be eliminated by mid-2018, causing serious coverage disruptions for the 8.4 million children estimated by the Congressional Budget Office (CBO) to be enrolled in CHIP in FY 2017. And millions of these children who lose CHIP would have no other coverage option to turn to. If Congress fails to act, the termination of CHIP funding would be an enormous step backwards for children, reversing a two-decade trend of significant coverage gains for kids.

States have almost two decades of experience with CHIP. CHIP is a federal-state partnership designed to give governors broad flexibility in administering their CHIP programs. In order to participate in CHIP, states must meet minimum benefit requirements. In exchange, the federal government provides enhanced matching payments to states to operate their CHIP programs. Until the end of FY 2015, the federal government, on average, picked up 70% of state CHIP costs. Beginning in FY 2016 (through FY 2019), the Affordable Care Act (ACA) increased each state's CHIP FMAP by 23 percentage points. With this increase, on average, the federal government is [covering 93.8% of state CHIP program costs](#).

CHIP's unique structure has enabled states to develop a strong set of child-specific benefits and robust networks of pediatric providers while at the same time helping states manage the costs of uncompensated care, reduce the numbers of uninsured kids and improve health outcomes. CHIP has been a winner for states and children alike.

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 who are enrolled in CHIP. CHIP premiums often are determined on a sliding scale and cost-sharing is capped at 5% of total family income. Recognizing the value of covering kids, the majority of states actually have adopted coverage that is more generous than the CHIP minimum benchmark option and cost-sharing limits in most cases fall well below the 5% cap.

According to MACPAC's March 2015 Report to Congress, at 151% FPL, more than half of states do not charge any premiums for separate CHIP coverage. In the 11 states that charge premiums for separate CHIP coverage at this income level, the average monthly premium is about \$18 per child per month (ranging from \$3 to \$40 per child per month). For families at 201% FPL, half of states with separate CHIP programs charge premiums of less than \$10 per child per month. In the 22 states charging premiums at this income level, the average monthly premium is about \$24 per child per month.

CHIP benefits are stronger and more comprehensive. With its pediatric-focus, CHIP goes above and beyond most private insurance plans (including ESI) in addressing the unique needs of children. In states that operate CHIP through their Medicaid program, children are guaranteed access to Early and 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. In most states, CHIP services are provided through private sector managed care insurance plans. When compared with private insurance, CHIP plans provide similar coverage for routine care but CHIP does a better job covering services like pediatric dental, vision, hearing, autism and habilitation-related services.

CHIP assures a pediatric-appropriate network of providers. States have almost two decades of experience ensuring that 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. In addition, many CHIP programs operate under the guidance of a CHIP advisory panel, comprised of an array of child health and development experts, which helps set CHIP guidelines based on the best interests of children. Because CHIP is designed specifically with the needs of children in mind CHIP plans provide more comprehensive,

pediatric-focused benefits than most private plans.

Termination of CHIP will move millions of children into less comprehensive, unaffordable private coverage on onto the uninsured rolls. If funding for CHIP is not extended the 8.4 million children who rely on CHIP would be disenrolled from CHIP as soon as funds run out. This would be a major disruption for children who, in the best case scenario, would move into private coverage with increased premiums, higher out-of-pocket costs, and fewer benefits. Much more concerning, a significant number of children would become uninsured. In September 2015, MACPAC projected that if funding for separate CHIP programs was to end, 36% of kids (1.4 million) previously covered by CHIP would have their coverage shifted to Marketplace plans; 33% of children (1.2 million) would get covered through their parent's employer-sponsored insurance (with significantly higher out-of-pocket costs and an adult-focused benefit), and 31% (1.1 million) would become uninsured. This means that 100% of children currently covered in CHIP would be worse off. It is important to note that there is significant uncertainty about the future of the ACA making it even more likely that the end of CHIP would mean even greater numbers of uninsured than projected by MACPAC in 2015. The bottom line is that no other insurance is available for low-income families that protects children like CHIP does.

Congress Must Act Quickly to Extend CHIP Funding

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 downturn in the economy that began in 2008. CHIP has a long history of bipartisan support from lawmakers on both sides of the aisle who recognize that providing health coverage for our nation's children is a critical investment in America and its future. If funding for CHIP is not extended beyond FY 2017, the remarkable coverage gains for children would be reversed and significant numbers of children would become uninsured.

The bottom line is that CHIP is proven to be a cost-effective, evidence-based program that works for children. The failure by Congress to extend funding for CHIP would be devastating for the millions of children in working families who rely on CHIP for their coverage. Now more than ever, as Congress is again considering broader health system reform legislation, we must not tamper with the programs that have been so successful in covering children. Congress has a duty to protect children. Children must not be left worse off.

For more information about CHIP, contact Lisa Shapiro (lisas@firstfocus.org) or Carrie Fitzgerald (carrief@firstfocus.org).