

# The Importance of CHIP Reauthorization for Massachusetts

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## EXECUTIVE SUMMARY

The Children's Health Insurance Program (CHIP) enables states to provide health care coverage to children whose family incomes exceed the eligibility standards for Medicaid. CHIP is a state-administered program, jointly funded by the state and federal governments. As of July 2016, CHIP covered 8.4 million children across all 50 states and the District of Columbia. In Massachusetts, CHIP is part of MassHealth and covers about 160,000 children, roughly one-quarter of the children in MassHealth. These children do not meet the eligibility standards for Medicaid. Federal reimbursement for Medicaid expenditures is generally 50 cents for every dollar Massachusetts spends; for CHIP it is 88 cents.

Though there is no expiration date for CHIP in federal law, Congress has authorized funding of the program only through September 30, 2017. Without Congressional action, a majority of states, including Massachusetts, will exhaust their federal CHIP funds by March 2018. (Unlike Medicaid, federal CHIP funds are not open-ended but rather are distributed as finite allotments that can be used up.) Failure to reauthorize CHIP funding would have significant fiscal implications for Massachusetts and would force important decisions about the coverage of nearly 160,000 Massachusetts children.

The Affordable Care Act (ACA) saw strong federal support for CHIP as central to expanding and maintaining coverage nationwide. The ACA increased the federal share of CHIP expenditures by 23 percentage points from October 2015 through September 2019 (the "CHIP bump"); as a result, Massachusetts's federal match rate increased from 65 percent to 88 percent. The ACA also imposed a maintenance of effort (MOE) requirement, prohibiting states from making their CHIP eligibility standards more restrictive than they were when the ACA was enacted.

Though CHIP has enjoyed unusually bipartisan support over its 20-year existence, there is not yet a reauthorization bill in Congress, and the program may become a point of negotiation in the broader disputes around replacing the ACA. If CHIP is not reauthorized, most CHIP children in Massachusetts could be converted to Medicaid and remain in MassHealth, though at the lower federal match rate; the difference in federal funding for Massachusetts would be about \$1,400 per child. The exception would be about 7,000 unborn children currently covered by CHIP and whose mothers (who are not themselves eligible for Medicaid) receive prenatal care as a result. These mothers and children would lose their MassHealth eligibility in the absence of CHIP, and many would likely become uninsured. Failure to reauthorize CHIP would result in an estimated reduction of \$265 million in federal funds per year for Massachusetts. If CHIP instead were reauthorized, but with pre-CHIP bump reimbursement rates, the state would lose about \$160 million per year.

Federal changes to Medicaid that Congress is now considering could also affect CHIP and the children it covers, by limiting the latitude the state has to shift children from CHIP to Medicaid and still receive federal funding. This could place increased pressure on the state budget to maintain Massachusetts's long-time commitment to seeing that virtually all of its children have the protection of health insurance. Developments over the next several months could have strong repercussions for Massachusetts children.

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## INTRODUCTION

The Children's Health Insurance Program (CHIP) is 20 years old. Congress enacted legislation authorizing CHIP in 1997, to provide health care coverage to children whose family incomes exceed the eligibility standards for Medicaid.<sup>1</sup> As of July 1, 2016, CHIP covered 8.4 million children across all 50 states and the District of Columbia.<sup>2</sup> Like Medicaid, CHIP is a state-administered program, jointly funded by state and federal governments. Unlike Medicaid, CHIP is not an entitlement program—states do not receive an open-ended contribution of federal funding to help pay for the care of any child who meets the state's CHIP eligibility standards. Congress must authorize funding for CHIP and appropriate a total allotment, out of which each state is designated a share. (See text box for further description of the CHIP allotment.)

Though there is no expiration date for CHIP in federal law, Congress has authorized funding of the program only through September 30, 2017. Without Congressional action, a majority of states, including Massachusetts, will exhaust their federal CHIP allotments by March 2018. Failure to reauthorize CHIP funding would have significant fiscal implications for Massachusetts and would force important decisions about the coverage of the nearly 160,000 Massachusetts children covered by CHIP.

This fact sheet describes CHIP in Massachusetts and its role as part of MassHealth. It provides updates on policy changes since the publication of a 2015 MMPI fact sheet<sup>3</sup> and discusses implications for the Commonwealth of the possible outcomes of CHIP reauthorization efforts and of broader health policy debates now taking place in Washington.

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## RECENT CHANGES IN FEDERAL LAWS AFFECTING CHIP

The Affordable Care Act (ACA), enacted in 2010, saw strong federal support for CHIP as central to expanding and maintaining coverage nationwide. The ACA increased the federal share of CHIP expenditures by 23 percentage points in every state, up to a maximum of 100 percent, for federal fiscal years (FFY) 2016 through 2019; the increase is sometimes called the "CHIP bump." Eleven states plus the District of Columbia now enjoy full federal funding for CHIP in their jurisdictions; Massachusetts's federal match rate increased from 65 percent to 88 percent.<sup>4</sup> The ACA also imposed a maintenance of effort (MOE) requirement through FFY2019, which prohibits states from making their CHIP eligibility standards more restrictive than they were at the time of the ACA's enactment.<sup>5</sup>

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1 The CHIP law comprises Title XXI of the Social Security Act. Medicaid is Title XIX of the Act.

2 Medicaid and CHIP Payment and Access Commission, "State Children's Health Insurance Program (CHIP)." Fact Sheet, December 2016.

3 Robert W. Seifert, *MassHealth and the Importance of Continued Federal Funding for CHIP*. Massachusetts Medicaid Policy Institute, April 2015.

4 Elisabeth Wright Burak, "Medicare Access and CHIP Reauthorization Act of 2015: Summary of Key Provisions Impacting Children." Georgetown University Center for Children and Families, May 2015 (updated October 2015).

5 §2105(d)(3) of the Social Security Act.

## HOW IS CHIP FUNDING DIFFERENT FROM MEDICAID? A TALE OF ALLOTMENTS AND FMAP

Medicaid is an “entitlement” program: once a state establishes federally approved eligibility standards and benefits, the federal government will reimburse the state for the federal share of spending on authorized services. This share is called the Federal Medical Assistance Percentage (FMAP), and in Massachusetts it is generally 50 percent. In an entitlement program, any eligible Medicaid member is entitled to receive medically necessary covered services and federal reimbursement will be forthcoming, *regardless of the level of total Medicaid spending, how many services are used, and how many eligible people use them.* (There are exceptions when a state has a Section 1115 waiver, which, for clarity’s sake, are ignored here.)

CHIP, in contrast, is not an entitlement program. The federal government sets an **allotment** for each state, which distributes among all states an annual Congressional appropriation of federal CHIP dollars. This sets a limit on total federal spending for CHIP—an important difference from Medicaid. As with Medicaid, federal CHIP funds come to the state as reimbursement at a set percentage of state spending, a percentage known as the Enhanced Medical Assistance Percentage (EMAP) because it is higher than FMAP. Massachusetts’s EMAP is 88 percent. When states’ EMAPs increased by as much as 23 percentage points in FFY2016, federal allotments were adjusted upward as well. In FFY2017, the total federal CHIP appropriation is \$20.4 billion, and Massachusetts’s allotment is \$671.3 million. This allotment is used for both the “Medicaid-expansion CHIP” and “Separate CHIP” portions of the program.

Three provisions in federal CHIP law offer states some protection against exhausting their federal CHIP allotments. First, states have two years to use up each fiscal year’s allotment. This means that unused federal funds in one year may be applied to the next, in the event expenditures exceed expectations. Second, there is a separate federal appropriation for a CHIP contingency fund, equal to 20 percent of the national allotment, which is available to states that “encounter a CHIP funding shortfall due to demonstrated success enrolling and retaining eligible children in Medicaid and CHIP.”\* Third, unused CHIP funds from all state allotments are pooled and redistributed each year to states that experience a shortfall in CHIP reimbursement that year.

These protections have been sufficient to date. According to the Medicaid and CHIP Payment and Access Commission (MACPAC), no state has exhausted all available federal CHIP funding since the enactment of the current allotment structure in the Children’s Health Insurance Program Reauthorization Act (CHIPRA) of 2009.†

\* Burak, “Medicare Access and CHIP Reauthorization Act of 2015.”

† MACPAC, “CHIP Financing.” [www.macpac.gov/subtopic/financing](http://www.macpac.gov/subtopic/financing), accessed June 9, 2017.

Before the ACA’s CHIP bump could take effect, however, Congress had to reauthorize federal funding for CHIP, which was due to expire at the end of FFY2015 (September 30, 2015). It did so, in the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA),<sup>6</sup> which President Obama signed on April 16, 2015. Provisions in MACRA related to CHIP:

- Extended funding for two years, through September 30, 2017
- Maintained the ACA-authorized 23 percentage point increase in the federal match rate, beginning October 1, 2015
- Allowed states to carry only two-thirds (rather than all) of their unused FFY2017 allotment into FFY2018
- Authorized \$40 million for outreach and enrollment grants
- Continued programs such as the Child Enrollment Contingency Fund, Express Lane Eligibility, Pediatric Quality Measures program, and the Childhood Obesity Research Demonstration program<sup>7</sup>

6 Public Law 114–10.

7 Burak, “Medicare Access and CHIP Reauthorization Act of 2015.”

MACRA's two-year funding authorization for CHIP will expire on September 30, 2017. In anticipation of the policymaking discussions around CHIP reauthorization, the Medicaid and CHIP Payment and Access Commission (MACPAC), a nonpartisan legislative-branch agency that serves as an independent source of information about Medicaid and CHIP, issued a set of recommendations in January 2017. MACPAC recommended a five-year extension of CHIP funding, the extension of MOE requirements through FFY2022, and continuation of the current enhanced federal match rates, also through FFY2022. MACPAC recommended continuing demonstration programs, establishing new demonstration grants, making Express Lane Eligibility permanent, and eliminating waiting periods and premiums for CHIP children in families with incomes below 150 percent of the federal poverty level (FPL).<sup>8</sup>

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## MASSACHUSETTS CHIP

The Massachusetts CHIP is part of MassHealth, the state's public insurance program for low-income individuals and families. Most of MassHealth falls under the authority and funding of Medicaid, but some children in MassHealth who do not meet Medicaid eligibility standards are covered by CHIP.<sup>9</sup> Under the federal CHIP statute, states have the option of expanding their Medicaid programs using the enhanced federal match for CHIP (Medicaid-expansion CHIP), creating a CHIP separate from Medicaid (Separate CHIP), or doing a combination of the two. Massachusetts, along with 39 other states, has a combination CHIP.<sup>10</sup> About 160,000 Massachusetts children, roughly one-quarter of the children in MassHealth,<sup>11</sup> were covered by CHIP in an average month during FFY2016. This includes about 7,000 unborn children whose mothers were not eligible for Medicaid.<sup>12</sup>

**MassHealth:** The Massachusetts public health insurance program that includes Medicaid and CHIP.

**Medicaid:** Covers MassHealth children at lower levels of income with a comprehensive range of services.

**Medicaid-expansion CHIP:** Covers MassHealth children at higher income levels than Medicaid, under the provisions (benefits, cost sharing, etc.) of the state's Medicaid plan. The state receives the higher CHIP federal match on its expenditures for this population.

**Separate CHIP:** Covers MassHealth children at higher income levels than Medicaid-expansion CHIP, under the provisions of a CHIP (rather than Medicaid) state plan. Benefits in the CHIP state plan are based on a benchmark benefit package, which in Massachusetts includes the benefits offered by the health maintenance organization (HMO) with the largest commercial, non-Medicaid enrollment in the state. The benchmark benefit package is less comprehensive than Medicaid benefits. The state receives the higher CHIP federal match on its expenditures for this population.

Source: 42 U.S.C. §1397aa and §1397cc.

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<sup>8</sup> Medicaid and CHIP Payment and Access Commission, *Recommendations for the Future of CHIP and Children's Coverage*. January 2017.

<sup>9</sup> Some children in MassHealth are eligible under both Medicaid and CHIP standards, under the terms of Massachusetts's Medicaid 1115 demonstration waiver. CHIP eligibility takes priority in those cases because of the more favorable federal reimbursement.

<sup>10</sup> MACPAC, *Recommendations for the Future of CHIP and Children's Coverage*.

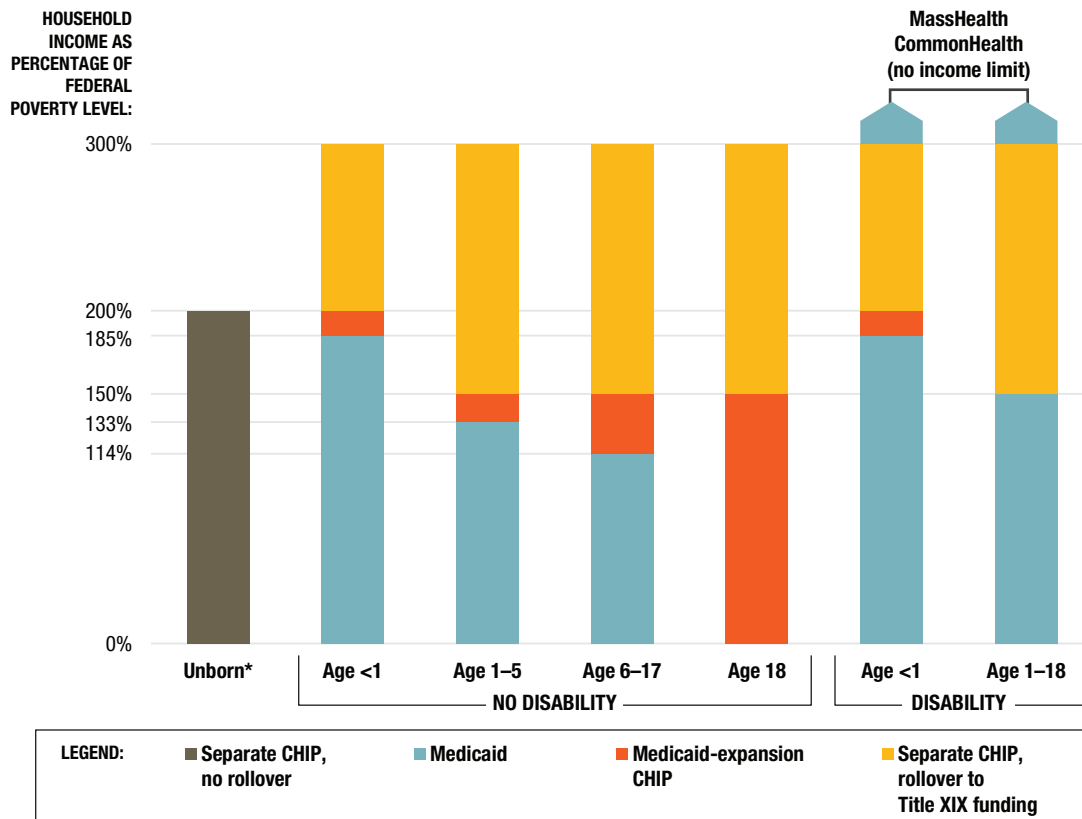
<sup>11</sup> Author's calculations of MassHealth enrollment data.

<sup>12</sup> The 7,000 figure is a monthly average. Because eligibility is tied to pregnancy and birth, more than this number would be enrolled over the course of a year; the National Academy for State Health Policy estimated about 12,000 for state fiscal year 2015. "Eligibility Levels for Coverage of Pregnant Women in Medicaid and CHIP." <http://nashp.org/eligibility-levels-for-coverage-of-pregnant-women-in-medicaid-and-chip-2>, accessed May 25, 2017.

## ELIGIBILITY

The determination of whether a child is covered by Medicaid, Medicaid-expansion CHIP, or Separate CHIP is based on age, family income, immigration status, and disability status. In addition to these factors, to qualify for CHIP coverage a child must be uninsured at the time of his or her MassHealth application. Unborn children are covered by CHIP only if their mothers are ineligible for Medicaid. Figure 1 illustrates the eligibility standards for children covered by Medicaid, Medicaid-expansion CHIP, and Separate CHIP. These three variations within MassHealth differ somewhat in the benefits they provide and the cost sharing they require of members, as explained below. Separate CHIP is split into two subcategories in the chart—“rollover to Title XIX” and “no rollover.” If Massachusetts’s CHIP allotment were exhausted or eliminated, the rollover group and the Medicaid-expansion CHIP group—essentially, all CHIP children except unborn children—would revert to Medicaid (Title XIX) authority and thereby continue to be eligible for MassHealth, with the same benefits. Medicaid does not cover unborn children; they, therefore, are not part of the rollover group and in the absence of CHIP would lose eligibility.

**FIGURE 1. MASSHEALTH ELIGIBILITY LEVELS FOR CHILDREN**



\*CHIP technically covers the unborn child, not the pregnant mother. Unborn children are not eligible for Medicaid, however. Pregnant women in Massachusetts qualify for Medicaid coverage if they have an income below 200 percent FPL and meet other eligibility criteria—for example, for immigration status. If the mother is not eligible for Medicaid, the loss of CHIP funding would mean that public coverage of prenatal care for the unborn child would not be available.

Note: Medicaid and CHIP together make up MassHealth. To qualify for CHIP, a child must be uninsured at the time of application. Otherwise, the coverage is Medicaid-funded.

Source: MassHealth Medicaid Section 1115 Demonstration, Approval Period July 1, 2017, through June 30, 2022, Table A.

In FFY2016 (October 1, 2015–September 30, 2016), children were divided among the CHIP eligibility categories listed in Table 1.

## BENEFITS AND COST SHARING

There are two main distinctions between Medicaid and CHIP for MassHealth members. First, the benefits differ somewhat. Medicaid-expansion CHIP includes all benefits to which children who qualify for Medicaid are entitled, most notably Early and Periodic Screening, Diagnosis, and Treatment (EPSDT), a very broad, comprehensive pediatric benefit. States have more discretion, however, in designing the benefits for a Separate CHIP program. Massachusetts’s Separate CHIP benefits are based on private insurance, specifically the benefits

provided by the HMO with the largest enrollment in the state.<sup>13</sup> Children in the Separate CHIP category who are newborn to age 18 and do not have a disability receive the MassHealth Family Assistance benefits.<sup>14</sup> Family Assistance does not include EPSDT, nor does it cover case management, care coordination, and medically necessary non-emergency transportation. There is limited coverage for the use of skilled nursing facilities, and a number of other long-term services and supports (LTSS)—such as personal care attendant services and private-duty nursing—are not covered. Members with disabilities who need these services, however, qualify for MassHealth CommonHealth, which covers these LTSS benefits. Unborn children (and their mothers) qualify for MassHealth Standard, which includes the benefits that are excluded from Family Assistance.<sup>15</sup> The MOE requirement imposed by the ACA prevents states from contracting CHIP benefits, for example by shifting Medicaid-expansion CHIP members to Separate CHIP.

The second distinction between Medicaid and CHIP is that Separate CHIP requires a premium in some cases and Medicaid (including Medicaid-expansion CHIP) does not. Separate CHIP children with family incomes between 150 percent and 300 percent FPL (about \$31,000 to \$61,000 for a family of three in 2017) pay a monthly premium ranging from \$12 to \$28 per child, with a family maximum of three times the premium.<sup>16</sup>

**TABLE 1. CHIP ENROLLMENT, FFY2016**

<b>Medicaid-expansion CHIP</b>	<b>70,685</b>
<b>Separate CHIP</b>	<b>88,274</b>
Age 0–18 with no disability	80,313
Age 0–18 with disability	1,210
Unborn	6,751
<b>TOTAL</b>	<b>158,959</b>

Figures are average monthly enrollment, 10/2015–9/2016. Average monthly enrollment for all children in MassHealth (including Medicaid and CHIP) for the same period was 634,221.

Source: MassHealth.

13 Anita Cardwell, et al., *Benefits and Cost Sharing in Separate CHIP Programs*. National Academy for State Health Policy. May 2014.

14 MassHealth Family Assistance is offered either as a direct MassHealth benefit or, if it is cost-effective for the state, as premium assistance for enrollment in a family member’s available employer-sponsored insurance.

15 MassHealth Medicaid Section 1115 Demonstration Waiver, Approval Period July 1, 2017 through June 30, 2022, Special Terms and Conditions #38.

16 Commonwealth of Massachusetts, Member Booklet for Health and Dental Coverage and Help Paying Costs. [www.mass.gov/eohhs/docs/masshealth/membappforms/aca-1-english-mb.pdf](http://www.mass.gov/eohhs/docs/masshealth/membappforms/aca-1-english-mb.pdf), accessed May 23, 2017.



**TABLE 2. MEDICAID-EXPANSION VS. SEPARATE CHIP: WHAT'S THE DIFFERENCE?**

	Medicaid-expansion CHIP	Separate CHIP Unborn Child	Separate CHIP Disability	Separate CHIP No Disability
<b>MassHealth Program</b>	Standard	Standard	CommonHealth	Family Assistance
<b>Benefits</b>	Comprehensive, including EPSDT and LTSS	Comprehensive, including EPSDT and LTSS	Comprehensive, including EPSDT and LTSS	Excludes EPSDT, most LTSS, case management, transportation
<b>Premium</b>	No	No	\$12–\$28 per child, max. 3x premium	\$12–\$28 per child, max. 3x premium
<b>Copayments</b>	No	No	No	No
<b>Federal Financial Participation</b>	88%	88%	88%	88%

EPSDT: Early and Periodic Screening, Diagnosis, and Treatment.  
 LTSS: Long-term services and supports.

## FINANCING

It is important to Massachusetts whether a child is covered by Medicaid, Medicaid-expansion CHIP, or Separate CHIP because of the higher level of federal contribution to its CHIP expenditures. MassHealth's spending for children enrolled in CHIP requires only 12 percent of state funds; 88 percent is federally reimbursed. In contrast, Massachusetts contributes 50 percent of the spending for the MassHealth children covered by Medicaid. The difference in federal funding between CHIP and Medicaid for an average Massachusetts child without a disability is nearly \$1,400 per year.<sup>17</sup>

In FFY2015, the most recent year for which federal spending data are available, Massachusetts's CHIP expenditures totaled \$581.3 million, to which the federal government contributed 65 percent, or \$377.9 million. (FFY2015 was the last year before the CHIP bump up to 88 percent federal reimbursement took effect.) Ten percent of the spending was for program administration, as federal CHIP law has always allowed. The remaining spending was divided evenly between children enrolled in Medicaid-expansion CHIP (52%) and those in Separate CHIP (48%).

The \$377.9 million in federal CHIP reimbursement represents about 4 percent of the \$9.5 billion in total federal revenue that came to Massachusetts in FFY2015.<sup>18</sup> Most of the state's federal revenue (about 90 percent) is MassHealth reimbursement, the bulk of it for Medicaid expenditures.<sup>19</sup>

**TABLE 3. FEDERAL CHIP ALLOTMENTS FOR MASSACHUSETTS**

Federal Fiscal Year	Federal Allotment (Millions of \$)	Federal Reimbursement Rate	Total CHIP Spending
2015	\$413.8	65%	\$581.3
2016	\$535.8	88%	NA
2017	\$671.3	88%	NA

NA: Not available.  
 Source: MACPAC.

17 Based on MassHealth average spending of \$3,679 per non-disabled child in SFY2016.

18 Commonwealth of Massachusetts, Office of the Comptroller, Statutory Basis Financial Report for the Fiscal Year Ended June 30, 2015.

19 Massachusetts Medicaid Policy Institute, MassHealth: The Basics. Facts and Trends. June 2016.

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## FEDERAL REFORM ACTIVITY

The first months of the Trump administration and the Republican-majority 115th Congress have brought significant efforts to radically alter federal health policy. Most notable are the American Health Care Act (AHCA, H.R. 1628), which the House of Representatives passed on May 4, 2017, and the President's proposed budget for FFY2018, which he sent to Congress on May 23. Both of these documents have further hurdles to clear before they can become law; it is unlikely they will remain completely intact through the process. It would be shortsighted, however, to assume that none of their provisions will become policy. Several elements of both documents affect CHIP and the children CHIP covers.

### AMERICAN HEALTH CARE ACT

The AHCA replaces portions of the ACA, and so includes many proposed changes to public and publicly subsidized coverage for low-income populations. The most far-reaching of these is to change funding for Medicaid (beginning in FFY2020) from an arrangement in which the federal government shares with states the cost of approved services delivered to eligible members, without a cap on federal participation, to one in which federal funding is capped at a per-person level based on historical spending.<sup>20,21</sup> This per-capita cap excludes CHIP—both the Medicaid-expansion and Separate varieties—but there would still be important implications for CHIP coverage of children in Massachusetts. These implications are discussed in the next section.

### FEDERAL BUDGET

The President's budget assumes passage of the Medicaid caps in the AHCA. It also proposes specific changes to CHIP. Funding for CHIP would be extended for another two years, through FFY2019. However,

- The CHIP bump would be repealed; Massachusetts's federal match for CHIP spending would go from 88 percent to 65 percent.
- The 65 percent federal match would be available only for children in families with income up to 250 percent FPL. It is not clear if coverage for children in households above that income level—MassHealth covers children up to 300 percent FPL—would receive the Medicaid match of 50 percent or no federal funding at all.
- The MOE requirement would end as of the end of FFY2017, permitting states to alter their CHIP eligibility and benefits.<sup>22</sup>

### 1115 WAIVER

Massachusetts operates most of MassHealth under a broad Section 1115 Medicaid waiver. Federal authorizations in the waiver allow Massachusetts to expand Medicaid eligibility to groups that would otherwise not qualify for MassHealth. Separate-CHIP children (except for unborn children) are incorporated into the waiver because they are eligible for Medicaid in the event the CHIP allotment is exhausted. The MassHealth waiver

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<sup>20</sup> H.R. 1628, The American Health Care Act of 2017, Subtitle C.

<sup>21</sup> A block grant option, which does not consider the number of Medicaid beneficiaries in computing the federal contribution, would also be available to states.

<sup>22</sup> U.S. Department of Health and Human Services, *Budget in Brief*, [https://www.hhs.gov/sites/default/files/Consolidated%20BIB\\_ONLINE\\_remediated.pdf](https://www.hhs.gov/sites/default/files/Consolidated%20BIB_ONLINE_remediated.pdf), accessed May 24, 2017.

was approved in November, 2016, for an extension that goes through June, 2022. The AHCA does not address Medicaid waivers, except to include spending under waivers generally in the same manner as other Medicaid expenditures for purposes of the per-capita cap.<sup>23</sup>

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## WHAT IS AT STAKE FOR MASSACHUSETTS?

### MEMBERS

Children in Massachusetts enjoy virtually universal health care coverage, due in no small part to Medicaid and CHIP.<sup>24</sup> Reauthorization of CHIP under the terms MACPAC recommends, including continuation of MOE requirements and the CHIP bump—enhanced federal match rates, would relieve the uncertainty about this part of the safety net. If this full reauthorization does not come to pass, there could be implications for coverage of Massachusetts children.

Because of the state's Section 1115 Medicaid waiver, most children currently covered by the CHIP portion of MassHealth would roll over to Title XIX (Medicaid) coverage if CHIP (Title XXI) funds were exhausted or eliminated. This includes the approximately 70,000 children in Medicaid-expansion CHIP, and more than 80,000 children age 0 to 18 in households with slightly higher incomes in Separate CHIP. The state would receive federal reimbursement at a lower rate (discussed below), but the children would still be covered as MassHealth members.<sup>25</sup>

The exception to the Medicaid backstop for CHIP-covered children is the nearly 7,000 unborn children covered by Separate CHIP, by virtue of which their pregnant mothers may receive prenatal and some postpartum services. Medicaid rules do not provide for coverage of unborn children; CHIP covers them in Massachusetts because their mothers are ineligible for Medicaid, most likely because of immigration status.<sup>26</sup> Some might have access to employer-sponsored insurance, which would entail out-of-pocket expense, unlike CHIP. Without CHIP, it is likely that most of these pregnant women and unborn children would be uninsured.

The foregoing analysis presumes that all other elements of the health care system—Medicaid as described in current statute, insurance subsidies in the ACA, and the Massachusetts 1115 waiver, including ConnectorCare<sup>27</sup>—remain intact. Given recent federal activity, it is possible that this would not be the case. Some proposed changes would have implications—either direct or indirect—for CHIP and the children it covers.

With Medicaid operating under a per-capita cap as described in the House-passed AHCA, for example, there may be less latitude for the state to shift children from CHIP to Medicaid. A Congressional Budget Office analysis of the per-capita cap proposal concludes that “the amount of spending on Medicaid would almost surely . . . be lower than under current law,” so the AHCA could have a very real, if indirect, effect on children's coverage

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<sup>23</sup> The American Health Care Act, §121(f)(1).

<sup>24</sup> In 2015, 98.4 percent of children had insurance at the time of a survey, and 97.4 percent had insurance for all of the previous 12 months. Center for Health Information and Analysis, 2015 Massachusetts Health Insurance Survey.

<sup>25</sup> Because the maintenance of effort requirement does not apply if CHIP funds are exhausted, the state could also choose to restrict MassHealth eligibility for children; we assume this is not a preferred option.

<sup>26</sup> National Academy for State Health Policy, “Children's Health Insurance Program Frequently Asked Questions.” April 2017.

<sup>27</sup> ConnectorCare is the vehicle for providing premium and cost-sharing subsidies for insurance purchased through the Massachusetts Health Connector.

if CHIP were not reauthorized or if funding were significantly reduced.<sup>28</sup> If Massachusetts wanted to continue to cover all CHIP children in this situation, it would require an increased outlay of state dollars and the need to find savings or reductions in spending in other areas of state spending.

The President's budget proposal appears to limit federal participation in CHIP to covering children up to 250 percent FPL, leaving children in Massachusetts with household incomes between 250 and 300 percent FPL (about \$51,000 to \$61,000 for a family of three in 2017) vulnerable to losing their coverage. One option for these children would be to seek coverage through the Health Connector, where they would face significantly higher premiums and cost sharing. The lowest premium at this income level for coverage through the Health Connector's ConnectorCare plans is \$124 per child per month for up to three children (with no additional premium beyond three). There also are copayments for using most services in ConnectorCare, with an out-of-pocket maximum outlay of \$1,500 per individual and \$3,000 per family.<sup>29</sup> Costs for employer-sponsored insurance, if available to a family member, could also be higher than current out-of-pocket spending under CHIP.<sup>30</sup> The additional costs would be prohibitive for some families and could result in an increase in uninsured children.

## STATE GOVERNMENT

The primary risk for Massachusetts concerning the fate of CHIP reauthorization is federal funding, the reduction of which could then have further policy implications. The failure of Congress to reauthorize CHIP would mean that after the state's CHIP funds were spent, most CHIP children would remain in MassHealth but under Title XIX (Medicaid) rather than Title XXI (CHIP) authorization. Rather than the current 88 percent federal reimbursement for spending on these children, Massachusetts would instead receive 50 percent. This would result in an estimated reduction of \$265 million per year in federal funds relative to what the state will receive this year.<sup>31</sup>

A possible reauthorization scenario is that Congress reauthorizes CHIP but reverts to the pre-2016 reimbursement rate of 65 percent. Federal CHIP financing in that case would decline an estimated \$160 million from the current level in Massachusetts.

This scenario for reauthorization would bring additional challenges if Congress were also to act on changing Medicaid to a per-capita cap or block grant program. Depending on the specifics of the program and how it would affect the state's 1115 waiver, Massachusetts could be faced with the choice of covering some CHIP groups with only state dollars if Medicaid spending reaches the federal cap or perhaps seeking a way to increase subsidies to purchase coverage through the Health Connector. In either case, it would mean additional expense for the state if it did not want to retreat from its commitment to assist in covering all children in households with incomes up to 300 percent FPL.

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<sup>28</sup> Congressional Budget Office Cost Estimate. American Health Care Act of 2017, as Passed by the House of Representatives on May 4, 2017.

<sup>29</sup> Massachusetts Health Connector, ConnectorCare Health Plans. [www.mahealthconnector.org/wp-content/uploads/ConnectorCare\\_Overview-2017.pdf](http://www.mahealthconnector.org/wp-content/uploads/ConnectorCare_Overview-2017.pdf), accessed May 25, 2017.

<sup>30</sup> MassHealth offers premium assistance to members who have access to employer-sponsored insurance if that approach is more cost-effective than direct MassHealth coverage. Loss of MassHealth coverage would eliminate premium assistance for Separate CHIP members, effectively increasing the cost of the employee's share of the employer-sponsored insurance premium.

<sup>31</sup> This is the difference between 88 percent and 50 percent of an estimate of total Massachusetts CHIP spending in the current federal fiscal year. The estimate is based on an assumption that spending in FFY2017 is the same percentage of the state's CHIP allotment as it was in FFY2015, the last year for which full spending data are available. The imputed level of CHIP spending in FFY2017 is \$697 million. The estimate is somewhat low because it does not account separately for spending for unborn children, about 4 percent of CHIP enrollment. This group would lose MassHealth eligibility entirely if CHIP were not reauthorized, depriving the state of the full 88 percent reimbursement.

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## **CONCLUSION**

CHIP is an important part of the health coverage scaffolding in Massachusetts, and developments in Washington over the next several months could have strong repercussions for Massachusetts children. The coverage of 160,000 children is at stake. While most of them would not lose coverage under current program rules if CHIP ended or its financing arrangements were altered, it would place increased pressure on the state budget to maintain Massachusetts's long-time commitment to seeing that virtually all of its children have the protection of health insurance. Changes to other federal programs, most importantly Medicaid, would bring additional challenges.



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