Children's Health Insurance Program (CHIP)

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THE ISSUE

Congress established the Children's Health Insurance Program (CHIP) in 1997, in response to mounting pressure to address the number of uninsured children. Proponents argued that CHIP would deliver health insurance coverage to half the nation's 10 million uninsured children by 2000. Through Federal Fiscal Year 2005, however, the program had never enrolled even 4 million children at any given time.

To take advantage of federal funds available under the federal program, the Texas Legislature established the CHIP program in 1999, though the new program did not begin to enroll children until June 2000. Texas CHIP is limited to children under age 18, in families whose incomes fall below 200 percent of the federal poverty level (FPL), and who are not eligible for Medicaid. Some states have tried to extend eligibility to children in families whose incomes meet or exceed 400 percent FPL, but those efforts have been denied. In fact, Congressional SCHIP reauthorization in 2007 failed to allow for such expansion.

From its implementation in June 2000, to its peak enrollment of 529,211 in May 2002, Texas' CHIP caseload has steadily increased. However, subsequent declines prompted lawmakers to reverse course on a 2003 state law requiring enrollees to prove their continued eligibility every six months, pass an assets test, and enter a 90-day waiting period before enrollment took effect.

After lawmakers expanded the program in 2007, the state expected roughly 500,000 enrollees in 2009. As of June 2010, there are 515,043 enrollees. When the 80th Legislature extended CHIP eligibility to one full year without reapplication, it created separate periods of continuous eligibility for children's Medicaid (6 months) and CHIP (12 months).

While the CHIP program is to all intents and purposes an expansion of the Medicaid program, there are two main policy differences between the two. Unlike Medicaid, CHIP is not an entitlement, and federal funds that are available to states through a matching arrangement are capped. Importantly, since CHIP is not an entitlement, states have greater flexibility to design a benefits package and require recipients to share in the cost of care.

THE FACTS

- ★ CHIP serves children under age 18 who are ineligible for Medicaid, but whose families make less than 200 percent FPL, with a 72 percent match from the federal government. With state funds only, the program also covers children of legal immigrants in this country less than five years, children of school employees who participate in the Teacher Retirement System, and children of state employees who meet income requirements.
- ★ For the 2010-11 biennium, CHIP funding totaled $2.02 billion in All Funds. State general revenue funds account for $642 million of the CHIP budget. Also, for the 2010-11 biennium, the SKIP program under CHIP was appropriated $14.76 million and the School Employee Children Insurance Program was appropriated $35.3 million.
- ★ The CHIP caseload peaked in May 2002, with nearly 530,000 children enrolled. Then it steadily declined, due in part to policies intended to verify and enforce eligibility standards. Lawmakers expanded the program to boost enrollment to cover 515,043 children in June 2010.

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- ★ Health and human services agencies account for slightly more than 60 percent of all federal funds in the state budget due to the matching funds for the Medicaid and CHIP programs.
- ★ Although CHIP is not an entitlement program and spending is theoretically capped, it has required supplemental appropriations to prevent budget shortfalls, and budgets have steadily grown since its inception.

RECOMMENDATIONS

- ★ Require all insurance plans contracting with the state for CHIP coverage to offer some coverage on the private market, making a private insurance product available for purchase to all CHIP applicants determined ineligible or disenrolled.
- ★ Should the efforts to repeal the newly enacted health care law prove successful, reinstate the reforms passed in 2003 and reversed in 2007, including mandating a 90-day waiting period for benefits, requiring an assets test, and removing the six-month period of continuous eligibility.
- ★ CHIP benefits should be no more generous than state employee benefits. Additional benefits, such as dental and vision services, should come at the family's option with separate cost-sharing.

RESOURCES

CHIPing Away at Reform by Mary Katherine Stout, Texas Public Policy Foundation (Mar. 2007) http://www.texaspolicy.com/pdf/2007-03-01-CHIP-mks.pdf.

Funding SCHIP with Tobacco Taxes by Mary Katherine Stout, Texas Public Policy Foundation (Sept. 2007) http://www.texaspolicy.com/pdf/2007-09-PP23-SCHIP-tobacco-tax-mks.pdf.

What SCHIP Reauthorization Means for the States, presentation at the American Legislative Exchange Council by Mary Katherine Stout and Tarren Bragdon (July 2007) http://www.texaspolicy.com/pdf/2007-07-Stout-BragdonPresentationALEC.pdf.

CHIP Enrollment by Income Group, Texas Health and Human Services Commission (Apr. 2010) http://www.hhsc.state.tx.us/research/CHIP/CHIPEnrollIncomeGroup.html.

Fiscal Size-Up: 2010-2011 Biennium, Legislative Budget Board (Dec. 2009) http://www.lbb.state.tx.us/Fiscal_Size-up/Fiscal%20Size-up%202010-11.pdf. ★

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