

# Keeping Texas Competitive

## A Legislator's Guide to the Issues 2013-2014



### CHIP

#### 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% of the federal poverty level (FPL), and who are not eligible for Medicaid. Average monthly enrollment in the CHIP program declined from 2003 to 2006. However, these declines in caseload prompted lawmakers to reverse course on a 2003 state law requiring enrollees to prove their verified eligibility every six months, pass an assets test, and enter a 90-day waiting period before enrollment took effect. 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). After lawmakers expanded the program in 2007, the state expected roughly 500,000 enrollees in 2009. New policies combined with an economic downturn caused enrollment to increase significantly. As of October 2012, there were 581,420 enrollees.

The 2010 federal health care law extended the CHIP program through 2019 with the eligibility levels that states had on the date of the law's enactment. With this extension, the law eliminated all asset and resource tests and kept a provision to disregard 5% of the family income.

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% FPL, with a 72% match from the federal government through 2015. From 2016 to 2019 the match rate for CHIP is 95%.
- For the 2012-13 biennium, CHIP funding totaled \$2.0 billion in All Funds. State general revenue funds account for \$597.1 million of the CHIP budget.
- The CHIP caseload peaked in August 2012, with 583,151 children enrolled. Average monthly enrollment is expected to continue at similar levels through the 2012-13 biennium.
- 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 12-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

Texas Medicaid and CHIP in Perspective, Health and Human Services Commission (Jan. 2011).

CHIP Enrollment by Income Group, Texas Health and Human Services Commission (Apr. 2010).

*Fiscal Size-Up: 2012-2013 Biennium*, Legislative Budget Board (Jan. 2012).

