

ISSUE BRIEF

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Congressional CHIP Bills Fall Short of Needed Reforms

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Congressional lawmakers have passed a September 30 deadline to reauthorize funding for the Children’s Health Insurance Program (CHIP), which provides health coverage for low-income children who are otherwise uninsured.¹ Members of both the House and Senate have introduced bills² that offer improvements over current law by addressing the program’s budgetary challenges and beginning to undo some of the damage that Obamacare caused to the program. However, the bills miss an important opportunity to make policy changes that address the program’s underlying structural challenges. Members of Congress should go further and make policy changes to ensure that parents have the ability to decide how to spend their program funds to help their children access a wide range of private insurance options.

Background

Congress enacted CHIP, a joint federal–state program, in 1997 to reduce non-insurance among low-income children, particularly in families that did not qualify for Medicaid. Taxpayers have spent billions on the program since its inception. A program with strong bipartisan congressional support, CHIP has been previously reauthorized and funded on multiple occasions, including through Obamacare.

While CHIP has reduced the number of uninsured children, the program faces both fiscal and policy problems. Most significantly, it does not give children’s parents the authority to decide what kind of health coverage their children will receive (it leaves that choice in the hands of government officials). Children in the program also experience medical access problems, particularly in specialist care.³

A Focus on Funding Changes

Both the Senate and House bills include provisions to increase state contributions and give states more flexibility to manage their eligible populations.⁴ The bills would require states to pay more into their programs. This would reverse a policy put in place by Obamacare that increased the federal match rates from a minimum of 65 percent to a minimum of 88 percent, with match rates in some states stretching as high as 100 percent.⁵ In exchange for this payment change, the bills would give states more flexibility to manage their programs by rolling back an Obamacare policy called maintenance of effort (MOE), which requires states to maintain existing eligibility levels or risk losing CHIP funding. In New York, that eligibility stretches as high as 405 percent of the federal poverty level (FPL)—an annual income of \$99,000 for a family of four.⁶ Current bills would roll back the MOE to only apply at levels of 300 percent of the FPL or below, beginning in fiscal year 2020.

Members should go beyond the bill’s current effort and limit eligibility for federal funding to individuals with incomes at or below 250 percent of the FPL.⁷ The vast majority—97.5 percent—of the CHIP population have incomes at this level. If states wish

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to support children in families with higher levels of income they should, be free to do so—*without* federal taxpayers footing the bill.

A Missed Opportunity to Make Structural, Policy Improvements

The bills currently under consideration focus mainly on funding questions and seek to make states pay more and the federal government pay less. Members of Congress also should seek fundamental policy changes to ensure that parents have the ability to decide what kind of health coverage their children will receive, rather than, as they are today, relegated to whatever—usually government-run—system their state deems best.⁸

Congress, therefore, should reauthorize CHIP—with policy changes. Specifically, parents should have the option to take CHIP funding as a defined contribution and be able to enroll their children in a private health plan of their choice, including if available,

employer-based coverage.⁹ Parental choice would enable parents to include their children in their own health care plans, allowing for whole family coverage, as well as providing an opportunity to secure better quality care. The formal separation of parents from children in health insurance coverage is an undesirable anomaly.

Conclusion

If Congress makes the recommended changes to the CHIP program, the CHIP bills would provide a substantial improvement over the status quo. Without these changes, however, Congress will miss an opportunity to empower parents and begin to move the nation's health care system towards a truly patient-centered health care system.

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1. Funding for this program requires regular reauthorization; without action, funds will begin to run out over the next several months.
 2. H.R. 3921, 115th Congress (2017), and S. 1827, 115th Congress (2017).
 3. See, for example, Government Accountability Office, "Children's Health Insurance Program: Effects on Coverage and Access, and Considerations for Extending Funding," February 2015, <http://www.gao.gov/assets/670/668768.pdf> 9 (accessed August 25, 2017).
 4. H.R. 3921, 115th Congress (2017), and S. 1827, 115th Congress (2017).
 5. Kaiser Family Foundation, "Enhanced Federal Medical Assistance Percentage (FMAP) for CHIP," web tool, comparing FY 2015 and FY 2016, <https://www.kff.org/other/state-indicator/enhanced-federal-matching-rate-chip/?currentTimeframe=2&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D> (accessed October 17, 2017).
 6. Kaiser Family Foundation, "Medicaid and CHIP Eligibility Level Limits for Children as a Percent of the Federal Poverty Level," January 1, 2017, <http://www.kff.org/health-reform/state-indicator/medicaid-and-chip-income-eligibility-limits-for-children-as-a-percent-of-the-federal-poverty-level/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D> (accessed October 17, 2017). Income calculations based on Healthcare.gov, "Federal Poverty Level," <https://www.healthcare.gov/glossary/federal-poverty-level-FPL/> (accessed October 18, 2017).
 7. Medicaid and CHIP Payment and Access Commission (MACPAC), "CHIP Eligibility," <https://www.macpac.gov/subtopic/eligibility-2/> (accessed October 17, 2017).
 8. In many states, CHIP is little more than Medicaid, or an adjunct of Medicaid, a poorly performing welfare program. Only 13 states have created an exclusive stand-alone CHIP program, while the rest have simply integrated or combined some or all of their CHIP program with the Medicaid expansion.
 9. One way to achieve this goal is to universally convert CHIP to a defined contribution system so that parents have the choice of which coverage they will pursue, rather than leaving that decision up to state officials.
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